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**TRADE FACILITATION AND INVESTMENT PROJECT  
CONTRACT # 116-C-00-01-00015-00**

**FINAL REPORT  
CONTRACT PERIOD 1 JUNE 2003 – 31 MAY 2006**

**INCLUDING:**

**EIGHTEENTH QUARTERLY REPORT  
CONTRACT PERIOD 1 MARCH 2006 – 31 MAY 2006**

**ANNUAL REPORT  
CONTRACT PERIOD 1 JUNE 2005 – 31 MAY 2006**

**REPORT FOR THE EXTENSION PERIOD  
1 JUNE 2006 – 31 JULY 2006**

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## ***I. BACKGROUND***

This report represents a consolidated final report for the Trade Facilitation and Investment Project (TFI), Contract No. 116-C-00-01-00015-00, for the three (3) year period from June 1, 2003 to May 31, 2006 and incorporates the quarterly report for March 1, 2006 to May 31, 2006 as well as the annual report for the June 1, 2005 to May 31, 2006 contract year, including the no-cost extension period of June 1, 2006 through July 31, 2006.<sup>1</sup>

TFI is a three (3) year extension of the Trade and Investment Project (TIP), implemented by The Pragma Corporation from June 1, 2001 to May 31, 2003.

### ***Trade and Investment Project (TIP) - Base Years (2001 – 2003)***

Initially anticipated to be a project limited to the Kyrgyz Republic and Kazakhstan, on June 1, 2001, the Trade and Investment Project began activities in Central Asia. TIP was designed with three (3) components, Customs, World Trade Organization (WTO), and the Reduction of Investment Constraints (RIC), phased in gradually over a period of several months.

The Customs Component in the Kyrgyz Republic and Kazakhstan was phased in from the predecessor project beginning in July 2001.

The World Trade Organization (WTO) Component began in August 2001 in the Kyrgyz Republic. In December 2001 and October 2002, following contract amendments, the WTO Component was extended to include support to Tajikistan and Uzbekistan, respectively.

The Reduction of Investment Constraints (RIC) Component was active in Kazakhstan from June 2001 and in the Kyrgyz Republic from September 2002 upon the completion of the USAID Regulatory Reform Project. Initially, exploration of RIC activities in Tajikistan and Uzbekistan was occurring through offices providing WTO assistance.

### ***Trade Facilitation and Investment Project – Extension Years (2003 – 2006)***

Beginning work under the TFI extension, the Project was restructured into two (2) Components, Reduction of Investment Constraints (RIC) and Trade Facilitation (TF) which consolidated the Customs and World Trade Organization (WTO) Components in recognition of their inter-dependence and congruity. Efforts to reform the GOST system of mandatory product standards were included in a Metrology, Accreditation, Standardization and Quality (MAS-Q) activity.

Based on lessons learned during the base years and USAID strategy, it was agreed that TFI would shift strategy and efforts from institutional strengthening to removing specific obstacles to trade and business activity in the region.

From the start of the TFI Project in 2003, the RIC Component was active in Kazakhstan, the Kyrgyz Republic and Tajikistan at both national and local levels. Exploratory efforts were underway in

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<sup>1</sup> The governance structures of the countries of Central Asia are based on Russian models and concepts of government. The term “Pravitelstvo” translates to “Government” in English, but refers specifically to part of what would be considered the executive branch of government, including ministries and agencies (the Cabinet), headed by a prime minister, but excluding enforcement bodies within Presidents’ Administrations, as well as legislative and judicial bodies. In the interest of specificity, in line with local concepts, throughout the report, “Government” is used to refer to the Pravitelstvo. The term “government” is used to refer to all government bodies, including Presidents’ Administrations, Pravitelstvos, Parliaments, and, where appropriate, the judiciary.

Uzbekistan to identify and address legal barriers to business activity and by May 2003 regional offices had been established in Ferghana and Andijan to further pursue RIC activities at local levels.

In the Scope of Work for the Extension Period, a constraint is specifically defined as a law, norm, regulation, practice or process that:

- Is flawed, out-of-date or redundant;
- Is illegal, improper or is implemented improperly;
- Involves a lack of effective rules, information or transparency; or
- Is inconsistent with the General Agreement on Trade and Tariffs (GATT) 1994, and /or implementing WTO agreements, the amended Kyoto Convention, and/or other applicable regional or international trade facilitation agreements.

Continuing activities initiated during the base years, TFI was to concentrate on primary constraints to trade and investment based on information provided by businesses. Specific areas of inquiry included: obtaining investor visas and expatriate work permits and hiring local labor, finding and buying land and developing a site, registering or deregistering a business, registering to pay taxes and social payments, obtaining business licenses and permits, importing and exporting products and services, complying with health, safety, technical, environmental, and other business-related regulations, adoption and implementation of relevant international agreements and fulfillment of obligations under existing international agreements, law and regulation drafting, and public-private interaction.

Expected results anticipated a reduction in the number and complexity of trade and investment constraints, an improvement in the quality of laws, norms, and regulations on business activity and an increase in transparency.

Within the Trade Facilitation Component, trade barriers were approached using the methodology developed and implemented within the RIC Component. Activities focused on the removal of constraints to trade continued through the reform of customs administrations, adoption and implementation of international agreements facilitating cross-border trade, WTO compliance and the reform of the GOST system to incorporate modern standards and principles.

TFI WTO assistance was focused on building internal WTO capacity, providing advice on development and implementation of WTO-compliant laws and regulations, and to assist the countries of Central Asia where possible with trade negotiations.

Within WTO activities, pre-accession support, in accordance with WTO checklists, was being provided to Uzbekistan and Tajikistan. Support was available to the Government of Kazakhstan, but it was not receptive to official WTO reform as of June 2003, with the exception of assistance in complying with the TBT Agreement. Post-accession support was being provided in the Kyrgyz Republic through attempts to bring existing legislation into compliance with agreement provision and through strengthening of trade-related institutions.

At the start of the extension, Customs support was focused on reform of national Customs Codes and the improvement of public-private dialogue. TFI activities were to include assistance expanding usages of the TIR system for transit, improvement in customs administration, and assistance in collaboration between tax and customs bodies.

In the MAS-Q area, efforts were underway, particularly in the Kyrgyz Republic, to reform the government institutions of the historic GOST system, as well as reform the legal base for product regulation. Extension year assistance would focus on establishing a legal framework that conforms to WTO requirements, creating MAS-Q systems that are properly structured and consistent with WTO requirements, preparing and training personnel to implement reformed MAS-Q systems, supporting

the development of accredited laboratory systems; and facilitating greater international and regional cooperation and mutual recognition.

### ***Three (3) Tier Approach***

As a multi-country project, TFI pursued reforms at three (3) levels of operation: regional, national and local.

Regional activities were focused on building dialogue between counterparts from the countries of Central Asia as well as with neighboring trading partners in Afghanistan, Russia and China. Additionally, internal operational initiatives were shared across offices to build a common reform strategy and share best practices amongst consultants. Significant regional efforts included cross-border Customs Consultative Councils, Central Asia Cooperation on Metrology, Accreditation, Standardization and Quality, Ferghana Valley Cross-Border Council, the Multiplication initiative, and building linkages between private-sector partners.

While Central Asian countries are members of or pursuing membership in multi-lateral international agreements, including the WTO, TIR and Kyoto Conventions, the Eurasian Economic Community (EurAsEC), and other agreements, effective implementation of international commitments requires changes in law and policy at the national level of each of the sovereign and independent countries of Central Asia. National level reforms focused on increasing compliance with international agreements as well as seeking improvements to wholly domestic legal frameworks to facilitate the development of an environment conducive to the development of entrepreneurship.

To ensure international agreement and national changes truly benefit individual entrepreneurs, as well as to address unique legal issues originating with local government bodies and implementing offices, TFI worked closely with government and private-sector counterparts at the oblast and city levels to promote secondary implementation of national reforms and promote consistency across administrative units within the countries of Central Asia.

## ***II. KEY ACHIEVEMENTS***

During the life of the TFI Project, the Central Asian Region has proven to be a very dynamic and challenging area for reform. While the countries have a similar starting point with the dissolution of the Soviet Union, the four countries in which TFI operated have pursued different paths, with varied outcomes. Utilizing existing reform strategies, and developing new methodologies, the TFI Project has been successful across components. Whether through direct consultation with government counterparts or building the capacity of private-sector partners for independent advocacy, the Project has exceeded expectations and improved the environment with lasting and sustainable reforms. Some of the Project's key achievements are highlighted below.

### ***Operational Innovations***

The TFI Project both refined practices developed by previous projects and innovated new approaches to legal and regulatory reform.

- **Development of the Reduction of Investment Constraints (RIC) Methodology.** Many projects and organizations discuss challenges to business operation and investment referring to “processes”. Throughout the TFI Project, an operational approach to identification, diagnosis and reform of problematic legal and regulatory processes was developed and refined. Much more than a tool to measure costs, the RIC Methodology is a public-private collaborative strategy to effect change in any environment. Applied by both TFI Consultants and outside partners, the RIC Methodology is the cornerstone of TFI reform activities.
- **Regional integration with the USAID Enterprise Development Project.** As one of two regional projects implemented by The Pragma Corporation in Central Asia, a key strategy of the TFI Project was to maximize the relationship with the USAID Enterprise Development Project. Sharing office space throughout Central Asia, except in Turkmenistan, TFI operated joint initiatives with EDP as well as involved EDP clients in reform data gathering and surveying, working groups, and information dissemination initiatives. Through the joint TFI/EDP grant program and the Association Development component, both projects contributed to grant-making determinations to magnify not only business development but also related advocacy activities. Also, as TFI implemented the business-driven RIC Methodology, EDP clients were consistent contributors of information to constraint identification and participants in training sessions as well as focus and working groups. In the area of trade facilitation, TFI provided individualized troubleshooting to support clients of the EDP Regional Trade Promotion component to facilitate the import, export and transit of client goods.
- **Development and expansion of the Partnership Program in Kazakhstan.** TFI has ensured the sustainability of its Reduction of Investment Constraints (RIC) work through the successful establishment and expansion of its Partnership Program in Kazakhstan. The program identifies and trains both governmental and non-governmental partners in the RIC methodology, which they are applying to reduce administrative barriers in cities and oblasts throughout Kazakhstan. From October 1, 2003 TFI signed on and trained 35 partners in 21 cities in Kazakhstan that have already reduced over 40 constraints totaling more than **\$30 million** in total impact. TFI has now taken the Program regional by launching a Multiplication Program that is using Kazakhstani partner associations to train 37 associations in Tajikistan, the Kyrgyz Republic and Uzbekistan in RIC methodology. TFI also created a website ([www.ca-ric.com](http://www.ca-ric.com)) to serve as a tool for networking and information sharing among regional associations.
- **Development of a Transit Cost Analysis (Cost to Market) in Central Asia.** This study charts the main transit corridors, both road and rail, in Central Asia, including Afghanistan, and shows

the distance, time and costs associated with moving a truck along each route. It also clearly demonstrates the over-regulated nature of transit routes in the region. TFI is using this as a tool to work with transport associations and national regulators to reduce the number and nature of the constraints identified as well as a source of valuable data to exporters.

### ***Reduction of Investment Constraints***

- **Adoption of the Law on Private Entrepreneurship.** Adopted in early 2006 after intensive discussion among government bodies and private sector groups, including TFI partners, the law is now the framework law governing ALL aspects of entrepreneurship in Kazakhstan and establishes general principles for business and government interaction. The law replaces a number of inconsistent and contradictory pieces of legislation, clearly states the limits of government regulation of businesses, provides a clearer framework for government and business interaction in the process of legal drafting by requiring the involvement of Expert Councils, requires regulatory impact assessment to be performed for every legal act that may affect businesses, and emphasizes the right of businesses to unite in associations and makes dues paid into those associations tax deductible – a very important incentive for businesses to join and support associations. The law does contain some provisions that worry entrepreneurs, such as accreditation of associations and limited access to Experts Council, but on the whole the law represents more of an improvement and, equally importantly, reflects the increasing power and influence of local associations to shape government policy in the sphere of entrepreneurship.
- **Elimination of unnecessary certification of tourism services in Kazakhstan.** Many mandatory standards imposed on tourism companies related to quality of service and had nothing to do with the health or safety of their customers. As such, the standards were unnecessary and cost tour operators time and money to obtain the annual certifications. Working with tour operators, TFI recommended that standards not related to the health and safety of tourists be excluded from mandatory certification. In total, 40 separate proposals were made of which 30 were adopted, eliminating most of the unnecessary requirements.
- **Licensing reform in Kazakhstan.** Licensing of various activities is commonplace in Kazakhstan, but so is licensing of a variety of sub-activities, requiring some companies to obtain multiple licenses for essentially the same activity – health care, construction, etc., most with the same requirements for the licensee. TFI, working with its Kazakh counterparts, successfully eliminated 197 licenses and sub-licenses for private health care services; 112 licenses and sub-licenses for construction related activities; and eliminated licensing in its entirety for 7 other categories of business activity. These activities remain subject to licenses but require only a general license to perform. In addition, TFI successfully lobbied for the delegation of licensing authority from the national government to local governments for tourism; nursing and medical activities; pharmaceutical activities; physical training and sporting activities; education services; and architecture, city planning & construction related activities. This allows entrepreneurs to obtain licenses locally rather than in Astana as before.
- **Introduction of improved procedures for conducting state procurement in Kazakhstan.** TFI worked to amend the law On Procurement to make the system more transparent, fairer and more accessible to SMEs. TFI's recommendations have opened the procurement market to more firms, lowered the financial threshold to bid on tenders and make bids more competitive, while simultaneously making it harder for less-reputable firms to obtain contracts through bids that are below market value. These changes have the potential for far reaching positive impact on SMEs in Kazakhstan. In 2004, for example, Kazakhstan conducted “open” tenders for nearly 19,000 separate procurements valued at more than 2.5 billion US dollars. Approximately 98% of these were awarded to local SMEs.

- **Streamlining the process of construction permits in Kazakhstan.** While constructing or reconstructing one's business premises may take 5-6 months, the approval process could take years. TFI was instrumental in developing and supporting a national level Decree that articulates specific time deadlines within government agencies for consideration of construction and reconstruction applications and conducting inspections of premises. Deadlines from 3 to 10 days have now been imposed for agencies involved at various steps in the process, and unnecessary inspecting agencies were removed with only 3 inspections now required.
- **Administrative Code Reform in Kazakhstan.** The Administrative Code of Kazakhstan provided for violation penalties that were too high (up to \$15,700) and not differentiated depending on business size. Often, penalties drove entrepreneurs out of business and provided significant opportunities for corruption. Working with association partners, TFI and the Ministry of Justice developed the draft Law "On Amendments and Additions to the Code on Administrative Violations", in which there was considerable reduction in possible fines in several articles and penalty differentiation depending on business size. This draft was approved in Parliament and signed on January 20, 2006.
- **Other TFI RIC activities in Kazakhstan:**
  - Reduction of 95 days off the time required to register a land lot in Atyrau;
  - Reduction of 10 days from the time required to certify food products in Pavlodar;
  - Elimination of trade licenses in Ust-Kamenogorsk;
  - Streamlining the process of certifying food products in Pavlodar and Uralsk; and,
  - Reduction in the time it takes to obtain a permit to re-profile a commercial property in Almaty – from 27 steps to 8 and from up to two years to 47 days to receive permission.
- **Establishment of working groups with the Prosecutor's Office in the Kyrgyz Republic and Kazakhstan.** TFI has had enormous success by bringing together business representatives and members of the Prosecutor's office in five regions of the Kyrgyz Republic to identify and discuss illegal and improper agency actions. As a result of working group activities, hundreds of protests and orders of the Prosecutor have been issued to cancel illegal and improper agency and local acts, most all of which have been satisfied. Some repealed regulations and challenged actions include: illegal road checkpoints; mandatory government collections for public funds; excessive documentation required for trade transactions; redundant inspection bodies; officially promulgated inspection collection targets; illegally restrictive permits; and, illegal requisitioning of private assets for government use. This has resulted in an immediate benefit to businesses throughout the country, has sent a clear signal to agencies not to issue acts contrary to law and has emboldened the Prosecutor's Office to continue its work in protecting the interests of businesses. Based on these successes, a similar working group was formed in Astana, Kazakhstan that has already intervened to cancel four illegal acts of government agencies affecting business activities.
- **New law drafting and rule-making procedures adopted in the Kyrgyz Republic.** To encourage greater public involvement in the law drafting and rule making process, TFI worked successfully with government and private sector counterparts to amend the law On Normative Legal Acts to include mandatory publication and review and comment periods for laws and acts affecting business activity. Later, TFI was instrumental in amending the Government's rule making procedures to include these periods and add the requirement of a cost-benefit analysis for such acts. In addition, TFI worked with government and private-sector representatives in Osh, Jalal-Abad and Issyk Kul Oblasts, as well as in Jayil Rayon and Bishkek City to modify local procedures to institute publication and public involvement provisions. While further institutionalization is necessary, this is a huge step toward improved transparency and accountability.



- **Elimination of illegal permits and adoption of a unified policy on permitting of business activities in the Kyrgyz Republic.** In the past, government bodies could create permits governing business activity through regulations. Processes were usually non transparent, permits were redundant, requirements were unclear, and fees were used as a fund-raising mechanism. With the assistance of TFI, a government resolution was adopted approving a unified list of permits that recognized only those contained in laws enacted by Parliament, not by regulations imposed by individual ministries. Through the development of the unified list, 21 permits were eliminated.
- **Reorganization of the Kyrgyz State Inspectorate on Standards and Metrology (KyrgyzStandard) into the National Institute of Standards and Metrology (NISM).** TFI was successful in transforming a regulatory standards body, performing all functions of metrology, standards, accreditation and certification, in violation of international rules, into an institute structured to provide technical services to industry and government in line with international practice.
- **Other TFI RIC activities in the Kyrgyz Republic:**
  - Reforming the system of awarding transport routes in the cities of Bishkek and Osh making them more transparent and open to competition among transportation companies;
  - Reforming the process of obtaining construction and site development permits on a nation-wide basis;
  - Eliminating the requirement to certify the provision of services; and,
  - Eliminating barriers to the development of tourism by eliminating illegal fees, tolls, checkpoints and reducing mandatory requirements placed on tourists and tour operators.
- **Development of a new Licensing law and clearer implementing procedures in Tajikistan.** TFI helped draft and support the passage of the new Tajik Law on Licensing in 2004. The new Law, unlike the earlier version, establishes a full and clear list of the types of business activities requiring licenses and simplifies the procedures for getting those licenses, saving both time and money for licensees. As a result, 12 types of licenses are issued in a shorter period of time, 9 types of licenses and permits will no longer be required, 23 licenses cost less than they used to, and 24 licenses are valid for longer periods reducing the license renewal costs from annual to every five years. The implementing regulation contains the procedures for obtaining all types of licenses and provides a single source for SMEs seeking information on licensing requirements. The result is an increase in transparency, clarity and protection of the rights of businesses.
- **Lowering taxes in Sogd Oblast.** In Sogd Oblast, TFI was successful in reducing tax-related constraints for entrepreneurs in Kanibadam, Kayrokkum, and Isfara. With the help of local entrepreneurs, TFI examined the tax rates in all three cities and found that those set by state agencies on an annual basis were burdensome and confusing. As a result, many businesses ended up paying too much in both official and unofficial payments. Working with both the tax inspectors and entrepreneurs in these cities, TFI was successful in getting the tax rates reduced based on industry and area specific needs.
- **Lower taxes and less harassment of pharmacies in Tajikistan.** TFI working with the Union of Pharmaceutical Organizations (UPO) successfully petitioned the local Khujand City government for a reduction in the retail sales tax on medicinal drugs from 3% to 1% and filed a harassment complaint on behalf of UPO's members against the Tax Authorities in the Economic Court of Sogd Oblast. UPO's members were continually subject to illegal inspections by the Tax Inspection, Tax Police, and Controlling Agencies. In an unprecedented ruling, the Economical Court of Sogd found in favor of UPO and ruled that the Tax Authorities' actions were illegal.

- **Streamlining business registration in Tajikistan.** TFI helped introduce a single consolidated registration form for business registration, re-registration and registration of branch offices. This reduced the number of required documents and the number of mistakes made in the registration process.
- **Availability of seals and stamps for individual entrepreneurs in Tajikistan:** Through its review of the registration process, and roundtable discussions with local businesses it was discovered that individual entrepreneurs were not permitted to acquire official company stamps as required for legal entities. In order to conclude an import or export contract, the requisite documents must bear the seal of the parties. As a result, individual entrepreneurs were effectively barred from engaging in trade, despite the fact that many could and attempted to do so. Analysis indicated that amendments to existing instructions of the Ministry of internal Affairs were required. With TFI's assistance the changes were prepared and approved in February 2006. To help spread the word about the changes, TFI organized trainings for government personnel and information campaigns in Dushanbe, Sogd and Khatlon Oblasts on proper compliance with the instructions. Additionally, with TFI support, over 150 copies of the instruction have been distributed to all employees of the Ministry of Domestic Affairs responsible for implementation. In addition to the immediate benefit accruing to individual entrepreneurs, the new order has also been a boon to the stamp engraving business.
- **Reduction of a turnover tax on products sold in the city of Khujand from 4% to 2%.** TFI first identified this burdensome tax by interviewing local businesspeople and establishing how much they paid in revenue tax annually. An analysis was formulated which showed what the businesses would likely do with the extra money if the tax was reduced and how this might increase the actual tax base of the city. The analysis was submitted to the Department of Economics of Khujand city to review at the Meeting of People's Deputies of the City. After reviewing TFI's analysis it was approved and announced that it would lower the revenue tax from 4% to 2%, except in the Panjshanbe market where the tax will remain the same in an effort to reduce overcrowding. Food sellers will pay only 1% in turnover tax.

### *Trade Facilitation*

- **Development of the Customs Code in Kazakhstan.** The Kazakh Code became effective April 2004. Additional amendments to the Code proposed by TFI were approved in June 2005, including certification of imported goods after customs clearance, streamlined warehousing procedures, and new measures for conducting post-entry control audits by customs. The changes also create a new **classification of "low-risk" traders** who are not subject to cargo inspections at the time of import or export. Since the amendments were introduced nearly **600 traders** have received the classification.
- **Creation of 28 Customs Consultative Councils in Kazakhstan, 2 in the Kyrgyz Republic and 3 in Tajikistan.** Consultative Councils serve to break down communication barriers and build trust between private sector interests and government officials; build the capacity of private sector associations to identify and address trade constraints in a constructive and forward-looking manner; and help to instill a much-needed "service" mentality, responsiveness and public integrity within trade administrations. Those councils with TFI support are actively and effectively reducing barriers to trade. To encourage private-sector involvement and notify the public of CCC activities and decisions by government counterparts, schedules, agendas and meeting minutes are routinely posted on CCC websites. To facilitate usage of best practices, TFI developed and circulated a guide to effective and successful CCC operation. In Kazakhstan, three local councils, with TFI support, established cross-border councils with their counterparts in the Russian Federation.

- **Development of an on-line International Trade Guide (ITG) and integrated tariff for Kazakhstan, the Kyrgyz Republic and Tajikistan.** Each International Trade Guide is a country-specific document that provides business with all requirements and information related to the import, export and territorial transit of goods, including the integrated tariff for each country. It describes both customs and non-customs administered procedures and obligations in layman's terms. The Guide is organized as a matrix of the above-mentioned requirements with an explanation of procedures in narrative format. The ITG is available at: [www.ca-trade.com](http://www.ca-trade.com)
- **Removal of Kazakhstan from the USTR IP Watch List.** Compliance with the TRIPs (Trade-related Aspects of Intellectual Property Rights) Agreement is a vital concern for businesses seeking to protect their intellectual property as well as for countries seeking WTO membership. Working with international counterparts including the World Intellectual Property Organization and the World Customs Organization, TFI supported efforts of the Government to improve rights' property mechanisms and enforcement. Through workshops and specialized training, in collaboration with the IP Committee of the Ministry of Justice, TFI provided customs officers, knowledge of Kazakh law and internationally applied mechanisms for enforcement. The United States Trade Representative conducts an annual Section 301 review of countries efforts to protect intellectual property per the Trade Act of 1974. In the 2006 report, the USTR officially indicated Kazakhstan has been removed from the Watch List due to recent efforts to enforce IP protections.
- **Development of the Customs Code in the Kyrgyz Republic.** The Kyrgyz Code became effective January 1, 2005. One significant feature of the Code was the legal recognition of private sector trade service providers, including their rights and obligations under licensing arrangements. Many of these services were previously performed by Customs only.
- **Development of the Customs Code in Tajikistan.** The Tajik Code also came into effect on January 1, 2005. Though the Code contains non-WTO compliant provisions, TFI has since developed WTO-compliant Customs Valuation instructions and IPR enforcement procedures that are pending approval.
- **Development of a WTO-compliant law on Technical Regulations in the Kyrgyz Republic.** The law became effective June 2004. In December 2005, a resolution was adopted cutting the number of products subject to mandatory certification by 60% and improving import procedures for regulated goods by recognizing international certificates and quality marks.
- **Development of a law on Technical Regulation in Kazakhstan.** TFI helped draft and comment on the law On Technical Regulation that became effective in May 2005. The law is not fully WTO compliant but amendments to it are now pending, many of which contain the very recommendations made by TFI. We expect that law to meet the essential requirements of the Working Party.
- **Donation of \$1 million of modern scientific instrumentation and electronic test equipment to the National Metrology Institutes (GosStandards) of the Kyrgyz Republic, Tajikistan and Kazakhstan.** Recognizing the lack of a modern measurement infrastructure, TFI teamed up with the United States Navy and the Boeing Corporation to provide surplus instrumentation and test equipment to metrology institutes in Central Asia. TFI also provided training in the use and calibration of the equipment.
- **Improvement of IPR Enforcement and Legislation in Central Asia.** TFI organized and led major workshops on IPR Enforcement in Almaty in May 2004, and a regional seminar in July 2005 in collaboration with WIPO and WCO. Effective enforcement of IPRs is an important condition for membership in the WTO (Kazakhstan, Uzbekistan and Tajikistan) and remains a challenge for post-accession compliance in the Kyrgyz Republic. TFI also successfully mobilized IP industry support for these seminars and for more detailed practical training in four regions of

Kazakhstan. TFI also drafted the IPR provisions of the Kyrgyz, Tajik and draft Uzbek Customs Codes and recently proposed a package of amendments to the Kazakhstan Customs Code to bring it closer into compliance with the WTO TRIPS.

- **Promotion and Expansion of the TIR System in Central Asia.** TFI completed a major study of the utilization of the Transport International Routier (TIR) System in Central Asia in September 2004. TFI's TIR Report was lauded by the International Road Union (IRU) and the United Nations Economic Commission for Europe (UNECE) as the first of its kind in the world to critically examine the TIR System and how improvements can be made. This has since lead to trainings for customs officers by the IRU and UNECE and the expansion of the availability and number of TIR carnets issued in the region.
- **Introduction of National Risk Management Programs in Kazakhstan and the Kyrgyz Republic in 2005.** The results have been very good in Kazakhstan, where a special Risk Management unit was established in the Customs Committee subsequent to this technical assistance; low risk traders are now beginning to receive simplified customs clearances in Kazakhstan. Senior customs officials in the Kyrgyz Republic also benefited greatly from this technical assistance and have introduced a similar low risk trader designation and procedure.
- **Establishment of a Customs Brokers Association in the Kyrgyz Republic in May 2005.** The association now includes 13 licensed customs brokers and is successfully advocating its members' interests, mainly through Customs Consultative Councils.
- **Establishment of a new Inter-Agency Commission on WTO Compliance in the Kyrgyz Republic in June 2003.** Most significantly, the Commission now allows the private sector to participate in its meetings as observers and has already helped identify and resolve numerous WTO and other trade violations and provided specific recommendations for negotiating positions for the Government at WTO Ministerial meetings and working party sessions. Unlike its predecessor, the Commission is chaired by the Minister of Trade and Industry who has the authority to require compliance from other ministries.

Additionally, TFI has provided support to a variety of private sector groups in trade related matters. These include, but are not limited to:

- The introduction of a simplified tax regime for the Association of Light Industry in the Kyrgyz Republic that encourages tax compliance, increases transparency and legalizes their transactions, particularly exports, allowing them to take advantage of duty free status in Russia and other CIS markets;
- The introduction of VAT and duty-free status for capital equipment, particularly for light manufacturing, in Tajikistan based on recommendations of the Customs Consultative Council of Sogd oblast;
- The Simplification of visa and cross-border procedures for beekeepers in Uzbekistan crossing into the Kyrgyz Republic;
- The elimination of permits for the export of Kyrgyz handicrafts;
- The introduction of a simplified visa regime in Kazakhstan for citizens of 27 countries in North America, Europe and Asia. The new rules allow for the issuance of a one-month visa without a letter of invitation or support from a Kazakh entity; and,
- The drafting of an initial agreement between Kazakhstan and Russia on the establishment of Joint Border arrangements at the key border crossings between the two countries. The idea of creating

the joint border posts was originally recommended by TFI to the two sides in 2003 and TFI later helped draft the inter-governmental agreement. Both sides hope to sign the agreement in May during a visit of Russian President Vladimir Putin to Kazakhstan. While actual implementation of joint border posts is some way off, the agreement paves the way for their introduction and has the potential to greatly streamline cross-border trade and traffic.

### **III. CONSOLIDATED RECOMMENDATIONS**

Below are the key recommendations of TFI taken from the regional and country reports (Section IV) for any future activities and directions to improve the business, trade and investment environment in the four countries the Project operated.

#### ***Regional***

- While foreign investment can be important to a transition economy both due to direct benefits of the investment and improvements in the environment necessary to conform to the standards of international business, growth in domestic businesses and increased entrepreneurial activity by citizens will be the largest driver of economic growth in the region. Therefore, it is recommended that while foreign investors are important stakeholders, reform activities and initiatives should be targeted to benefit current and future domestic businesses.
- TFI recommends consideration of a transportation conference for the greater region (to include China, Russia, Turkey, Pakistan, Iran, Azerbaijan and the 5 CARs) to bring together *private sector* transportation associations, which have strategic common interests in greater efficiencies in the transport sector. The conference would break down the traditional barriers of language and geopolitics to allow market forces to take over to facilitate transportation and trade.
- It is recommended that facilitating transit trade should be a main priority in further trade and customs activities. In particular, assistance in Kazakhstan should facilitate and encourage development and implementation of transit-friendly policies to benefit neighbors, especially the Kyrgyz Republic, Uzbekistan, and Tajikistan, since businesses in those countries are particularly dependent on transit policies in Kazakhstan for access to traditional northern markets.
- Future funding or support for computerization of tax or customs administrations, or for anti-corruption initiatives, should be part of an integrated and comprehensive reform and modernization effort in accordance with international standards and best practices.
- TFI recommends the development and increased promotion, in the greater region (neighboring countries), of international trade guides, in multi-lingual format, to increase access to information, enhance transparency, and reduce opportunities for corruption.
- Based on success demonstrated by the consultative processes, it is recommended to expand consultative bodies to Afghanistan, Pakistan, Russia and China, and expand subnational consultative councils to include cross-border representation, where possible.
- Funding of new border infrastructure is recommended only when border development plans are integrated on a regional basis (e.g., support only joint border facilities). But, it is recommended to only support joint border controls if the initiative is enthusiastically supported by the national administrations concerned, and only when each national administration has first internally coordinated their own national agencies concerned with border controls.
- It is strongly recommended that the USG coordinate all border support programs, especially security assistance with trade facilitation programs, to ensure that all concerns are addressed collaboratively and the USG is providing harmonious assistance.
- Any future support to Customs Code development or amendment, as part of the FAST worldwide trade facilitation initiative, should be based on the principles and agreements of the WTO and on the Standards and Recommended Practices of the Revised Kyoto Convention. Customs Codes,

implementing regulations, and procedures should be harmonized within the region as well as with international models, to the greatest extent possible.

### ***Kyrgyz Republic***

- Provide continued support to the General Prosecutor and regional Prosecutors' Office Working Groups, including computerization and other material support, to enhance sustainability of public-private dialogue empowering the protest process as a checking mechanism on illegal government rulemaking.
- Expand the TFI Partnership Program, including members from the Kyrgyz Republic, and expand regional information sharing and support from "champion" association leaders.
- Encourage the adoption of the Law on Inspections, and support reforms of 2<sup>nd</sup> tier regulations following adoption as well as improved inspection practices by government agencies consistent with new provisions.
- Encourage adoption of amendments to the Law on Licensing, and support reform of 2<sup>nd</sup> tier regulations following adoption as well as improved licensing practices by government agencies consistent with new provisions.
- Increase collaboration between the private sector and universities through the expansion of legal clinics and other service providing bodies, as well as through material support to universities participating in supportive activities.
- Encourage the development and dissemination of foundational legal information addressing basic issues of property rights and the role of all parties in a representative government system that can be used by advocates to strengthen reform activities.
- Collaborate with the future World Bank and EU-TACIS Projects focused on development of technical regulations and continuing reform of the GOST system to identify gap areas and where assistance can reinforce World Bank activities. To the extent feasible, apply the experience of the EU-TACIS Support to the WTO Accession of Kazakhstan Project that is drafting 30 priority technical regulations and harmonizing others laws to comply. These same regulations could serve as the basis for those of Kyrgyz Republic, avoid costly development costs and by harmonizing regulations would help smooth the flow of trade among the two countries.
- Identify and support, through legal reform and additional donor investment, opportunities to improve trade and transit infrastructure at border facilities, and especially the main internal road arteries.
- Provide technical training to government and private sector representatives on new legal drafting procedures within the government to facilitate effective and beneficial public-private dialogue during the drafting process and encourage the usage of appropriate regulatory impact assessment given resource constraints.
- Encourage the adoption of amendments to the Law on Normative Legal Acts, the hierarchy of laws, and the elevation of the Law to constitutional standing to establish the superiority of the law in the legal environment.
- Support efforts to strengthen the government oversight role of Parliament and improve the quality of laws to reduce regulatory delegation and subsequent rulemaking, and address remaining imbalances in government structures and relationships that are inconsistent with representative republic principles.

- Future trade-related support should incorporate participation of the Customs Consultative Councils as well as consider efforts to expand councils in other regions and the possibility of linking groups from multiple countries to effectively address regional trade issues in public-private partnership.
- Support increased freedom of movement by people in the Ferghana Valley, including the elimination of visa requirements and excessive passport stamping.
- Assist the development of an implementation plan for reform of the business registration process and provide training as well as material and computerization support consistent with the implementation plan to promote beneficial change.
- Promote amendments to the tax code consistent with on-going reforms in inspections, licensing, normative acts, and business registration to eliminate inconsistencies between reform initiatives and to encourage a harmonized legal environment.
- Encourage the development of reform coordination mechanisms, led by the Prime Minister's Office, based on proven methodologies including government ownership, involvement of government and private sector specialists (e.g. WTO Department, IMC, NISM, Customs), specific goal-setting, representative business involvement, activity tracking/monitoring and evaluation.
- Conduct an analysis of the national IT strategy in conjunction with the National Communication Agency and coordinating committee and provide recommendations to improve the legal and operational foundation for future integrated e-government initiatives.
- Although the Kyrgyz Republic has been a recipient of WTO-related USAID technical assistance for a number of years after its accession, there are two issues that still need attention and support due to their significance and the lack of resources and capacity of the country: (i) support to the Kyrgyz Republic's Trade Policy Review, and (2) support for participation at the Doha Development Agenda negotiations and assistance implementing any new agreements that may emerge.

### ***Kazakhstan***

- Continue the expansion of the TFI Partnership Program to the Kyrgyz Republic, Tajikistan and Uzbekistan, and expand regional information sharing and support from "champion" association leaders from Kazakhstan.
- Increase collaboration between the private sector and universities through the expansion of legal clinics and other service providing bodies, as well as through material support to universities participating in supportive activities.
- While many Customs Consultative councils in Kazakhstan are self-sustaining, some would benefit from continued support from any ongoing USAID trade facilitation program and should be viewed as a primary vehicle to deliver meaningful reform of customs clearance and border procedures.
- Encourage Customs to apply in-house customs valuation techniques consistent with the Customs Code and the WTO Agreement on Customs Valuation.
- Encourage expansion of the International Trade Guide to include information on neighboring trading partners including China, Russia and Afghanistan.



- Provide continued support to the General Prosecutor and regional Prosecutors' Office Working Groups, including computerization and other material support, to enhance sustainability of public-private dialogue empowering the protest process as a checking mechanism on illegal government rulemaking.
- Monitor government execution of the survey "Rating of the Freedom of Entrepreneurship: and once the survey is completed, work with the government to analyze the results and determine what regions and what problems need attention and in what way, as well as encourage local partners to become involved in working with the local Akimats and SME departments to address the problems identified.
- Conduct an analysis of the national IT strategy in conjunction with the Agency for Informatization and Communication and provide recommendations to improve the legal and operational foundation for future integrated e-government initiatives.
- Evaluate the services of the Public Assistance Centers (PAC) which are scheduled to open across the country over the next few years and perform a legal review and process analysis of business registration and related laws/regulations (including the tax code), and identify specific improvements to support streamlining of the system and transitioning it to a routine, clerical activity.
- Encourage the development and dissemination of foundational legal information addressing basic issues of property rights and the role of all parties in a representative government system that can be used by advocates to strengthen reform activities.
- Continue to assist private sector partners, such as the Forum of Entrepreneurs, participating in the parliamentary working group on licensing to advance the draft law On Licensing. Upon passage, work with partners and government to implement the main provisions of the law, in particular, the "one-stop-shop" requirement for the issuance of licenses. Additionally, help disseminate information on licensing reforms and conduct trainings for licensing bodies and entrepreneurs.
- Support the private sector advocacy initiative to change the Law on Private Entrepreneurship to eliminate the broad discretion granted to certain agencies to inspect without notice; recommend protective provisions similar to those under consideration in the Kyrgyz Republic and Tajikistan
- Encourage demand for RIA through trainings for government officials and private sector groups, as well as workshops and seminars utilizing experiences from other transition countries, and assist the government in considering various RIA methods to determine the most practical and useful approach, given the limited resources and capacity within most governments in the region. As RIA requires adequate data, work closely with the governments to develop data collection strategies that are affordable as well as precise and consistent.
- Promote changes to procedural laws and regulations governing the legal drafting process within Government and Parliament, and support improved opportunities for public comment.
- EU-TACIS is providing direct assistance to GosStandard on the development of internationally compliant technical regulations and preparing amendments to harmonize other laws with the requirements of the Law on Technical Regulation. In this area, future assistance is recommended in supporting continuing assessments of product standard and certification barriers and monitoring the implementation of the Law on Technical Regulation.
- Provide organizational support to the Working Group on Removal of Administrative Barriers and Debureaucratization and to select regional Akimats in Kazakhstan to encourage (i) coordination

of reform, including government ownership of the reform process, (ii) beginning-to-end reform planning, (iii) private sector participation, (iv) specific goal setting, and (v) issue tracking with a feedback mechanism.

### *Tajikistan*

- Promote adoption of amendments to the Law on Licensing of Separate Types of Activity and collaborate with the IFC Project on development of consistent 2<sup>nd</sup> tier regulations following adoption and institutionalization of process improvements.
- Promote adoption of the Law on Inspections and collaborate with the IFC Project on development of consistent 2<sup>nd</sup> tier regulations following adoption and institutionalization of process improvements.
- Support efforts to increase public-private dialogue through roundtables current operated by the Anti-Monopoly Agency.
- Support institutionalization of Customs Consultative Councils, established with the assistance of TFI, to encourage increased dialogue between public and private sectors and participation in the policymaking process.
- Expand Customs Consultative Councils in areas bordering Afghanistan to include Afghan government and private sector representatives to identify and address mutual barriers to cross-border trade and serve as the basis for broader cross-border dialogue in anticipation of the opening of new bridges and improved roads between the two countries.
- Implement further improvements to the Customs Code and secondary regulations; implement a system of cost-based customs fees.
- Support reform of the Tajik Commodity Exchange and eliminate the requirement to obtain approval for import and export contracts.
- Support the legalization of private notary services to break the state monopoly, expand availability of services and lower costs.
- Assist the State Agency on Procurement to improve the state procurement system to encourage greater participation by SMEs; work with the World Bank to implement e-procurement.
- Assist the development of an implementation plan for reform of the business registration process and provide training as well as material and computerization support consistent with the implementation plan to promote beneficial change.
- Encourage demand for RIA through trainings for government officials and private sector groups, as well as workshops and seminars utilizing experiences from other transition countries, and assist the government in considering various RIA methods to determine the most practical and useful approach, given the limited resources and capacity within most governments in the region. As RIA requires adequate data, work closely with the governments to develop data collection strategies that are affordable as well as precise and consistent.
- Promote changes to procedural laws and regulations governing the legal drafting process within Government and Parliament, and support improved opportunities for public comment.
- Deregulation of the GOST system of mandatory product standards is still in the early stages in Tajikistan and there has been, up to now, strong resistance to reform. However, the stated policy

of the government is to reform this system. First, it is a requirement of the WTO (TBT and SPS Agreements) and is explicitly mentioned in the country's Poverty Reduction Strategy and its Program to Improve the Investment Climate. For this reason, assistance is recommended that identifies and builds on opportunities in collaboration with other donors and projects (IFC, World Bank-FIAS/MIGA) to introduce meaningful reforms in this area, including promoting the adoption of the Law on Technical Regulating, reducing the list of products subject to mandatory certification, eliminating certification of services, eliminating ad-valorem fees for certification, introducing suppliers' declaration for many products and ensuring that all requirements are publicly available.

- Provide organizational support to the Anti-Monopoly Agency in Tajikistan to encourage (i) coordination of reform, including government ownership of the reform process, (ii) beginning-to-end reform planning, (iii) private sector participation, (iv) specific goal setting, and (v) issue tracking with a feedback mechanism.
- Encourage consultation by the Government of Tajikistan with the WTO Working Party prior to the next meeting regarding the TFI-support draft Law on Technical Regulation currently under review by the Government to establish for all involved an authoritative and credible opinion and provide a basis for further work.
- Mobilize the private sector around WTO membership and promote membership advantages through a follow-on project that includes not only technical assistance to the government but also a substantial private sector support component.
- Provide continued support to the General Prosecutor and regional Prosecutors' Office Working Groups, including computerization and other material support, to enhance sustainability of public-private dialogue empowering the protest process as a checking mechanism on illegal government rulemaking.
- Continue expanding the TFI Partnership Program to Tajikistan, and expand regional information sharing and support from "champion" association leaders from Kazakhstan.
- Increase collaboration between the private sector and universities through the expansion of legal clinics and other service providing bodies, as well as through material support to universities participating in supportive activities.
- Encourage the development and dissemination of foundational legal information addressing basic issues of property rights and the role of all parties in a representative government system that can be used by advocates to strengthen reform activities.
- Support increased freedom of movement by people in the Ferghana Valley, including the elimination of visa requirements and excessive passport stamping.

### *Uzbekistan*

- Continue expanding the TFI Partnership Program, including members from the Kyrgyz Republic, and expand regional information sharing and support from "champion" association leaders.
- Following adoption of a new Customs Code, include Uzbekistan in the International Trade Guide.
- Depending on the openness of the Uzbek government and its commitment to effective reform, future assistance may be provided in supporting the development and effective implementation of draft legislative texts, including the Customs Code, the draft Law on Technical Regulating and the

new edition of the Copyright Law, which should be reviewed and finalized during 2006, with a view to their submission to Parliament for adoption in 2006. As foreseen in the Legislative Action Plan, the other twenty-three outstanding legislative texts should be drafted, reviewed and finalized in 2006, 2007 and 2008, with a view to their finalization at the latest in 2009.

- Support analyses of the implications of the process of WTO accession, taking into account possible levels of concessions and commitments, and the expected minuses and pluses resulting from the trade liberalization outcome of the negotiations for the economy of the acceding country as a whole, at the level of expected rates of GDP growth, income, employment and investment, and also at the individual sectoral levels in agriculture, industry, and services as well as the potential creation of investment opportunities. This assessment could be carried out by some of the existing think-tanks such as CER, CEER, and others, with the support of programs supporting economic reforms such as the World Bank, UNDP and others.
- Support amendments to the Civil Code identified by TFI as inconsistent with market principles and the rules and practices of the WTO.
- Support the strengthening of the GOU structure established for implementation of the WTO accession process, including supporting establishment of information centers such as WTO Information Center, GATS Information Center, TBT and SPS Inquiry Points and support to the Small Council.
- Support revised offers on goods and services addressing WTO member countries concerns
- Assist preparation of responses to additional questions and other documents such as the responses to the WTO questionnaires on customs valuation, import licensing, and state trading: Continue support in preparation of WTO documentation and responses.
- Encourage the dissemination of information: Continue public information efforts by holding seminars, publishing articles, and conducting trainings and roundtables on WTO membership both in Uzbekistan and abroad.
- Support increased freedom of movement by people in the Ferghana Valley, including the elimination of visa requirements and excessive passport stamping.
- Encourage publication of operating hours for border posts with the Kyrgyz Republic and Tajikistan, as well as the extension of hours of operation.
- Provide organizational support to government to encourage (i) coordination of reform, including government ownership of the reform process, (ii) beginning-to-end reform planning, (iii) private sector participation, (iv) specific goal setting, and (v) issue tracking with a feedback mechanism.

#### ***IV. SPECIFIC SUMMARIES***

##### ***A. Regional***

As a project operating in four countries (the Kyrgyz Republic, Kazakhstan, Uzbekistan, and Tajikistan), TFI pursued a number of regional initiatives, mostly related to trade facilitation within Central Asia and its regional trading partners.

##### ***Custom Codes and Trade Regulations***

TFI placed great emphasis on the legal and regulatory framework for trade and trade administration, as well as on the foundation of WTO principles and agreements in national legislation. Simplified customs procedures, in accordance with international best practices represent a major step forward for trade facilitation. The countries of Central Asia, with little experience in modern customs administration and facing resource allocation challenges, need to simplify their customs rules and procedures to the maximum extent possible. Because customs codes define a significant portion of the regulatory framework for the administration of foreign trade, TFI devoted considerable levels of effort to the development of customs codes in the region. This support began in 2001 in the Kyrgyz Republic and Kazakhstan and later expanded to include Tajikistan and Uzbekistan in 2002-2003.

##### ***Kyrgyz Republic***

In the Kyrgyz Republic, in 2001, TIP was tasked with providing primary donor technical assistance in developing a new Customs Code. Consistent with TFI recommendations, during the 2003 – 2004 period, the Kyrgyz Republic formally acceded to the “International Convention on the Harmonized System”, which forms the basic nomenclature and coding for Kyrgyz import and export customs declarations, and for import tariffs. This is a critical feature that paves the way for computerization of customs operations, permits the capture of more accurate trade data, and allows the mutual exchange of trade statistics with trade partners.

Through assistance provided by a dedicated regional Customs expert, as well as periodic interventions from additional specialists, the new Customs Code of the Kyrgyz Republic was approved by Parliament on April 13, 2004 and went into effect on January 1, 2005. The Kyrgyz Code, now considered the best in the region, includes improved provisions for valuation, appeals, and audit and is now in fundamental compliance with WTO principles and agreements.

To ensure proper implementation of the Customs Code and preserve compliance with WTO and revised Kyoto Convention principles, TFI worked closely with the Customs Service and the private sector to draft implementing regulations, adopted in December 2004, that included a variety of business-friendly provisions such as the introduction of licensing for customs brokers, freight forwarders and bonded warehouse operators, activities that heretofore were not legally recognized. With their introduction, and the inclusion of licensing procedures that are transparent and non-discriminatory, SMEs will have the opportunity to use the services of private sector intermediaries, saving them time and money and improving the overall quality and efficiency of the customs clearance process. As of May 2006, 39 licenses have been issued for trade service providers in the Kyrgyz Republic.

Modern Customs administration and WTO compliance requires not only a sound legal framework, but also reform of operations and methodology. To facilitate institutional changes and compliance practices, following adoption of the Code, through international specialists, TFI provided training and additional support to improve administration through effective risk management and valuation practices.

TFI also saw its work on the Law “On Customs Tariff” come to fruition. Parliament passed the law in December 2005. Since 2003, TFI had been encouraging the Kyrgyz Republic to adopt a perpetual tariff law instead of readopting tariff rates each year. By reconsidering rates each year, rates were subject to unexpected changes and the unnecessary reenactment consumed scarce legislative resources. Since the law was often adopted after the beginning of the calendar year, it created problems for businesses due to retroactive application. By adopting a permanent law, tariff rates will be approved only when specific changes need to be made, rather than on an annual basis.

In addition, following legalization of their activities, a number of Customs brokers requested TFI assistance to form an association to protect their interests, promote industry development, and encourage collective advocacy in the future. With TFI assistance, in May 2005, the Association of Customs Brokers was officially created with thirteen (13) dues-paying members. The Association is a key participant in the Customs Consultative Council mentioned below.

On the institutional front, TFI attempted on numerous occasions to cooperate with the Asian Development Bank (ADB) in their program to computerize the Kyrgyz Customs administration, but with little success. TFI remains convinced that for countries with weak capacity and infrastructure such as the Kyrgyz Republic, it is counterproductive for them to attempt development of their own software and computer systems for customs *or* tax administration, when proven systems already exist for adaptation to fit national needs. For this reason, TFI promoted the use of the latest version of the Automated System for Customs Data “ASYCUDA World” developed by UNCTAD. The software is free of charge and only its adaptation to the local environment would require technical assistance that the ADB project could have funded itself or in collaboration with TFI. Instead it seems that a separate software product will be developed for the Kyrgyz Republic. As such, any future trade facilitation activity should seek to cooperate with Customs and the software developer to ensure that the procedures being computerized are first streamlined.

### *Kazakhstan*

During the base years, TFI contributed a significant amount of technical assistance to the development of a new Customs Code, which went into effect on May 1, 2003. The Code itself met the requirements of the Revised Kyoto Convention and the essential requirements of the WTO. Some of the main features of the Code that TFI successfully included were the concept of risk management, post entry control, proper valuation techniques, the use of insurance as a form of Customs Security and the requirement to provide timely information to the public. TFI would concentrate during the Extension Period on implementing these provisions to ensure the trade community actually benefited from the best features of the Code. Some of these are discussed here and others in the country section.

In 2004, at the request of Customs, TFI provided short-term technical assistance in developing a risk management system to further streamline import procedures. This assistance was well-received and resulted in Customs developing risk profiles and establishing special Risk Management and Post-Entry Control units in all the oblast Customs Departments. Building on this success and the interest of Customs to further improve clearance procedures, additional amendments to the Code were made again in June 2005, incorporating a number of TFI’s recommendations. Most significant of these was the introduction of a designation known as the “low-risk trader”. This system allowed legitimate traders with a good track record to apply for a simplified customs clearance regime. Some of the features of this regime include:

- Allowing traders to secure and present certification documents for imported goods after customs clearance, rather than during the clearance process;
- Allowing traders to store goods in their own warehouses rather than in temporary customs warehouses;

- Allowing traders to lodge periodic declarations without providing security of payment of customs duties and taxes. Customs duties and taxes are paid when lodging a full customs cargo declaration.

Each of these features allows low/no risk traders to significantly reduce their time and financial costs when dealing with Customs. TFI also contributed to the increase in the number of beneficiaries from the Risk Management system by explaining and advocating the system through Customs Consultative Councils, round tables and meetings with local businesses. As a result, there are presently 594 companies in Kazakhstan referred to the minimum risk category and enjoying simplified customs clearance procedures.

In February 2006, TFI prepared and submitted recommendations regarding additional amendments to the Customs Code concerning Intellectual Property Rights administration in Kazakhstan to promote compliance with WTO/TRIPs requirements. The recommendations, which included ex officio powers to Customs officers to enforce IPR protections, were included in the Table of Changes to the RK Customs Code that will be formally submitted to the Government for approval in late 2006.

TFI also continually advocated for the proper application of Customs Valuation procedures by Customs, which did not follow the requirements of the WTO Agreement on Customs Valuation (ACV) and the Customs Code itself, which by and large contains the proper procedures. Until recently, the Customs Control Committee did not verify the facts related to the value of goods in each import transaction, as required under the ACV and under the Customs Code. Indeed, the required methodology for verifying the transaction value (the price paid or payable for imported goods) was not being applied by Customs; rather they were applying comparative value(s) of goods other than in the transaction undergoing verification. In some cases, those comparative values came from previous Goods declarations in Kazakhstan and in other cases comparative values were used from other sources. The comparative values were imposed on the import transaction under verification and the importer was required to pay import duties and taxes on the re-appraised value of the goods. This practice is specifically banned under both the ACV and the Customs Code and TFI repeatedly requested Customs to discontinue it.

This has been a major irritant to traders, notably over the last three years and is the source of many disputes, including formal appeals between traders and customs officers. Unfortunately, the courts in Kazakhstan have not proven to be an independent and impartial recourse for traders to resolve these disputes with Customs.

The practice has since been discontinued, but Customs is now considering using different independent evaluators for this purpose – a practice which does not necessarily violate WTO requirements, but TFI has advocated working with Customs officers to train them in properly applying valuation techniques and building the capacity within Customs, rather than relying on outside interests that may be compensated based on the value of duties and taxes collected, thus having an incentive to maximize invoice values.

### *Tajikistan*

Beginning in 2004, TFI provided consultation on a new Customs Code in Tajikistan. The new Tajik Customs Code came into effect on January 1, 2005. In addition to providing an article-by-article analysis of the draft with appropriate recommendations, TFI was instrumental in getting the World Bank to fund a short-term customs expert to provide an overview of the draft Code in terms of international standards and best practices. TFI has also organized and supported the ability of private sector stakeholders to express their views on the draft Code by organizing roundtable discussions in Dushanbe and Khujand. While TFI recommended a number of provisions that would provide for intellectual property rights (IPR) protection and fees for customs clearance in compliance with the respective WTO agreements, the Tajik Government in the end preferred to adopt provisions taken from the Russian Code that are not WTO compliant. It is expected that the Code will be submitted for

review at the next WTO Working Party and there will be opportunities for other members to raise concerns about the provisions. Also, TFI provided support in developing the draft regulations on Customs Valuation and IPR border measures which are key implementing regulations for the new Customs Code. TFI continued to provide support to Tajik authorities to develop new normative acts required under the Code, and to help bring officials together with business through consultative councils, roundtables and trainings on the new legal and regulatory framework. TFI expects that after review by the WTO a number of amendments will be required as will the development of secondary legislation to implement key provisions, for instance applying cost-based customs clearance fees, an issue Customs has heretofore been reluctant to address.

### *Uzbekistan*

TFI support to the effort to reform the Customs Code of Uzbekistan began during the 2002 – 2003 contract year as part of the overall WTO accession support program, but substantive work on the drafting did not begin until the Extension Period and the assignment of Hector Millan as TFI's permanent WTO advisor in Uzbekistan. At that time, TFI facilitated the creation of a Customs working group within the Customs Committee dedicated to drafting a new WTO-compliant Customs Code and the new edition of the Customs Tariff Law. TFI also provided a full-time local expert and a short-term legal advisor to the working groups beginning in late 2004. TFI's Customs Advisor performed an initial review of the draft Customs Code and Tariff Law and provided comments to the working group. The two drafts included WTO required provisions on Customs Valuation, Pre-shipment Inspection, Rules of Origin, Import Licensing Procedures and IPR Border Measures. A draft with the assistance of TFI was completed in 2005 and was to be submitted to the Cabinet of Ministers for review. TFI had also agreed with the Chamber of Commerce and Industry to organize a series of roundtable discussions with local businesses and traders on the draft, but a draft was never released for discussion. TFI made numerous attempts to secure a copy for discussion from the Customs Committee as well as the head of the Small Council responsible for WTO matters, but was always unsuccessful. In May-June 2005, as a result of the events in Andijan, TFI was notified that it was to cease direct cooperation with any national-level Uzbek government authorities and work on the customs Code largely ceased. TFI continued to work with the Chamber of Commerce and Industry, but since no draft was released for comment, despite repeated promises from the government, no further progress was made on the draft. In January 2006, following notification of a waiver to provide assistance to the Central Government, TFI reestablished direct contacts with the Uzbek Customs Committee on continuing the preparation of the draft new edition of the Customs Code.

The Government continues to be focused on joining the Eurasian Economic Community (EurAsEC). While this should have accelerated the process of preparing a new edition of the Customs Code, it delayed the process due to the government decision to wait for the completion of the Basics of the EurAsEC member states' customs legislation before beginning their own revision. The President also called for a new Customs working group to be formed, which has yet to be done, and TFI expects further delays in the process. Since changes will be made after the conclusion of the TFI Project, TFI made the following recommendations to Customs:

- Submit WTO-related chapters of the new edition of the Customs Code to the WTO as soon as possible prior to the next Working Party Meeting in order to receive comments from WTO member countries.
- Fill-out and submit the WTO Customs Valuation Questionnaire prior to the next WP Meeting.
- Hold public discussions of the WTO-related chapters of the draft new edition of the Customs Code among related ministries and business associations.

Should USAID decide to continue any support to the Government of Uzbekistan in its WTO accession efforts, some technical support on development of the new Customs Code in Uzbekistan



could be provided, including support for the public review of the final draft and training and public information on the new Code once it is adopted.

### *Customs Consultative Councils*

A critical contributor to modern trade administration is the inclusion of all stakeholders, especially private sector interests, in the development of trade policy and administrative procedures. The General Annex to the Kyoto Convention, Chapter 1, Section 1.3 states “[t]he Customs shall institute and maintain formal consultative relationships with the trade to increase co-operation and facilitate participation in establishing the most effective methods of working commensurate with national provisions and international agreements.” To achieve this in Central Asia, TFI provided leadership and technical expertise in the introduction of consultative processes related to trade policy and trade administration. The consultative processes are something new and rather significant in light of the lack of such public-private relations in the former Soviet Union, particularly in Central Asia. Indeed, when TFI arrived on the scene, there was a widespread reluctance on the part of administrative officials to provide even basic information to businesses. Previously, businesses were reluctant to express their views publicly and participate in the suggested consultations for fear of reprisals. TFI worked with all concerned parties to overcome this legacy through the establishment of Customs Consultative Councils, which provide an open forum for constructive discussion and debate on problems and constraints related to international trade in the region.

First of all, TFI has been successful in assisting administrative authorities in Kazakhstan, the Kyrgyz Republic and Tajikistan in adopting Revised Kyoto Convention principles in the new customs codes on the requirement for the customs administration to hold formal consultations with private sector interests.

These Consultative Councils meet regularly, usually monthly or bimonthly, and bring together private sector interests with trade administration officials to constructively address issues and resolve problems related to cross border trade and traffic, and import, export and transit policies, procedures and systems.

The creation of Consultative Councils served several TFI objectives. The process:

- Breaks down communication barriers between private sector interests and government officials, helps build trust between the parties, and helps to overcome hostility and resentment that characterized the legacy of soviet times;
- Sheds light and transparency on trade issues, as the problems are raised directly in a public forum for consideration and resolution by all stakeholders;
- Builds the capacity of private sector associations to identify and address trade constraints in a constructive and forward-looking manner, through direct advice and support from TFI staff; and,
- Helps to instill a much-needed “service” mentality, responsiveness and public integrity within the trade administrations.

The success of the Consultative Councils depends directly on the active participation of the private sector, and TFI has succeeded in generating the constructive participation of both parties.

While customs officials and authorities from other governmental ministries and agencies are directly responsible for the administration of trade laws and regulations, it is private sector traders and trade service providers who are engaged on a daily basis for their livelihoods in the business of foreign trade. When it comes to trade services, the private sector represents both the providers and users of the services. So, it is readily apparent that in reviewing current trade constraints in policies and procedures and contemplating improvements, the viewpoints, perspectives and recommendations of

the private sector interests must be considered when policies are reviewed and changes developed. As a result of advocacy by TFI, most trade officials in Central Asia now understand this stance and are receptive to ideas presented by the private sector at Consultative Council meetings.

Consultative Councils not only identify issues related to customs administration that require deliberation and solution development and provide private sector access to the policymaking process, but they also deal with trade issues, unrelated to customs, that constrain trade. For example, product standards and procedures for certification of products (GosStandard), vehicle specifications and fees (Transport), passports and visas for traders and transporters (Immigration/Border Guard) and procedures related to state warehouses, airports and border offices (Transport).

Based on its considerable experience in the establishment of Consultative Councils, TFI developed a Guide to help expand the number and increase the effectiveness of Consultative Councils. Completed in February 2005, the Guide for Successful Consultative Councils is used to direct the direct the proceedings of any new Consultative Councils in order to help make the work of the Councils as effective and efficient as possible, within as short a period of time as possible. The recommendations in the Guide are based on actual TFI experience in working with Consultative Councils and bringing the parties together for productive trade facilitation work.

Consultative Council activities and achievements are discussed in more detail in the specific country sections below.

#### ***International Trade Guide ([www.ca-trade.com](http://www.ca-trade.com))***

Throughout the life of the TFI Project, business representatives repeatedly reported to TFI that the largest problem they faced in engaging in foreign trade was getting accurate and up-to-date information on how to comply with ever-changing trade laws and regulations. Unclear legal and regulatory requirements provided opportunities for rent-seeking on the part of officials, caused major delays and unproductive costs for traders, and because of inconsistent application of the law, promoted unfair advantages in the market. Indeed, business representatives directly related this lack of official information to weakness on the part of business and susceptibility to extortion at border crossings and clearance terminals.

TFI led the initiative to respond to this identified constraint by developing International Trade Guides (ITG) in Central Asia.

Each International Trade Guide is a country-specific document that provides business with all requirements and information related to the import, export and territorial transit of goods. It describes both customs and non-customs administered procedures and obligations. The Guide is organized as a matrix of the above-mentioned requirements with an explanation of the procedures in narrative format. The delivery medium for the ITGs is the Internet, which makes the Guides accessible to anyone with an Internet connection from anywhere in the world.

The ITG database also includes an Integrated Tariff Database (ITD). An ITD is a relational database of customs-administered requirements for import and export of all goods based upon the Harmonized System nomenclature (HS) for the description and coding of goods. In addition, the database contains non-customs requirements (e.g., product standards and certification requirements)

By using the database, a user is able to obtain complete information on trade requirements for specific goods by simply typing into the database the commodity name and/or the HS number and the country of origin and destination. The database will return information on tariffs and other taxes, import-export licenses, certificates of compliance, sanitary and phytosanitary (SPS) requirements, standards, veterinary certificates, quarantine certificates, hygiene certificates, certificates of origin, oblast licenses required, time it takes to obtain a specific license, standards requirements, authorities responsible for specific requirements, etc. In other words, the intent is to cover all requirements

related to the import-export of commodities. Additionally, the Guides provide explanations and descriptions of import/ export procedures in narrative format – information that typically goes far beyond what Customs administrations themselves provide on their own websites.

The International Trade Guides provide the following benefits for trade facilitation, SME development, removal of investments constraints, and support for WTO accession and compliance in Central Asia. Successful implementation of an ITG in each country offers the following:

- A “master” document with detailed, official information for importing, exporting and transit processes – all elaborated in layperson’s language;
- Complete transparency in requirements for all exporters and importers;
- Up-to-date information for Customs and other government personnel regarding all trade requirements;
- Identification of barriers to trade;
- Trade information for potential investors;
- Information useful for the WTO accession process for Kazakhstan, Tajikistan and Uzbekistan;
- Technical information on the trade law, policy and administration. The requirement on the part of the national trade administrations to provide technical information on policies procedures and systems is a principle element of the *Revised Kyoto Convention for The Simplification and Harmonization of Customs Procedures*;
- Empowerment of SMEs (to resist extortion based on lack of knowledge); and,
- A more equitable, consistent and transparent application of trade and tariff laws by customs administrations.

Completion of each of the ITGs was successfully achieved without major costs to TFI. Financial support was contributed by the Organization for Security and Cooperation in Europe (OSCE); customs officials in each country developed the materials; and TFI provided the consultancy, leadership and technical advice to render the final product. With the ability of OSCE to pay Customs working groups an honorarium, they were instrumental in motivating the group to finish the guide expeditiously and in accordance with quality requirements.

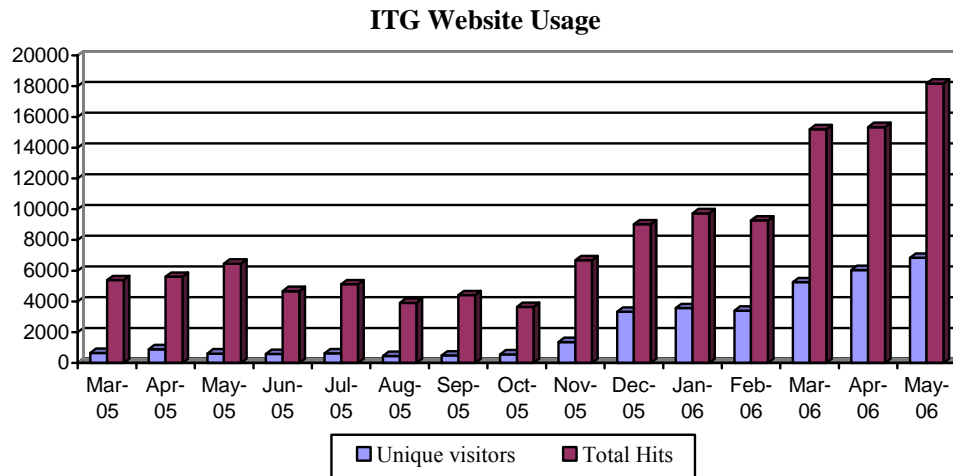
TFI employed a strategy to make the ITGs sustainable on a commercial basis, wherein a private sector partner obtains the original official information for the Guides from each customs administration, obtains the informational updates from Customs, and posts the updated version of each ITG on the website. The private sector partner then recovers costs through advertising on the website, and by agreeing with the customs administration on the sale and distribution of hard copy or electronic CD-ROM copies of the Guides.

The ITGs for Kazakhstan, the Kyrgyz Republic, and Tajikistan are on-line in Russian and English and are updated on a regular basis. (Please see [www.ca-trade.com](http://www.ca-trade.com)). In all three countries, agreements are in place between private-sector IT providers and Customs to ensure timely and accurate updates and that other changes are completed.

A plan was developed for the creation of an ITG for Uzbekistan but has been delayed due to the slow pace of the new draft Customs Code and trade facilitation reforms in general. Once a new Customs Code is adopted and implemented a similar ITG could be developed in conjunction with the private-sector for Uzbekistan. A similar Guide could be added for Afghanistan and other regional trading partners in the future to facilitate increased trade and build on this valuable and useful business resource.

The development of these Guides has helped to promote integrity in trade administration. Traders are now empowered with accurate and reliable information, and are less susceptible to extortion when executing customs clearances of imports and exports. Furthermore, the ITG has experienced

increasing usage as both the number of unique visitors and total page views have increased over time, as the graph below indicates.



***Transit Corridor Distance, Time & Cost Analyses***

By its very nature, trade is a business activity that involves operations across political boundaries and involvement with a number of legal regimes. Addressing barriers to trade to develop and promote effective reforms expected to truly help entrepreneurs requires firm-level analysis and reform of the entire trade and transport chain across countries. Early in 2005, TFI began to examine the costs associated with moving transit shipments through the national territories of Central Asia.

TFI consultants interviewed transporters and freight forwarders to identify the delays along the routes, ascertained the reasons for the delays, and charted the main transit corridors to demonstrate distance, time and costs associated with moving a truck along each route. Lengthy research is required to obtain this data and to reconfirm all the findings.

The transit study analyses are also valuable to traders and transporters. The data can be adapted for traders by adding commodity-specific *cost and time* information pertaining to approvals and other requirements necessary to ship each product from the point of production to a market. This, then, would be a true **Cost-To-Market Analysis**. On the other hand, our analyses can be adapted for transporters by adding information related to *costs and time* required for the training (some of it route-specific), obtaining driver's licenses, passports and visas for drivers, the registration of vehicles, obtaining vehicle & transit permits, the cost of vehicles including refrigerated and other specialized equipment such as TIR-compliant vehicles, fuel, vehicle servicing & maintenance, and so on. This, then, would be a **Transport Cost Analysis**.

Already, the USAID Enterprise Development Project in Central Asia is using TFI findings to help their business clients to ascertain the profitability of certain products in foreign markets, given the time and costs associated with making deliveries to those markets.

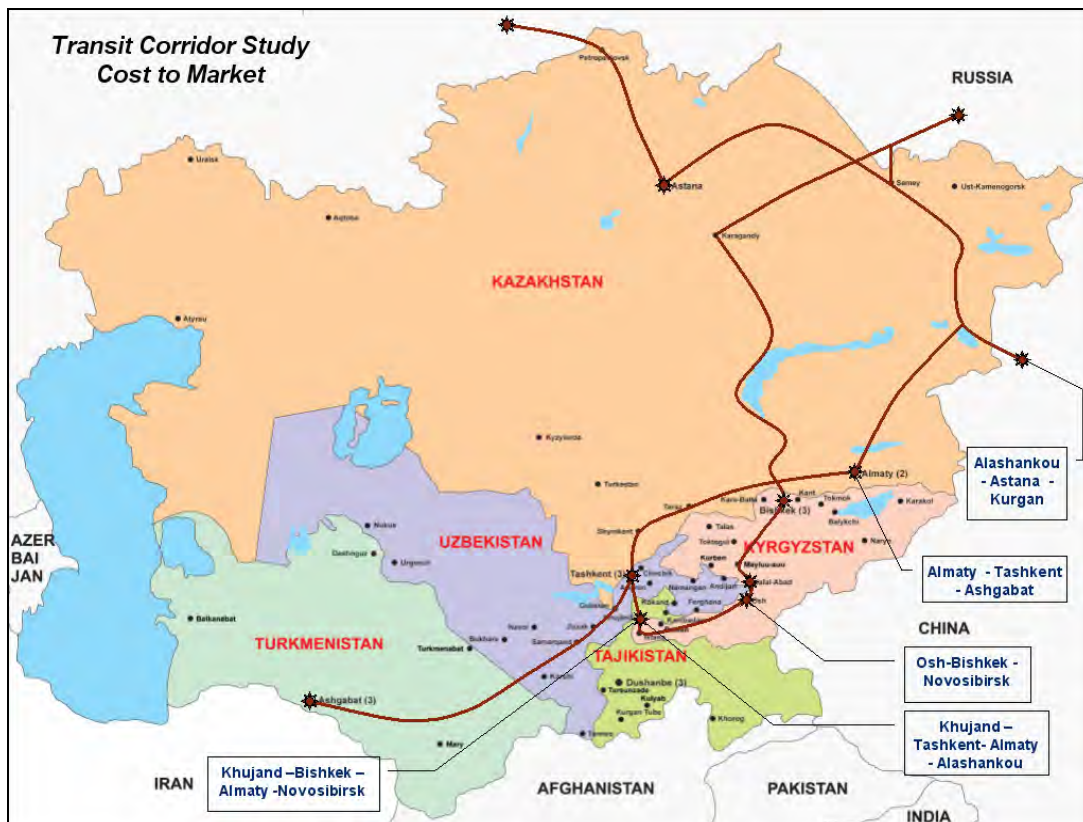
TFI consultants also used this as a tool to clearly demonstrate the over-regulated nature of these transit routes, with the intention to work with national regulators to reduce the number and nature of the constraints identified. In fact, we have discovered that the regulators themselves were often not aware of the nature and extent of these transport constraints. For example, customs officials were not aware of the police or transport administration delays and costs imposed on transit trade; similarly transport officials are not conscious of the regulations introduced by the customs committee. The initial results of the transit cost analysis through the Kyrgyz Republic and Kazakhstan were presented

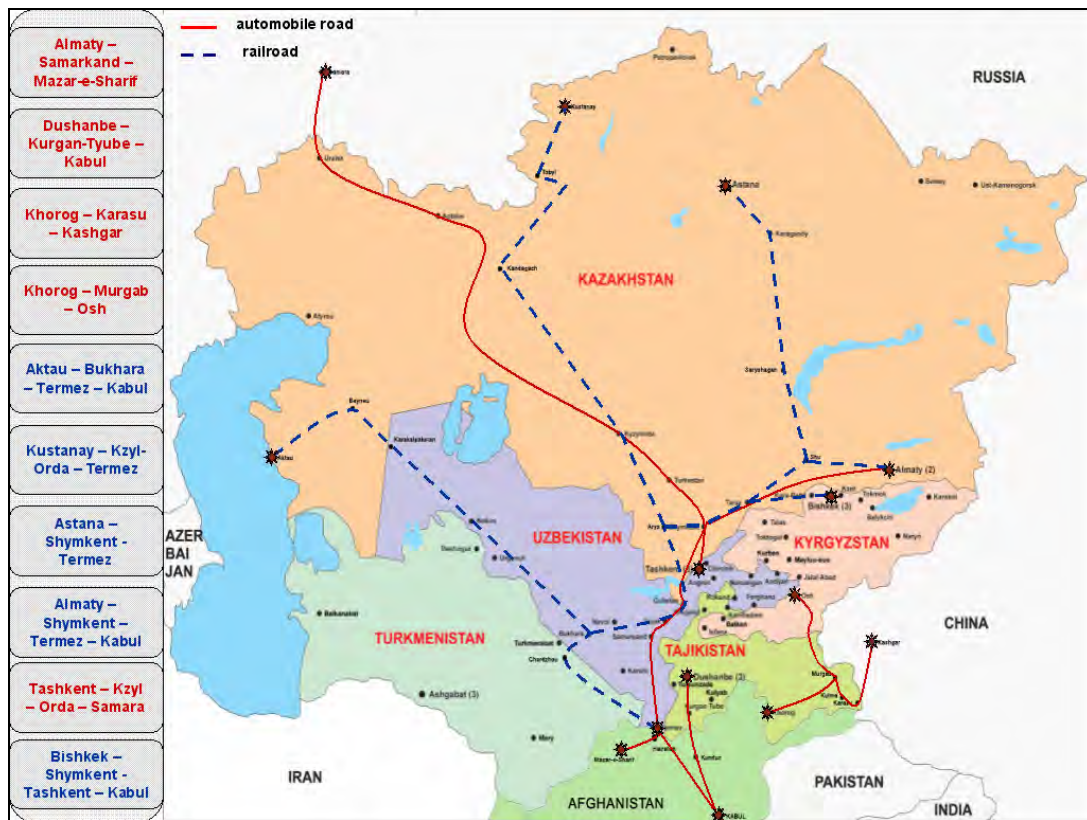
to the respective authorities in each country in early 2006 and were well received, though initially with a bit of skepticism. These have since been well received among Kazakh authorities, who are implementing a new transit policy calling for increased transit and the establishment of key transit corridors through the country.

The results were also shared with the World Bank which is conducting a similar study that will create baseline data for both customs clearance and transit times in Kazakhstan. A similar approach is being undertaken by GTZ for Central Asia and all information has been passed to them so as to benefit their work and continue the reform process.

TFI completed its transit cost analysis for five transit routes throughout Central Asia. The study was presented to USAID and provided to the AgFin+ project for its review and application as a tool to facilitate firm-level consultation with client enterprises engaged in trade. This study charted the main transit corridors in Central Asia and showed the distance, time and costs associated with moving shipments along each route. It also clearly demonstrated the over-regulated nature of transit routes in the region. TFI compiled a list of recommendations for removing the identified barriers based on its own analysis and those of transporters for presentation to the Customs Committee in Kazakhstan and to Russian Customs for further action.

Based on the results of this initial study, USAID requested TFI to expand the study to include transportation of goods to Afghanistan from various points in Central Asia to determine the main problems in getting goods into that market as well as beyond. Based on interviews with transporters, private companies and freight forwarders, both in Central Asia and Afghanistan, TFI mapped out an additional ten transport routes – five rail routes and three road routes to Afghanistan from Central Asia, and two additional Central Asian road routes not included in the first study (see the map below). This study focused primarily on transport and transit costs to markets in Afghanistan and identified the main barriers along the route, which, in the case of rail traffic, were primarily the logistical costs of scheduling shipments and trans-shipping at the Afghan border.





### ***TIR Transits***

As land-locked countries, the states of Central Asia face significant challenges with over-the-road transit of goods. Uzbekistan and the Kyrgyz Republic, in particular, regularly encounter difficulties accessing primary markets for goods in Russia due to transit difficulties through Kazakhstan. The current national transit mechanisms employed by the countries of Central Asia such as convoys, cash deposits and the like are costly for all parties and extremely inefficient. Furthermore, as the volume of transit trade continues to increase this puts added pressure on customs authorities to process shipments more quickly and efficiently while ensuring that proper duties and taxes are paid. TFI believes that a solution to facilitate transit shipments in the region is adoption and implementation of the Transport International Routier (TIR) Convention (TIR) and its carnet system. Furthermore, all the countries in Central Asia are signatories to the Convention and have transport associations officially authorized to issue TIR Carnets.

The essence of the TIR system is to facilitate trade by establishing assurances for national customs agencies that authorized TIR operators are complying with the national legal and regulatory frameworks, in order to reduce the need for national (government) inspections and other interference with shipments as well as to eliminate the need for additional national guarantees to cover goods in transit. This is done, in part, through a surety mechanism to pay the import or export duties and taxes on through-transit shipments that may be diverted, for any reason, into the local economy. The mechanism specifically involves the use of the TIR Carnet as a transit Customs declaration and as a financial guarantee for Customs to replace cash deposits, bank guarantees and to limit the need for customs escorts for transit control assurances.

The problem, however, is that the TIR system, as with other similar conventions and multi-lateral agreements, has not been properly implemented or understood by those required to administer it. TFI

conducted a study on the utilization of the TIR System in Central Asia in September 2004 and published a report of its findings that was sent to the International Road Union (IRU) and the United Nations Economic Commission for Europe (UNECE), the two organizations responsible for administering the convention. Both parties praised the report as the first of its kind in the world to critically examine the TIR System and how improvements could be made.

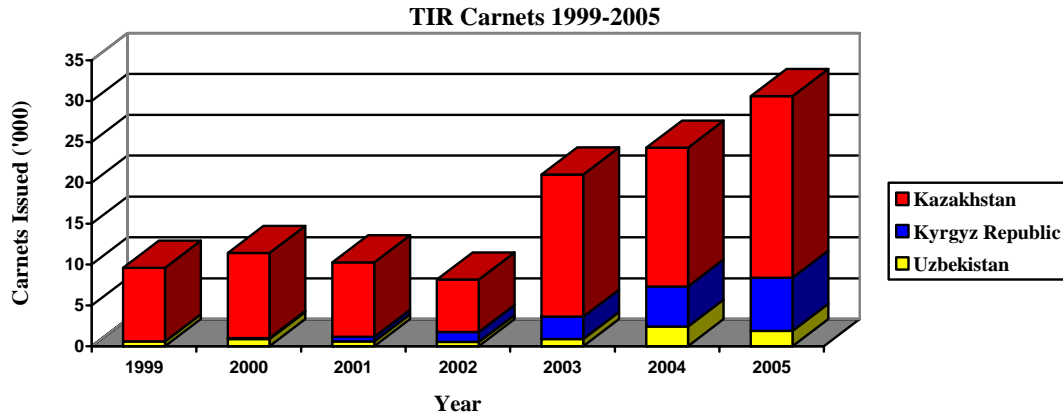
As a direct result of this report, TFI, IRU and UNECE teamed up to organize an international conference on the TIR System in October 2004 in Almaty that included representatives from sixteen countries, including the transporters' associations and customs committees from each of the Central Asian countries. The purpose of the conference was to review TFI's report and explore ways to improve the administration of the TIR System and to increase the use of TIR Carnets as a main transit trade mechanism in the region. As a result of TFI's persistence on facilitating transit, the UNECE agreed to provide technical training for customs officers on the obligations of customs in administration of the TIR Convention. TFI coordinated all the arrangements for this regional training, which resulted in separate 2-day trainings for customs officers and private sector participants in the Kyrgyz Republic in March 2005, in Kazakhstan in November 2005, and in Uzbekistan and Tajikistan in April 2006.

The trainings provided Customs with the means to develop their own training programs for new officers and to develop TIR application manuals that could be used at each border post to assist on-the-ground customs officers. Further, by including the private sector in the trainings, TFI was able to educate traders and transporters so they could better protect their rights when encountering incorrect or illegal application of TIR rules.

Another recommendation stemming from TFI's report was the need to expand the availability of TIR carnets beyond the capital cities, where transport associations are based, miles from where transit shipments might originate or be destined. This recommendation, however, met with strong resistance from most of the local transport associations, as they claimed they would lose control of the process and that it would violate their agreements with the IRU. In fact, this is not the case, and in many countries, e.g. Russia, TIR carnets are available throughout the country. Some Kazakh transporters have even found it easier and cheaper to acquire carnets in Russia than apply to the association in Almaty.

TFI was successful, however, in expanding the availability of TIR carnets in Uzbekistan and the Kyrgyz Republic, specifically in the Ferghana Valley. For businesses in the Ferghana Valley acquiring Carnets presented a special problem since the issuing associations were based in Tashkent. After discussing the problem with AIRCUZ, the Uzbek transport association, both parties agreed that expanding AIRCUZ's presence in the country was possible but would require financial support. To overcome this problem, AIRCUZ, with TFI's assistance, prepared a grant proposal to the EDP-TFI Grants Program that would provide partial funding to open issuing offices in the Ferghana Valley, eliminating the need for local businesses to travel to Tashkent. As a direct result, AIRCUZ eventually opened issuing offices in Ferghana, Kokand, Chust, Termez, Namangan and Andijan, and expanded its availability outside Tashkent city. In the Kyrgyz Republic, instead of opening an association branch office, TFI, working in conjunction with EDP, encouraged the expansion of subcontracting by TIR holders based in the Ferghana Valley. Subcontracting provided cash-strapped entrepreneurs the added benefit of utilizing security deposits of the primary holders instead of requiring separate deposits that would have priced the Carnets out of reach for many exporters. In both areas, with TFI assistance, information and training sessions were conducted for businesses and government officials to promote effective implementation of streamlined processing mechanisms anticipated under the TIR system.

As a result of TFI's activities, TIR carnets are now being issued in additional cities in the region for the first time, and the number of carnets issued in all four countries has increased dramatically, as the chart below indicates



### *Non-TIR Transits*

As mentioned above, customs administrations in Central Asia use costly and time consuming approaches to control the transit of goods through their respective territories. These include the requirement for large cash deposits, customs escorts, and other outdated and burdensome techniques. Use of alternative guarantee products has the potential to reduce delays and costs related to the transit of goods. TFI successfully lobbied for the inclusion of insurance as a risk management tool in the new customs codes in Kazakhstan and the Kyrgyz Republic and has since promoted the introduction of an insurance guarantee product for Kazakhstan.

This work began as early as 2004 when initial due diligence was performed to determine whether the legislation of Kazakhstan, in addition to the Customs Code, allowed for the introduction of such a product and whether insurance companies were able to issue them and Customs would accept them. Initial indications were positive, but substantive work was delayed given the cost and the hopes that the World Bank would fund its actual development. In anticipation of this, TFI also contracted the Kazakh Transportation Institute to develop the logistics of such a guarantee that would satisfy the needs of Customs and the trading community. This work was completed in mid-2004 and presented to the parties involved, but was rejected by Customs and the Financial Supervisory Agency (FSA) for a variety of reasons. These mostly concerned the proposal of creating a pool of insurance companies to share the risk and provide guarantees and due to FSA uncertainties regarding the instrument itself. TFI later learned that the World Bank would not fund an insurance expert and the development of a non-TIR transit guarantee was again delayed.

In 2005, the Customs Brokers Association and the Freight Forwarders Association of Kazakhstan initiated a similar project whereby they proposed working with a pool of local insurance companies that would underwrite transit guarantees issued by the associations to cover the customs duties and taxes of transit shipments. The scheme is unique but, as presented, would seem to favor only those insurance companies in the pool and the associations themselves, rather than the whole of the trading community and the financial services sector. In addition, the insurance product itself seems to be viewed by Customs as a classic insurance policy that requires an investigation into the cause of any diversion or non-performance before payment is made. This is clearly unacceptable to Customs and led TFI to propose the development of a Transit Insurance Bond in mid-2005 that would provide standing security against transit goods diversion and facilitate streamlined transit procedures at border points.

Using the services of a local insurance expert, TFI developed a Customs Insurance Bond Scheme that was designed to meet the needs of all parties in a transit shipment, particularly Customs. This scheme was presented to Customs on several different occasions in early/mid-2006 to make sure it addressed their concerns and met their needs. The main feature of the scheme was the possibility to include



international reinsurance companies that would underwrite the risk and thus provide added security to Customs, should it be necessary or even preferred. In fact, the customs expert had secured the commitment of Lloyd's of London to provide initial reinsurance coverage of \$50 million for the first year to get the process started.

Unfortunately, there seems to remain little interest on the part of Customs to administer the insurance scheme unless the product is fully developed and introduced and the claims mechanism is well established. Additionally, Customs has expressed concern that such an insurance product is not foreseen in the legislation and that amendments to legislation are needed. This opinion, however, is not shared by the FSA. Unfortunately for insurance companies, without the express approval of Customs to accept the product prior to its development, they too are reluctant to take on the added cost and the risk. As the insurance expert represents one of the major reinsurance companies in the market and has secured the commitment of a number of local insurance companies to participate in issuing customs bonds, not just for road transit but also rail and air shipments and for coverage of other commitments with Customs, if it proves profitable, the scheme can be introduced directly by the insurance industry. As mentioned, the FSA would support such a product and has indicated it could be done within the existing legislation. The freight forwarders and customs brokers, for the moment, remain attached to their own scheme and continue to lobby Customs for its acceptance, but they would likely support a customs bond were it eventually accepted by Customs.

At this stage, no further support to the participants in the market is necessary. Any future assistance could possibly be provided to Customs in actually administering the scheme so that it actually benefits traders and speeds transit times.

#### ***Central Asian Cooperation on Metrology, Accreditation, Standardization and Quality (CAC MAS-Q)***

TFI first began addressing issues related to standards, certification and accreditation on a country by country basis. For example, as early as 2000, standards and certification were identified as a major barrier to trade, investment and business development and their removal was included in the Scope of Work of the USAID Regulatory Reform Project in the Kyrgyz Republic and later into TIP/TFI. The initial approach focused on working with the local standards bodies (GosStandards) to reduce the amount of product regulation and the cost of compliance, and improve the transparency of the process. It soon became clear, however, that these issues have both legislative and institutional features that required a more holistic approach. For example, reform of the GOST system is a requirement of the WTO (TBT and SPS Agreements) and the related laws and regulations of the countries in the region needed to be revised and brought into compliance. In this way, they would not only conform to the rules of the global trading community, but they would also presumably open markets for Central Asian goods. However, in order for the rules to be properly applied, the proper institutional arrangements need to be in place; otherwise the system under which product safety and testing is performed provides no assurance and goes unrecognized by other members, particularly those outside the CIS.

In order to achieve international mutual recognition of accreditation and certification activities, the countries of Central Asia first need to achieve a level of mutual recognition and trust among themselves. This is something that is repeatedly stated and included in bilateral and multilateral agreements between the countries but is rarely practiced. Furthermore, achieving international mutual recognition of accreditation and certification results is a costly endeavor, requiring upgrades to laboratories, trainings and regular participation in the activities of international organizations. For this reason, in 2003, with assistance from TFI, the Central Asian Cooperation on Metrology, Accreditation, Standardization and Quality (CAC-MAS-Q) was established, striving to align the MAS-Q activities of the four countries in the region in order to eventually achieve international mutual recognition. A regional approach also allows each country to share their respective technical capabilities and resources, as no single country in the region has the resources or capacity to build a stand-alone MAS-Q infrastructure without major investment from outside. This also benefits the

providers of technical services and businesses needing those services. Finally, mutual recognition minimizes the need for re-testing and re-certification, reduces costs and eliminates non-tariff barriers to trade and market access delays.

Through TFI's direct support, the CAC-MAS-Q has achieved many goals including official confirmation from the Secretariat of the International Accreditation Forum (IAF) that the CAC-MAS-Q had been granted Special Member status. This is a real vote of confidence and indicates that the IAF Board of Directors believes it is in the best interests of the Members of IAF to develop closer relationships with the CAC. Additionally, NCSL International, the world's largest technical association in the fields of metrology, standards and conformity assessment has established a new regional section in Central Asia and the CAC-MAS-Q has been appointed as the contact point for the region. Enhanced relationships with IAF and NCSL will further enhance the visibility of MAS-Q activities in Central Asia and are further progress toward achieving mutual recognition for Central Asian accreditation and certification systems.

As mutual recognition will require national accreditation and certification bodies to be accredited by IAF and ILAC recognized bodies, TFI conducted training of technical specialists in government and industry from the four countries in the region to become internationally qualified assessors to perform accreditation of testing and calibration laboratories in full accordance with the International Standard ISO/IEC 17025 "General Requirements for the Competence of Testing and Calibration Laboratories". Without qualified assessors to perform the accreditation, laboratories in the region cannot achieve accreditation that will be internationally recognized. As of now, there are 72 trained technical specialists in Central Asia, who, under the supervision of an internationally recognized lead assessor, are eligible to participate in the accreditation of test and calibration laboratories in full compliance with the International Standard.

Additionally, the TFI project sponsored membership in international technical organizations and facilitated the participation of members of technical committees of the CAC to attend international technical meetings and special events. A prerequisite for this part of the program included active participation in working groups and technical committees. The participating committee members' organizations were required to provide 50% of the funding needed to attend. Meetings included:

- ILAC/IAF 2001, Japan, GosStandard (Kazakhstan)
- ILAC/IAF 2002, Germany, National Centre on Accreditation (Kazakhstan) & KyrgyzStandard (Kyrgyz Republic)
- ISO 2003, Argentina, KyrgyzStandard (Kyrgyz Republic)
- OIML 2003, Japan, UzStandard (Uzbekistan)
- BIPM/ILAC 2005, France, NISM (Kyrgyz Republic)
- ILAC/IAF 2005, New Zealand, National Center on Accreditation (Kazakhstan)

One of the main barriers to achieving mutual recognition within the region and internationally is outdated equipment and the lack of traceability of measurement to the International System (SI) of measurement. To begin to address this deficiency, TFI, through its contacts in the United States, was able to secure a donation of over \$1.0 million of scientific instrumentation and electronic test equipment from the US Government and the Boeing Corporation for the GosStandards of the region. TFI, in conjunction with the US Navy, also conducted a special two week training course for 38 technical specialists from all the regional GosStandards in the use and application of this equipment.

Due to the multi-lateral complexities in the MAS-Q area as well as the costs involved, TFI consistently involved other donors in regional activities, including the World Bank, International Trade Centre (ITC) and EU-TACIS, all of whom were implementing projects with similar goals in the region. TFI successfully collaborated with the World Bank in the Kyrgyz Republic to develop a \$5 million grant program to support the development of technical regulations and the required institutional reforms. In Kazakhstan and the Kyrgyz Republic, TFI and ITC joined forces to promote reform of the system of laboratory accreditation and the acceptance of ISO 17025 and 17011

standards, and TFI and EU-TACIS worked closely to develop a WTO-compliant technical regulation law in Kazakhstan.

The future success and sustainability of the CAC-MAS-Q depends on a number of factors, most crucially the continued cooperation and commitment of the individual members, which, unfortunately, began to wane in mid-2005 for a number of reasons. After the revolution in the Kyrgyz Republic, the director of the National Institute of Standards and Metrology (NISM), historically the strongest supporter of the CAC-MAS-Q, Mr. Davlesov, was removed from his position and the new director, while initially supportive, has also tried to rollback many of the reforms instituted over the last four years. After the events in Andijan, Uzbekistan in May 2005 TFI was unable to provide any direct support to the Government of Uzbekistan, which limited our ability to organize and direct the work of the CAC-MAS-Q. Moreover, the director of TajikStandard, Mr. Khatamov, had shown little interest over time in undertaking any of the reforms necessary for the CAC-MAS-Q to be successful.

While TFI continued to believe that mutual recognition of accreditation and certification schemes is a critical factor in reducing transaction costs for cross-border regional trade as well as increasing local SMEs' access to international markets, it was highly unlikely, given the present environment, that the CAC-MAS-Q would be the driving force towards achieving this objective in the final project year. In fact, until after the Kyrgyz Presidential election and the USG had determined its level of continued support to the Uzbek government, no regional agreements or initiatives could even be undertaken by TFI. For this reason, it was determined that it was not cost-effective to continue support to the CAC-MAS-Q as a regional accreditation body that could achieve mutual recognition in the final year work plan. Instead, TFI agreed to provide minimal support to the members of the various technical working groups under the CAC-MAS-Q to promote regional cooperation and encourage national-level reform efforts. These are described in more detail in the country reports.

In November 2005, TFI organized and conducted the 5th meeting of the CAC-MAS-Q in Bishkek for the purpose of discussing the organization's development perspectives and the new ILAC/IAF approach to regional bodies in light of TFI's diminishing support. TFI also used the opportunity to invite USAID, the World Bank, ITC, and EU-TACIS to present their own regional programs, learn more about the activities and plans of the CAC-MAS-Q and explore ways of including them in their own development plans. In this respect, the meeting was a complete success, and while no commitments were made, TFI is hopeful that those continuing to support MAS-Q reform in the region will also support the CAC. The meeting concluded with the members of the CAC-MAS-Q electing NISM in the Kyrgyz Republic to serve as the Secretariat of the organization for the coming year, and in early 2006, TFI officially transferred the Secretariat to NISM, and also provided material support and training.

## ***B. Kyrgyz Republic***

The Kyrgyz Republic was the focus of the greatest optimism for reform, but also later proved to be the area of the greatest turmoil. However, throughout the dynamic extension years, the TFI Project was consistently successful with a number of initiatives. By adjusting to changing circumstances and taking advantage of collaborative opportunities when they arose, the Project was effectively engaged with key counterparts, promoting change, and keeping issues at the forefront of discussion. Particularly noteworthy is the value dialogue mechanisms and reform initiatives proved to be in the uncertain days immediately following the revolution in March 2005 and the extent to which the Project continues to influence the discussion.

TFI work in the Kyrgyz Republic began in 2001 during the base years with the phase-in of Customs support from a predecessor project in July 2001. Initially, locally focused RIC activity was established in Bishkek and Osh. Until August 2002, national-level legal reform was conducted by the USAID Regulatory Reform Project (RRP), at which time its activities and staff were consolidated into TFI (then TIP). In August 2001, WTO support began. With offices in Osh and Bishkek, the TFI Project smoothly transitioned both RIC and Trade Facilitation Components into the extension years on June 1, 2003.

The Project maintained an expatriate Country Manager in Bishkek from 2001 until February 2006 when the transition to local management occurred. In Osh, an expatriate manager oversaw Ferghana Valley operations from 2001 until August 2004, when coordination of Ferghana Valley activities was transitioned to local management. While local staff changed from time to time to address changing circumstances, the team included lawyers and consultants with direct business and government experience with specialized knowledge of Customs, trade, the WTO, and general business laws and regulations.

The Project maintained effective working relationships with key government counterparts in the Prime Minister's Office, Customs Service, KyrgyzStandard, the Ministry of Economic Development, Industry and Trade, the General Prosecutor's Office, and other national and regional government agencies. Activities focused on national level business process reforms, WTO post-accession assistance in collaboration with the WTO Department and the Inter-Ministerial Commission, reform of the GOST system with KyrgyzStandard and MEDIT (now MITT), and improving government adherence to the rule of law through collaboration with the Prosecutor's Office. At a regional level, oblast level reforms were pursued through a strong and positive relationship with the Governor of Osh Oblast. TFI also supported initiatives focused on improving cross-border activities in the Ferghana Valley through specialists based in Osh.

In addition to government and private-sector counterparts, the Project worked closely with the World Bank, International Monetary Fund, EU-TACIS, OSCE, and other USAID projects, most notably the Legal Infrastructure for a Market Economy (LIME) Project and the Secretariat (Investment Round Table).

Given the size of the Kyrgyz Republic, national level reforms were of particular significance. At the same time, the Kyrgyz Republic lacked the private-sector strength which exists in Kazakhstan. As a result, project initiatives focused on strengthening the private sector and increasing dialogue opportunities. Customs Consultative Councils in Bishkek and Osh were particularly beneficial for both businesses and the Customs Service to build trust, openness, improve customs operations, provide for participatory policymaking and address specific barriers to business operation. Similarly, leveraging the ability of prosecutors to protest illegal acts allowed TFI to elevate businesses to a position of direct dialogue with national and local government representatives to solve specific business problems.

With the growth of the Partnership Program in Kazakhstan, cross-border association collaboration and strengthening partner advocacy ability became increasingly important elements of support. Similarly, working closely with the Enterprise Development Project, TFI pursued opportunities not only to provide grant assistance to specific advocacy initiatives, but to facilitate the provisioning of direct association consultation to improve organizational operations.

### ***Concept on Deregulation of the Economy of the Kyrgyz Republic and the Matrix Process***

Beginning in mid-2001, the U.S. Ambassador to the Kyrgyz Republic at the time, Mr. John O’Keefe, initiated an investors’ conference to discuss the problems and prospects of attracting and maintaining foreign direct investment in the Kyrgyz Republic. The first conference brought together the largest foreign investors in the country along with representatives of the government and the donor community to discuss and agree on a specific set of measures to make the Kyrgyz Republic more attractive to investment. The resulting tasks became known as the “Matrix” and would eventually be adopted by the government.

To assist in implementing these measures, USAID agreed to help establish an NGO known as the Secretariat (later renamed to the Investment Round Table). The head of this Secretariat was Mr. Joomart Otorbaev, the local representative of the Philips Corporation and a well-known member of the investment community. He also later became the Vice Prime Minister while retaining his position on the board of the Secretariat.

At the same time, a Consultative Council was established that included the President, the Prime Minister, the U.S. Ambassador, the Ambassador of the EU, the World Bank and an elected representative of the foreign investment community. The Council was to meet quarterly to review progress on implementing the tasks outlined in the Matrix. Until grant funding was approved, USAID asked TFI to financially support the Secretariat and provide it technical assistance in implementing the Matrix.

This was an important development in many respects. First, it signaled for the first time a high-level recognition of the problems facing the country and a public commitment to address them. Second, the Matrix process provided an opportunity to help shape the debate and to properly identify specific action items and reform initiatives. As a result, the Matrix became a sort of de facto work plan for TFI for the next several years and the Secretariat became one of TFI’s primary counterparts in the reform effort. By early 2002, the Secretariat received a grant from USAID and TFI ceased its financial support.

The first major achievement of the Matrix process was the passage of the President’s Concept on Deregulation of the Economy in early 2002. The concept was developed on the recommendation of RRP staff (later TFI), as to date there existed no overarching policy that would guide the regulatory reform effort and essentially trump the myriad laws and regulations that defined the activities of government bodies and which gave rise to most of the problems. What were needed were the foundation for and the framework in which to undertake meaningful reform and reduce existing and future barriers to investment and business development. For that reason, the Concept included the following key elements:

- it recognized and defined the problems of excessive government regulation and other administrative barriers to investment and business development;
- it established their removal as one of the highest priorities of government;
- it placed a one year moratorium on the introduction of any new regulations and similar barriers; and
- it established the principles and conditions under which government intervention into the activities of businesses could take place, one of which required that all regulations be based in law.

While the Matrix process was beneficial for cataloging initiatives and focusing reform efforts, it often lacked both the necessary specificity of goals and internal government monitoring mechanisms required to ensure effective independent implementation. While it supplemented Project activities, it often remained the responsibility of the Project to pursue effective implementation with government counterparts, rather than relying on the intervention of the Secretariat or the Consultative Council when problems were encountered. Also, as a table of general tasks adopted by Presidential Decree, government counterparts would often agree to complete the specific task articulated in the Matrix, but often resisted effort to go further with reform activities than was minimally required by the table, failing to undertake necessary supplemental actions to ensure effective implementation or internationalization of reforms. While the lack of specific goal-setting in the Matrix provided some flexibility in reform activities, combined with a government “box-checking” approach, it contributed to an “implementation gap”. Both TFI and the LIME Project recognized the existence of this phenomenon during activities under the 4<sup>th</sup> and 5<sup>th</sup> Matrixes and encouraged more specific goal articulation in the plan as well as inclusion of supplemental implementation activities. However, efforts to increase the specificity of the process were unsuccessful. Based on the experience with the Matrix process, specific recommendations for improving mechanisms for reform coordination were developed and submitted to both USAID and the new Government in 2005 and 2006. Recommendations include:

- Government ownership of the reform process and direct involvement of the Prime Minister rather than a designated representative;
- Broad private-sector participation in the coordinating body, including joint chairmanship with the Prime Minister;
- Participation by truly representative local private-sector counterparts;
- Donor support in assisting specific reform initiatives, but not on behalf of the Government;
- Broad government participation in the coordinating body, including representatives from the WTO Department, WTO Inter-ministerial Committee (IMC), Parliament, President’s Administration, Prime Minister’s Office and other technical specialists from government ministries and agencies;
- Issue selection and prioritization based on input from the domestic private sector;
- Detailed goal-setting including articulation of specific expected beneficial results and characteristics of reform initiatives; and,
- Adoption of effective feedback mechanisms to ensure implementation monitoring.

Despite shortcomings with the previous Matrix process, and opportunities to improve the coordination mechanism in the future, the Matrix regularly included Project initiatives across all reform areas and helped the Project achieve a number of major reforms, as discussed in more detail below.

### ***Reforming the Rule and Law Making Process***

TFI learned early on that one of the main problems giving rise to excessive and burdensome regulation on businesses, and the lack of laws and regulations that addressed the needs of business, was the closed legal process for drafting and considering new legal and normative acts.

The procedures by which laws and regulations are adopted are defined in laws, including the Law “On Normative Legal Acts” and secondary regulations called “Reglements” of Parliament, the Government, and lower level governmental units such as oblasts and cities. What was obvious from these laws and bylaws was the near total absence of any effective mechanism to invite public commentary, internal impact analysis, or independent review of proposed drafts. In fact, the present set of rules clearly favored the rule makers above those who would be required to comply with the rules. Compounding the problem was the lack of budget funds in most agencies, forcing them to seek

off-budget means of financing, which often meant adopting additional fee-based regulatory requirements on the private sector.

Over the long-term, TFI believes that efforts should be undertaken to strengthen representative bodies, such as Parliament, and limit and better define delegation of authority to the executive branch for regulatory rulemaking. Vestiges remain of the excessive executive authority that characterized the Soviet administrative state and fundamental reform of the structure and relationship between branches of government is essential for long-term stability and a healthy representative republic and legal regime. However, TFI identified opportunities to pursue immediate reforms in improving administrative rulemaking processes while also encouraging exploration of reforms that will strengthen the legislative branch and reduce delegation and subsequent rulemaking.

Rather than dealing with individual regulatory acts or instruments in isolation, TFI decided to address the underlying rules to ensure better regulatory practice within both the Government and the Parliament and strengthen the role of the private sector in the processes. Initial efforts undertaken in the Base Period can be seen in the Concept on Deregulation of the Economy from early 2002, which then led to efforts to improve the provisions of the Law “On Normative Legal Acts” and the Regulations of the Government and several local administrations.

To encourage public involvement and more effective deliberation during the drafting process, TFI encouraged the adoption of universal requirements for publication, private sector comment periods, and basic cost-benefit analysis during regulation development. In August 2003, Parliament approved TFI supported changes to the Law “On Normative Legal Acts” that would require publication of draft regulations, a 60-day comment period, and cost-benefit analysis. Unfortunately, when the law was finally signed, through vagaries in the legal process that allow changes after parliamentary adoption, the 60-day provision was eliminated. Despite encouragement from both TFI and other donors, including the World Bank, efforts to reinsert a 60-day requirement into the framework law were unsuccessful. However, since implementing regulations and actual practices could include a specific comment period, and those secondary steps were required to realize the benefits of the Law, attention was focused on Government and local bodies’ development of implementing regulations and internal procedures.

Initial efforts to change the Regulation of the Government to effectively implement changes in the Law were unsuccessful due to resistance from the Prime Minister’s Office. As a result, TFI focused on implementation in-fact through specific ministerial bodies and oblast and city governments in an attempt to drive changes from the ground up.

By 2004 and early 2005, TFI was successful in encouraging Osh and Jalal-Abad Oblasts, Jayil Rayon and Bishkek City to not only adopt local drafting procedures consistent with previous changes to the law, but also to go beyond the requirements of the law and incorporate specific notice periods.

While TFI was working with subnational government bodies on implementing new drafting procedures, the European Commission provided assistance to the Ministry of Justice to develop a website for publication of draft laws developed by the Government that were to be submitted to parliament. TFI had been encouraging the usage of a website for publication of draft regulations for public comment, and the EC support to the Ministry of Justice provided an excellent opportunity to leverage assistance provided by another donor for a broader purpose. In early 2006, the Government adopted an internal order requiring publication of not only draft laws, but also draft regulations on this website.

By 2006, building on successful changes in regional governments, the national Regulation of the Government was finally changed to include publication, a 60-day comment period and basic cost-benefit analysis. Required usage of the Ministry of Justice website for publication of draft regulations was also formalized in the new Regulation.

Additionally, while working on developing and implementing formal drafting procedures, the Project continuously worked with key counterparts such as the Customs Service and the Ministry of Economic Development Industry and Trade to encourage publication and public involvement in the drafting process.

To facilitate effective implementation, TFI assisted counterparts in conducting training sessions on the requirements of the procedural changes for over 150 government and private sector representatives from Osh and Jalal-Abad in 2005. Similarly, following changes to the Reglament of the Government, TFI supported detailed trainings for counterparts in 2006.

Additionally, through work with Prosecutors and the “protest process”, in 2005 and 2006 both national and regional working groups were trained on the importance of publication and the ability to contest subnational regulations not adopted in accordance with the Law.

While additional attention will be required to build analytical capacity and verify compliance with procedural requirements, adoption of the procedures is a significant step forward in government transparency and opportunity for dialogue. While future support is recommended to reduce legislative delegation to the executive branch and improve the quality of laws, improved drafting procedures provide opportunities for private participation in the policymaking process and increase internal government deliberation and analysis of regulations under consideration and their impact on business.

### ***Business Registration***

As a threshold process, simplified business registration is especially important for increasing legalization of business activity. The World Bank Doing Business report indicates businesses in the Kyrgyz Republic require 28 days to “start up a business”. When considering registration, it is important to differentiate between registration and other processes involved in business “start-up” both for technical reform and for analysis. Entrepreneurs often are required to obtain licenses, permits, and land as well as navigate myriad regulatory processes, which, according to TFI analysis, often require more than a year to complete. Since the goal is to facilitate economic activity, consideration of “start-up” could include all processes required from the generation of an entrepreneurial idea to initiation of revenue generation. Within this period, registration is but one process, but for effective reform its purpose and requirements should be parsed from other regulatory requirements, especially licensing and permitting.

A survey of the business environment conducted by the predecessor RRP in 2001 indicated that the registration process, while burdensome, could still be navigated. For this reason, major reforms in the registration process did not seem expedient in 2001. To provide some assistance and to help clarify the existing process, however, TFI did, during the Base Period, work with the Ministry of Justice to both shorten the official time to consider registration documents from 10 days to three and to expand the working hours for submission of documents. TFI also worked with the Chamber of Tax Consultants to develop an information brochure on requirements for tax registration that was distributed in Tax offices in Bishkek. Similar efforts were made in Osh, but more significant legal and administrative reforms to the registration process were not undertaken until the issue of a one-stop-shop was raised at one of the Investment Summits and included in the Matrix.

When considering business processes, usage of “one stop shop” or “one window” language frequently occurs. This was and continues to be the case in the area of business registration. However, TFI encouraged partners to conduct a deeper analysis of the registration process. To provide significant benefits and fundamentally change in the registration process it was necessary to reconsider the role of business registration in the business environment. For example, a review of the registration process revealed that the government continued to view registration as a “control” instead of “notice” activity. As such, it performed legal review of new registration applications, required multiple approvals, and



involved numerous ministries and agencies, including the Ministry of Justice, Statistics Department, the Ministry of Finance and the Social Fund, most issuing their own unique identification numbers.

Between 2004-2005, working with the Ministry of Justice, Finance and Statistics, TFI successfully facilitated the development of a new vision for business registration, encapsulated in a draft law that eliminated legal review of applications, eliminated redundant approvals for multiple government bodies, reduced registration time, and allowed for registration through a filing at a single body - the Ministry of Justice, which has laid the foundation for a single unified taxpayer identification number. The first feature - making registration a “notification” by the business rather than a permission granted by the government, is perhaps the most significant change, as it represents a necessary fundamental regulatory philosophy shift from the previous command and control government approach to one facilitating and encouraging the creation of business.

President Bakiev recently noted the necessity of introducing simplified registration, and, in January 2006, a Commission on the Creation of a One-Stop Shop was established. As a member of the Commission, TFI supported finalization of the draft Law “On State Registration of Legal Entities and Private Entrepreneurs”. Adoption of the law, however, is expected to occur only after the conclusion of the TFI Project. While the legal framework for simplified registration has been developed, a detailed implementation plan and material support is required to ensure that legal changes are quickly and fully implemented. For this reason TFI has encouraged counterparts to continue to advocate for these reforms and effectively monitor any changes in the process, but future donor assistance will likely be required for effective implementation. Training of government agents and business representatives would be helpful to not only inform participants of the changes but to facilitate effective changes in internal government operations that real process reforms require. Also, information sharing between agencies is particularly important. In the future, as part of the implementation plan, computerization may be beneficial to improve data-sharing and facilitate additional improvements such as the conversion to a single number system and electronic or web-based registration.

### *Licensing*

Excessive licensing requirements for business activity remain a continuing problem for businesses in the Kyrgyz Republic. During Soviet times, all activity was prohibited except what was allowed by law. This mindset continues to the present day, even if explicitly reversed in law. The USAID RRP facilitated the adoption of a new Law “On Licensing” in 2001 as well as developed new implementing regulations that consolidated previously separate agency acts and eliminated the practice of sublicensing. The law also expressly recognized only 36 types of licensed activities, while the new regulations set strict guidelines for introducing new types of licensed activities. However, government agencies often ignored these requirements and continued to impose illegal licensing and permit requirements on businesses. To address continuing problems with the licensing regime, TFI picked-up reform initiatives where the RRP left off.

First, the RRP developed a series of 5 draft regulations that restricted permissive documents by eliminating them from the List of Paid and Unpaid Services. TFI advocated for the adoption of these regulations, which led to the elimination of 240 permissive requirements in 2003. TFI continued to recommend reform of the List of Paid and Unpaid Services, which contained mandatory requirements (permits) of one variety or another in contravention of existing rules. TFI advocated for the development of a List of Paid Services only that would contain true government services, i.e. those that could be provided upon request. A list of unpaid services could then be easily developed by each agency on its own, without any further approval required.

Second, effective implementation of legal changes requires harmonization with other laws or else legal inconsistencies are created that are regularly applied against businesses that find it impossible to comply with contradictory laws. While the preferred approach is to present reforms in a consolidated package of law amendments, this is not always possible. In the case of the 2001 Law “On Licensing”,

a package of changes to 51 laws was presented. TFI continued to advocate for adoption and implementation of these changes. By May 2006, 38 of the 51 laws have been amended.

Finally, TFI recommended the development of a Unified List of Permits for Business Activity, specifically cataloguing all permissive documents with a basis in law that was eventually adopted in February 2004. The Unified List of Permits provided a single list of all permissive documents that could be referenced by government or entrepreneurs and helps quickly ascertain the legality of a requirement in an environment where legal information is often difficult to obtain.

While encouraging the development of amendments to the legal framework, TFI also supported efforts to use existing legal protections through Prosecutors' Working Groups and direct advocacy to prevent the imposition of additional requirements. For example, in 2005 – 2006, TFI assisted taxi drivers in preventing the adoption of licensing requirements by the city of Bishkek that would have violated the prohibition in the current Law that forbids the creation of new licenses through bodies other than Parliament.

Based on continued complaints from businesses and to address foundational issues giving rise to difficulties with further eliminations of "services", TFI focused on further improvements to the Law "On Licensing" that clarified definitions, provided for revocation of licenses only by court action and extended periods of license validity from 2 to 5 years.

Amendments to the Law "On Licensing" have been submitted to Parliament and are currently under consideration. Following adoption, an information campaign and training for government and private sector representatives are recommended to promote effective implementation. Further and periodic revisions to the Unified List are necessary to ensure it remain current and an effective reference tool for entrepreneurs and a basis of contesting additional requirements national and sub-national government bodies may attempt to impose.

While many licenses have been eliminated, in some cases, a secondary registration requirement continues to exist. Following adoption of new threshold registration and licensing provisions, a review of internal ministry and agency instructions and any remedial action necessary is recommended to verify compliance. Finally, assuming protective provisions are adopted, training of judges and lawyers may be beneficial to promote effective protection of licensing rights and the usage of correct legal standards and burdens of proof in revocation proceedings.

### ***Special Means and Inspections***

In the Kyrgyz Republic, many government bodies use inspections, additional fees for services, and other mechanisms to extract funds from entrepreneurs and divert those funds into special off-budget accounts established to finance activities of the body. The practice of self-funding through "special means accounts" (from the Russian term) incentivizes predatory government interference in business activities and promotes government practices encouraging business violations of laws and regulations rather than compliance and the avoidance of sanctions.

In 2001, the predecessor RPP considered the issues and attempted to develop a law governing inspection activity. Unfortunately, initial efforts were unsuccessful. TFI recognized the same problems with government administration of the regulatory system and undertook a multi-tracked approach.

First, consistent with the World Bank's GSAC and GTAC programs, TFI collaborated with other projects and counterparts, including the USAID Fiscal Reform Project, to develop the Resolution "On Step-by-Step Transition of Budget Institutions and Organizations to Full Budget Financing" that was adopted by the Government in October 2004. The Resolution required all state bodies to eliminate special means accounts and, consistent with the Code of Administrative Responsibility, transfer all funds collected from regulatory activities to the national budget. The Law "On Republic Budget of

2006” prohibits the use of special means and there is also a Program on Reforming Special Means adopted by Presidential Decree on June 14, 2004.

Given the number of laws and regulations that prohibit the use of special means, and its continued illegal usage by some government bodies, it is apparent that elimination of self-funding, absent the political will, will come only through increased usage of protest procedures, private-sector empowerment, and fundamental reform of the inspection regime, structures and procedures rather than reliance on government adherence to law.

Through Prosecutors’ Working Groups during the extension years, TFI supported these efforts by entrepreneurs to challenge inspections practices, the creation of new inspecting bodies, and revenue-collection targets established by government bodies. As indicated in the constraint tables, the working groups have been particularly effective in addressing abusive inspections practices on a case-by-case basis.

However, addressing abuses in inspection practices requires modification of both the philosophical approach to inspections and the overall inspections legal regime. Both due to continuing vestiges of the Soviet control philosophy and the opportunity inspections provide for government self-funding, government agencies favor a legal regime that precludes or discourages compliance to allow for the assessment of penalties and increased opportunities for corruption. In a market economy, regulations exist not to serve the needs of government as a separate institution, but to protect other market participants, including business’ customers. Reform requires a paradigm shift, to a system that allows and favors voluntary compliance with regulatory requirements, as well as provides opportunities to correct defects so that the benefits anticipated by regulation are in-fact delivered to the market.

To promote reform of the inspection system, working closely with the USAID Legal Infrastructure for a Market Economic Project, as well as government and private sector counterparts, TFI supported the development of a new umbrella law on inspections. The law is designed specifically to change fundamentally the relationship between controlling bodies and entrepreneurs. The draft law reiterates fundamental protections including presumptions of innocence and governmental burdens of proof but also provides that all discrepancies in law are resolved in favor of the entrepreneur. Legal inconsistencies and impossibilities are common and are frequently used by the government to impose sanctions on businesses and justify interference in activities. Also, the law clearly sets out the policy of government as encouraging compliance with law rather than violation and sanction. Entrepreneurs would be provided with opportunities to correct violations found during inspections and prohibit the imposition of fines unless a follow-on inspection reveals continued violation. It also clarifies information dissemination requirements of government and strengthens the prosecutor’s ability to intervene in intrusive inspections on behalf of entrepreneurs.

The law was submitted to Parliament in 2004, but consideration was delayed by external political concerns, especially those arising after the 2005 revolution. However, in June 2006, prior to the parliamentary recess and thanks to the tireless efforts of TFI’s local staff working constantly with, the Committee for Entrepreneurship Support and Development, the Committee approved the draft law and will submit it to the plenary session of parliament in September 2006. *This is a great accomplishment for the TFI Project and we strongly encourage its further promotion in the follow-on activity to ensure its passage and future support to facilitate effective implementation of the substantial fundamental reforms in the inspections regime included in the draft law. Once adopted, detailed training of inspecting bodies, businesses and prosecutors is recommended.*

The Kyrgyz draft inspections law is also the basis of the draft promoted by IFC in Tajikistan, discussed in more detail below. Taken together, adoption and effective implementation of these laws present a significant opportunity to fundamentally change the governmental regulatory approach in Central Asia and deliver substantial improvements in government-private sector interaction in the area of regulatory compliance verification.

In the broader area of special means, the law prohibits self-funding, but the practice continues in some areas. Increased involvement of Prosecutor Working Groups and political attention to the issue is recommended.

**Public-Private Councils and Working Groups**

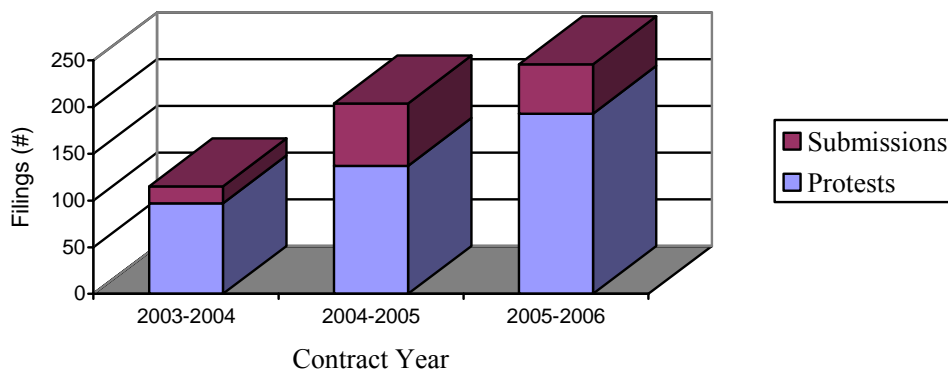
Dialogue and redress mechanisms to build safe and open relationships between the government and the private sector are essential for appropriate governance, the exchange of information, the empowerment of business advocacy and checks and balances on government conduct. In the Kyrgyz Republic, increasing transparency and building public private dialogue mechanisms have cut across all elements of the TFI Program. In addition to support to the Matrix Process, development of improved legal drafting procedures, and routine application of the RIC Methodology, public-private action was encouraged of national and regional Prosecutors’ Offices and the Customs Service. While many groups focus on dialogue, these groups focused on action. Dialogue was an important component of the initiatives, but the goal, understood by all participants, was to undertake specific and beneficial actions improving the business environment.

*Prosecutors’ Working Groups*

In a political system without checks and balances on government conduct created by separate and equal branches, it is important to find mechanisms that allow citizens to raise and address issues using legal tools. In the Kyrgyz Republic, it is possible for the Prosecutor’s Office to issue a “protest” to challenge illegal agency regulations and a “submission” to challenge government actions thought to be illegal. As a law enforcement body, it was necessary for USAID to review collaboration with the Prosecutor’s Office, but based on recommendations from TFI and the proven effectiveness of the mechanism, USAID approved support to Prosecutors’ Working Groups.

To empower this opportunity, TFI worked closely with both national and regional Prosecutors’ Offices and private sector representatives to build a dialogue mechanism whereby businesses can refer issues directly to local representatives, who research it and, if a violation is found, issue a protest to the issuing agency. Under law, the regulator must respond within 10 days. While framework reform focusing on changing the legal environment through multiple reform steps, Prosecutors’ Working Groups provide immediate relief to specific businesses faced with discrete issues that are impairing activity and growth. Through this mechanism, over 565 illegal and intrusive government regulations and actions were successfully challenged between 2003 and 2006. Initiated in Osh and Bishkek, throughout the 2005-2006 year, TFI worked with counterparts to expand availability of the working groups to Jalal-Abad, Issyk Kul and other areas.

**Prosecutor Actions**



A primary challenge to building relationships between prosecutors and entrepreneurs is breaking down the historic reluctance to approaching prosecutors. During Soviet times, the Prosecutor's Office was a key body for enforcing state policy against citizens, so it is naturally still feared by many. However, by building effective and safe forums for raising issues, primarily through business associations, businesses are making increased use of the opportunity.

TFI worked to increase the effectiveness of remote working groups by enlisting the involvement of law school legal clinics and groups such as the Young Lawyers of the South. As with many government bodies, the work the Prosecutor's Office can do is limited by both human resource and technical constraints. Through group trainings with both prosecutors and private sector representatives, TFI sought to not only build trust, but also to build communication linkages across geographic regions.

While the groups in most areas are sustainable, increased investment in computer resources is recommended. Many prosecutor offices lack basic computer access to legal databases and e-mail, both of which would add to the continued effectiveness of the groups. Although TFI supports efforts to increase involvement of the mass media, more formal relationships between schools, working groups, and media representatives are also recommended.

The successful working groups in the Kyrgyz Republic provided the foundation for formally expanding the mechanism to Kazakhstan where it has also proven to be successful. Also, while Prosecutors' Working Groups haven't achieved the same level of formality in Tajikistan, the involvement of the office in constraint reductions has also been explored there, with some success.

#### *Customs Consultative Councils*

Similar to Prosecutors' Working Groups, Customs Consultative Councils has also proven to be an effective mechanism for increasing trust, responsiveness, information exchange, and immediate problem solving for Customs brokers, investors, and individual traders throughout the Kyrgyz Republic. Businesses routinely report to TFI that they are no longer afraid to raise issues and the Councils' success in providing public input, eliminating burdensome requirements, and facilitating positive dialogue has proven their value. Through the transfer of skills to TFI's private sector counterparts, it is expected the councils will continue beyond the life of the project as a positive mechanism for dialogue and change.

Beginning in 2005, TFI began an initiative to transfer ownership of CCCs to private sector partners. While direct support continued, in Bishkek, the Association of Customs Brokers took an increasingly important role in working with Customs to develop the meeting agenda, track issues, and manage meetings. In Osh, the Young Lawyers of the South provided significant support to the CCC. With the agreement of Customs, agendas and meeting minutes are regularly reported on the CCC website to encourage additional public involvement and provide notice of Customs decisions and actions.

Following the Revolution in March 2005, CCCs were particularly beneficial in providing the business community with a direct dialogue with Customs. Customs also recognized the importance of the CCCs in notifying the public of its dedication to stable and open trade as well as its determination to combat pervasive corruption.

TFI's sustainability plan effectively culminated in May 2006 with the adoption of a formal regulation, coordinated with all departments of Customs and the new Director, recognizing the CCCs as a mutual and collaborative effort of Customs and the business community. Formally establishing a public-private chairmanship, the regulation also established a joint working group to take over the analytical duties that previously required the greatest support from TFI.

It is believed that sustainability of the CCCs have been established given the level of continuing commitment and buy-in from all involved. Future trade-related support should incorporate

participation of the CCCs as well as consider efforts to expand councils into other regions and the possibility of linking groups from multiple countries to effectively address regional trade issues in public-private partnership.

### ***WTO Support and the Inter-Ministerial Commission***

Although a member of the World Trade Organization since 1998, the Kyrgyz Republic continues to maintain laws and regulations inconsistent with WTO agreements. Additionally, there is a deficit of institutional capacity and understanding within the government regarding WTO agreements and their compliance requirements as well as the benefits they may offer. The TFI Project has supported membership compliance in a number of ways.

In addition to assistance developing a WTO compliant Customs Code and addressing technical barriers to trade, TFI's WTO-related assistance has included consultation on eliminating non-complaint licensing requirements, participating in negotiations of membership by other countries, preparation for and financial assistance to participate in international meetings, web site design, and consistent direct support to the WTO Department within the Ministry of Economic Development, Industry and Trade regarding domestic draft laws and expanding internal knowledge of WTO membership.

Establishing and maintaining a WTO-compliant trade regime requires understanding of international agreements and cooperation across government bodies. The Inter-Ministerial Commission (IMC), including members from across disparate bodies as well as the private sector, was created to help address compliance activities within the government as well as to increase government-business dialogue in WTO matters. The IMC was originally formed during the accession process but prior to 2003 had become inactive since many of its members had moved on to other positions in and out of the government and replacements were never named. Furthermore, the regulations governing the activities of the commission were too vague and weak to ensure compliance was taken seriously. In mid-2003, TFI and the Ministry of External Trade and Industry (METI) proposed to re-establish the commission and strengthen its capabilities by addressing these weaknesses. In 2004, consistent with TFI recommendations, the IMC was expanded to include official representation from the private sector to provide businesses a voice in the determination of the Kyrgyz Republic's negotiating positions with other countries and trade policy in general.

Technical WTO competency within the Kyrgyz Republic remains spread across government bodies. Working with the WTO Department, TFI recommended a supporting expert group be created to assist the IMC as well as to build a competency center of WTO expertise and facilitate the sharing of technical information within disparate government bodies.

The commission has so far been successful in reducing constraints to trade and improving compliance with WTO. For example, the commission prepared amendments to the law "On Licensing" to clarify the procedure for obtaining import licenses and recognizing the notion of "automatic licensing", a WTO requirement. The commission was also instrumental in the preparation and adoption of a transit agreement with Kazakhstan that allows for, among other things, permit-free transit through the territory of Kazakhstan for Kyrgyz transporters.

Since the IMC is composed of high-ranking representatives from across ministries and agencies, its composition is particularly impacted by government shake-ups as are currently occurring in the Kyrgyz Republic. However, as it is supported by the WTO Department, which is less impacted by the instability, it is anticipated that the IMC will endure the changes. Also, with the WTO Department moving forward with TFI recommendations to create a supporting technical expert group from across agencies, but with representatives from non-political positions, a solid foundation exists for future WTO-related assistance.

During the 2005 – 2006 period, with assistance from TFI, the Ministry of Industry, Trade and Tourism (MITT) (formerly the Ministry of External Trade and Industry) successfully completed its WTO Trade Policy Review Questionnaire. The purpose of the Trade Policy Review Mechanism (“TPRM”) is to contribute to improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of Members. The Kyrgyz review helps find out to what extent the country complies with the requirements and commitments undertaken within the framework of the WTO multilateral agreements. All WTO Members are subject to review under the TPRM. The multi-stage TPR for the Kyrgyz Republic will continue throughout 2006.

The main issue on the agenda of the WTO is multilateral trade liberalization negotiations that were launched in November 2001. These negotiations cover a wide range of complex international trade issues. It is important that members, especially resource-poor developing countries, effectively take part in these negotiations. TFI has been providing support for the Kyrgyz government in preparations for these negotiations through trainings, briefings, and expert advice. Three seminars/briefing sessions were held prior to each of the WTO Ministerial Conferences in Doha, Cancun and Hong Kong, as well as expert support during the Conferences. Trainings and advice covered issues that are of interest to the Kyrgyz Republic and focused on briefings of the ongoing negotiations and proposals, different methods and approaches to liberalization, and possible outcomes and consequences for the Kyrgyz Republic. Target groups were both the government officials as well as representatives of various sectors of the economy.

However, many leading government representatives and business leaders remain skeptical of the benefits of WTO membership. While the country relinquished some protectionist mechanisms by joining the WTO, the lack of many benefits for many businesses can be traced to internal regulatory failures and continuing costly regulations and implementation practices from the past, as discussed below. And the fact that its immediate neighbors and traditional trading partners remain outside the WTO, a situation that soon change.

There continues to be a need to centralize understanding and WTO competence within the government. The IMC is a good political body, but further assistance is necessary to the expert group to encourage appropriate technical activities throughout the government and improve technical understanding that can help address some political opposition when it arises.

Although the Kyrgyz Republic has been a recipient of USAID technical assistance for a number of years after its accession, there are two issues that still need attention and support due to their significance and the lack of resources and capacity of the country:

- Support to the Kyrgyz Republic’s Trade Policy Review process for two reasons: (i) since such an important event is being held for the first time, and (ii) the results of the review may indicate deficiencies and needs of the country that will need the attention of donors;
- Support for participation at the Doha Development Agenda negotiations is widely recognized among WTO members as requiring technical assistance due to its complexity. In addition, once the negotiations are completed the Kyrgyz Republic will have to implement new agreements to be reached as an outcome of the negotiations. This would be a difficult task for most developing countries.

### ***Metrology, Accreditation, Standards & Quality***

A technical barrier to trade, impermissible under WTO agreements, is a product standard or technical regulation or a procedure to assess conformity if it is used in a way to impede trade rather than in pursuit of an objectively legitimate goal. The Soviet GOST system, inherited by the Kyrgyz Republic, includes many mandatory product-related regulations that would be considered technical

barriers to trade since they impede the ability of entrepreneurs to import or export the goods in question. Modern practice is to restrict mandatory regulations to narrow instances, with businesses using voluntary standards to meet market demands. As part of the broader WTO assistance initiative and to facilitate reduction of constraints to business activity, TFI has worked with the government of the Kyrgyz Republic and the private sector to reform the government regulatory structure, reduce the number of products subject to regulation and improve the procedures for compliance verification and audit. This area of work began as early as 2000 under the USAID RRP and continued into TIP/TFI. Originally, work focused on reducing the number of products subject to mandatory certification (technical barriers to trade) and increasing the transparency of the process. Later, it became clear that the entire infrastructure underpinning standards, certification and accreditation was the root cause of the problem and was inconsistent with international practices and approaches. The embodiment of this was the State Inspectorate on Standardization and Metrology, or KyrgyzStandard.

### *Institutional Reform*

KyrgyzStandard was the government organization responsible for establishing state policy in the area of standards, certification, accreditation, metrology and testing. It was a self-funding executive power body that developed mandatory standards, tested for their compliance, accredited laboratories and also performed State surveillance of compliance in the market. Bundling all these functions into a single organization created a clear conflict of interest and violated international rules and practices. Furthermore, such a situation raised costs to businesses, deterred growth and innovation in the domestic market and limited the export potential of Kyrgyz products by not offering the needed technical support services to industry to encourage adoption and usage of voluntary product standards.

Between 2001 and 2002, under both the USAID RRP Project and TIP, three separate MAS-Q experts visited KyrgyzStandard to comprehensively review its structure, functions, technical capabilities and funding and each prepared a report of their findings and recommendations to bring the organization into compliance with international practices and to bring the Kyrgyz Republic closer to compliance with the TBT and SPS Agreements. While KyrgyzStandard naturally took issue with some of the findings and recommendations, it did view the reports favorably and respected the opinions of the experts as qualified in their respective fields. The reports were also shared with others in the Government and the private sector and stimulated a debate over the future structure of KyrgyzStandard.

One issue raised by KyrgyzStandard was that their current structure and functions were established by law and Presidential decree and could not change without the proper legal reforms, nor could they reform internally without significant assistance from international organizations. Since the MAS-Q component by this time was taking a more regional approach, as WTO assistance to Uzbekistan and Tajikistan had been added, TIP proposed to provide KyrgyzStandard with the expert assistance to develop a transition plan if they would agree to a restructuring in line with international practice. This was agreed to and an Agreement in Principle to that effect was signed in late 2002. Over the next 12 months, two short-term experts were fielded to develop and help implement a transition plan that would move the organization from a primarily regulatory body to a service provider to industry and government.

This was not an easy task and required considerable investment in time and money on the part of TFI. However, in the end, KyrgyzStandard staff took ownership of the process and the plan and it eventually became an approved document of the government. In February 2004, the President of the Kyrgyz Republic, Askar Akaev, issued a Decree formally converting the State Inspectorate on Standardization and Metrology (KyrgyzStandard) into the National Institute on Standards and Metrology (NISM). The new institute had the status of a nonprofit government institution and assigned the functions of standardization, metrology and accreditation.

*This change marked a vast improvement from the previous MAS-Q system in the Kyrgyz Republic and is considered one of the great achievements of the TFI Project, despite the implementation issues that*



*still remain.* While NISM remains a service provider, the separation of accreditation, testing, certification, and state supervision continue to be discussed amongst competing government bodies and international donors. Throughout 2004, 2005 and 2006, TFI increasingly worked with TACIS, ITC and the World Bank to develop and advocate a common donors' position and build a collaborative support strategy.

By involving ITC, for example, which specialized in accreditation and employed one of the foremost authorities in accreditation, all parties agreed to a common approach on accreditation that would remove this function from NISM and place it in a newly established National Accreditation Committee. Testing and certification would then remain within NISM and offer it an opportunity to offer needed services and become self-sustainable. TFI also advised and assisted the World Bank in the creation and implementation of a \$5 million project presently starting-up in the Kyrgyz Republic that will build on successes promoted by TFI, and focus on further institutional reform, i.e. accreditation and conformity assessment functions, developing technical regulations and supporting NISM and other testing laboratories to provide needed technical services to Kyrgyz exporters. The EU-TACIS Project will help implement the new law On the Fundamental of Technical Regulation (discussed below) by helping prioritize and draft technical regulations.

### *Legal Reform*

Despite WTO membership, the Kyrgyz Republic did not immediately comply with the Agreement on Technical Barriers to Trade (TBT) and continued to maintain mandatory legal requirements and apply mandatory standards in violation of its commitments well into the Extension Period of the TFI Project. In addition to the institutional reform discussed above, legal reform was necessary to adopt and implement a new internationally-accepted approach. For this reason, TFI advocated for the development of a new law to replace the existing laws "On Standardization" and "On Certification" that would be WTO-compliant, on the one hand, while radically reducing the scope of Government regulation on the other. Since both these laws provided the legal basis for the present system and empowered the government to interfere unnecessarily in the activities of local businesses, it was quite easy to rally support for their amendment. This point was included in the Third Investment Matrix (discussed above) approved in early 2003. Another feature of this reform effort that was advocated by TFI was the creation of a Commission on Technical Regulation Reform that would be responsible for implementing the Government's policy, i.e. drafting the required laws and regulations and recommending institutional changes. This Commission was made up agencies involved in technical regulating, KyrgyzStandard, donors groups such as USAID and TACIS, parliamentarians and business associations. The Commission then appointed a working group, which included TFI experts, to draft the required normative acts and present them to the Commission for approval. This way, the process was allowed to proceed without undue influence from the Government or being undermined by agencies that would stand to lose some of their authority as a result of the reforms.

The Law "On the Fundamentals of Technical Regulation in the Kyrgyz Republic" was finally adopted by Parliament and signed into law by the President in May 2004, taking full effect in December 2004. The new law, the first of its type in Central Asia, represented an entirely new approach to standardization, certification and accreditation by replacing the mandatory application of standards with a system based on the accepted international practice of voluntary standardization and conformity assessment activities. Under the provisions of the new law those aspects of products and processes having a direct impact on health and safety may become technical regulations; all other product specifications become voluntary. The law also brings the Kyrgyz Republic a step closer to full compliance with the WTO Agreements on TBT and SPS and establishes the vital link between trade, standards and export competitiveness.

The Law contains a specific list of regulations that were required to be adopted before it was to take effect. However, due to political disputes and because the beneficial provisions of the Law negatively impacted certain vested interests benefiting from the current level of business interference and

revenue collection, it was not until after the March 2005 revolution and the government reshuffling that followed that significant progress was made on the next phases of implementation.

In January 2006, a new Regulation “On Products Subject to Mandatory Conformity Assessment” was approved that reduced the number of products regulated from over 5,500 to just over 2,000. While TFI believes the list is still excessive, it is nonetheless a positive first step and should lead to an immediate reduction in the level of regulation faced by importers and domestic producers and sellers. At the same time, the Government approved new procedures for importing goods subject to mandatory conformity assessment that allow for proof of conformity through product marks and foreign test certificates, thereby reducing the need for redundant testing on importation. The elimination of burdensome re-testing and re-certification requirements eliminates inconsistencies with the law and the TBT/SPS agreements.

Reform of the GOST system is a very complex undertaking, involving improvements in the legal and regulatory environment, structure of the government, competency and technical capacity within agencies, technological upgrades, and an understanding of market mechanisms and the rules of global trade. In the Kyrgyz Republic, in particular, where there is and will continue to be an acute lack of the necessary human and financial resources to fully modernize the MAS-Q system, the international community will continue to play a major role. For this reason, and given the inherent complexities of the reform process, any future activities must be collaborative and all donors should agree on a common strategy and goals before developing projects or reform initiatives. As mentioned earlier, TFI has successfully collaborated with the World Bank, ITC and EU-TACIS and each organization would welcome further USAID support and are ready to cooperate. The difficult tasks of completing the necessary institutional reforms and developing draft technical regulations are still ahead, but with continued donor support and a strong commitment from the government TFI is confident these can be completed during the follow on activity.

One immediate opportunity that presents itself is, to the extent feasible, to apply the experience of the EU-TACIS Support to the WTO Accession of Kazakhstan Project that is drafting 30 priority technical regulations and harmonizing other laws to comply. If Kazakhstan takes the lead in developing technical regulations that meet the requirements of the TBT and SPS as well as approximate EU requirements, then in the interest of harmonization and smoothing trade flows in the region, the same regulations should serve as a basis for those of the Kyrgyz Republic.

### ***Ferghana Valley Activities***

With over 10 million people, the Ferghana Valley is a geographic region almost twice the size of the Kyrgyz Republic. While geography and history indicate it may be a consolidated economic region, modern politics have divided the Ferghana Valley between Uzbekistan, Tajikistan and the Kyrgyz Republic. Entrepreneurs have been severely impacted by legal barriers to the movement of goods and people across borders. Additionally, transport infrastructure build by the Soviet Union, with routes transecting the countries of the Ferghana Valley, while perhaps serving the interests of the Soviet Union at the time, have created further difficulties for entrepreneurs in the independent countries seeking to access distant markets.

In 2003, TFI began efforts to address both cross-border and local issues impacting businesses in the Ferghana Valley. Managed from Osh, the regional RIC Component in Khujand, Tajikistan and Ferghana, Uzbekistan was strengthened and cross-border specialists tasked with addressing constraints to the movement of goods and people. Expatriate advisors based in Osh, Kyrgyz Republic and Khujand, Tajikistan provided coordination and technical advice to the local team in the Ferghana Valley. TFI’s objective was to create favorable conditions for cross-border trade development through simplification and removal of administrative barriers. To achieve this, TFI’s focused first on bringing together government officials and businesses from oblasts in the Fergana Valley to discuss and solve problems hindering the development of cross-border trade.

### *Ferghana Valley Cross-Border Council*

TFI organized and supported the Ferghana Valley Cross-Border Council composed of government and business leaders from the 7 Oblasts of the Ferghana Valley to encourage dialogue and build consensus on common issues impacting businesses. Although historic linkages and common problems exist for all members, current political issues were preventing collaborative cross-border dialogue. The Council was seen as a way to bring together all parties and forge a common strategy for regional reform. Three representatives from each oblast were members of the Council, including, vice governors, representatives of business associations and entrepreneurs. A series of meetings were held in Osh, Kyrgyz Republic, Ferghana, Uzbekistan and Khujand, Tajikistan during 2003 and 2004.

Some achievements of the Council include:

- Passenger transportation between Alabuka village, in Jalal-Abad oblast and Kasansai in Namangan oblast, was improved through agreements allowing for the elimination of the requirement for Kyrgyz transporters to pay an insurance fee (\$65) for entrance into Uzbekistan.
- Council representative agreed to assist in the opening of a representative office of “Nam-Kon” company in Alabuka, to supply coal from Tash-Kumyr, Kyrgyz Republic to the brick plant in Kasan-Sai.
- A contract for supply of coal between companies from the Kyrgyz Republic and Uzbekistan was completed. To fulfill the contract, the Kyrgyz party received continuing assistance from TFI to address issues related to motor inspection and customs. The Uzbek party, with assistance from TFI and the Council, completed all legal procedures for the contract’s registration.
- The Council submitted a recommendation to the Government of Uzbekistan to increase the working hours of border posts and to open consular offices in Khujand, Tajikistan and Osh, Kyrgyz Republic to facilitation acquisition of travel documents. However, Uzbekistan did not support the initiative.
- Based on a Tajik Resolution of September 26, 2003 to increase cross-border trade between the Kyrgyz Republic and Uzbekistan, it was recommended that the governments of the Kyrgyz Republic and Uzbekistan undertake similar initiatives at the national level to adopt a coordinated approach that would include the opening of additional near-border markets and removal of road check-points. However, Uzbekistan did not support the initiative.

While the Council increased cross-border dialogue and was supported by its active participants, there were two key issues that impacted on the effectiveness of the group and led to consideration of alternatives:

First, despite direct USAID requests, the Government of Uzbekistan refused to regularly and fully participate. The Council could have been more effective if Uzbekistan pursued open trade positions and engaged its neighbors in constructive dialogue. As most flatland areas of the Ferghana Valley are in Uzbekistan, Uzbek participation was essential to address many critical issues raised by neighbors. Officially, Uzbek authorities defended protectionist policies based on the need to defend tax revenues and domestic industries against Chinese goods flowing from the Kyrgyz Republic. Even when Uzbek government representatives attended Council meetings, they had no relevant powers and could not express their opinions during discussions. However, unlike Uzbek government officials, Uzbek business associations took an active part in the work of the Council, showing their interest in cross-border development.

Second, while the impact of constraints are felt by local businesses in regional areas of the Ferghana Valley, most barriers to trade and movement originate and must be solved at the national level. Regional governors have little or no ability to address border regulations and other laws. Although

national representatives were invited, and did attend from the Kyrgyz Republic and Tajikistan, national Uzbek government leaders did not attend Council meetings.

While the Council served a valuable purpose in initiating dialogue, meetings required significant resources to plan and conduct and barriers to travel by participants often presented challenges. As a result, TFI decided to examine more cost-effective alternatives and pursue cross-border issues through different mechanisms.

While Uzbekistan was opposed to international meetings, limited dialogue, at least, was possible between Uzbek businesses and the government. TFI Consultants worked with business counterparts and the Chamber of Commerce to identify and raise issues with local Uzbek government officials at the oblast level in Andijan and Ferghana.

As an existing member of the WTO, the Kyrgyz Republic was able to use its position in the Uzbek Working Party to present questions regarding barriers to trade. While the accession process does not provide immediate remedies, it allows the national governments to highlight particular issues of concern for future action.

#### *Osh and Ferghana Valley Agribusiness Initiatives*

The Osh Agribusiness Initiative was launched in 2002 as a collaborative effort among USAID-supported projects in Osh to facilitate the development of agriculture businesses. The initiative began in response to Osh Governor Kasiev's efforts to stimulate the growth of agroprocessing and he approached USAID and the U.S. Embassy for assistance. As a trade facilitation and legal reform project, TFI was actively involved in providing support to clients of the Enterprise Development Project and to the Osh Administration in particular. For round tables and focus groups, OAI counterparts were key participants.

During the 2003 – 2004 contract year, the Osh Agribusiness Initiative was expanded to become the Ferghana Valley Agribusiness Initiatives with the objective of a coordinated USAID approach to the development of the sector throughout the Ferghana Valley. TFI actively coordinated with other projects to identify and address regulatory barriers encountered by fruit and vegetable businesses. Additionally, data was regularly shared between TFI, the Enterprise Development Project, and other participants regarding client problems. Most of the regulatory problems encountered by agribusinesses are shared by all businesses in the region and those problems were addressed on an ongoing basis by TFI consultants. As key process projects were completed, processes reformed, and accurate regulatory maps finalized, the information was distributed through FVAI implementing partners to their clients.

As the USAID AgFin+ Project began operation, TFI collaboration was particularly important to address individual transit and transport issues to facilitate trade through Kazakhstan and with China. The development of Cost-to-Market analysis of trade routes, discussed above, was particularly beneficial for AgFin+ clients concerned with delivery times for high-value fresh produce, and the Osh – Novosibirsk route as one of the first delivery transit corridors mapped using this innovative methodology.

#### *Sector-Specific Assistance - Beekeepers*

The bi-lateral approach to constraint identification and problem-solving was particularly effective with support to beekeepers. One of the most prevalent cross-border activities in the Ferghana Valley is beekeeping and honey production. Tight border controls and non-transparent procedures for beekeepers have increased costs for those involved and reduced cross-border activities. In response to these barriers, TFI initiated a working group to study the situation for beekeepers in Osh Oblast. The recommendations made by the working group resulted in a resolution that stated necessary veterinarian certificates could be issued at the beekeeper's destination point instead of requiring all

beekeepers to go to Osh to obtain a certificate. It also called for the creation of a unified plan for land use and fees and stated that beekeepers would no longer be subject to excessive stops and demands for payments.

Building on the previous year's success of having the Kyrgyz Ministry of Foreign Affairs in Osh agree to issue Kyrgyz visas to beekeepers from Uzbekistan, TFI has continued to focus efforts on removing constraints that hinder cross border trade in the Ferghana Valley. During a cross-border meeting organized within the framework of the Ferghana Honey Festival, the Kyrgyz government agreed to consider requests from other business groups for visas in Osh, instead of requiring them to go to Tashkent, thereby eliminating additional costs and time spent that could make cross border activities prohibitive. Due to events in Andijan, Uzbek authorities increasingly interfered with the ability of Uzbek citizens to leave the country. As a result, the present ability to acquire visas in Osh has been impaired.

Within the Ferghana Valley, activities in the Kyrgyz Republic and Tajikistan have been the most successful. However, as demonstrated by the success with beekeepers, these activities often include consideration of and impact on businesses throughout the area.

Border management issues, especially in Uzbekistan continue to negatively impact business. However, while these policies and procedures impair local activities, they are a function of national laws and policies. Work with the private sector can be successful, especially when focused on improving the management and advocacy capacity of partner organizations. But, due to political constraints, substantial improvement in the legal regimes in the Ferghana Valley must come from changes in national policies and laws, which cannot effectively be addressed at the local or Oblast level.

#### *Remaining Issues*

A number of issues remain to be resolved in the Ferghana Valley, but require national and coordinated action, as well as decisive and fundamental changes in policy by Uzbekistan. Some issues include:

- Under the Resolution of the Government of the Kyrgyz Republic #609, of September 15, 1998, 49 customs checkpoints were formed along the border with Uzbekistan and Tajikistan. Currently, Uzbekistan only operates the "Dostuk" customs checkpoint border between Osh, Kyrgyz Republic and Andijan, Uzbekistan for movement of goods, including those transported using TIR Carnet. Actual operating hours are only from 7am to 8 pm daily. Other checkpoints for admission of goods and transport are blocked by Uzbekistan.
- The Agreement on Mutual Trips of Citizens of the Kyrgyz Republic and Uzbekistan of July 2, 2000 does not include all cities and rayons of bordering oblasts of Uzbekistan and the Kyrgyz Republic. No information on the procedure for temporary visits and transit movement of Kyrgyz citizens through the territory of Uzbekistan is available at Uzbek border points. Excessive passport stamping during border crossings increases demand for new passports and passport pages, creating difficulties for citizens of the Kyrgyz Republic given problems with passport availability.
- Transport costs between Uzbekistan and the Kyrgyz Republic are high and due to toughening of the border regime by Uzbekistan, transportation of cargo has been greatly restricted or eliminated in many areas.
- Following events in Andijan, all border points were closed. Even after re-opening, numerous customs and police posts impair traffic and border areas are frequently closed for "quarantine", increasing smuggling across the border.
- In Karasuisky rayon the partial quarantine treatment was resolved and the export of agricultural goods from Uzbekistan is allowed. However, imports from the Kyrgyz Republic are prohibited.

- In December 2005, Uzbekistan introduced strict controls over the movement of goods by natural persons through the Karasuu border point. Now, the post is open only for the movement of citizens. The movement of goods is prohibited.
- In February 2006, a wholesale market was opened in the Karasuu territory of Uzbekistan on the site of a former electrical plant to compete with the large Karasuu market across the border in the Kyrgyz Republic. However, the opening of the market in Uzbekistan has had no impact on trade.
- In May 2006, the Uzbek population in the southern Kyrgyz Republic initiated a campaign to collect signatures for an official appeal to the Presidents of Uzbekistan and the Kyrgyz Republic to introduce a visa-free regime. However, political considerations and continued security concerns following the Andijan “incident” make loosening of restrictions on movement and other regulations unlikely. In the future, increasing the ability of people to move freely in the Ferghana Valley should be a priority.

### ***C. Kazakhstan***

While a regional project, within the life of the TFI Project, the four (4) countries in TFI's area of operation have developed in very different ways. Kazakhstan has experienced the greatest economic development, in part fueled by natural resource exploitation. Resource revenue has allowed the development of a strong business sector, somewhat freer of the pervasive firm-level corruption seen in other countries and facilitating the development of a strong business class of entrepreneurs both financially successful and with access to political leaders and in a position to directly and positively influence business policy.

Similarly, while many countries of Central Asia experienced a flight of leaders and talent following the collapse of the Soviet Union as members of the intelligencia and skilled professionals left for Russia or other countries, Kazakhstan, with a significant Russian population has maintained a skilled class of government administrators and business professionals. As a result, Kazakhstan in general has been seen to be more effectively managed from a business perspective, maintaining a more open trade regime, and the opportunities for productive business-government dialogue are greater than is seen in other countries. At the same time, Kazakhstan has avoided the pervasive nationalism translated into policies that mandate restrictive language requirements that further impose barriers to businesses and the movement of productive labor as witnessed in other areas.

With its financial and political stability, Kazakhstan has also pursued a healthier path of less donor dependence than seen in other countries. While donor dependence in other countries give the appearance of influence on government, in Kazakhstan, it has been possible to consult with both business and political leaders to improve the environment and assist in reforms the Kazakhstani government has independently chosen to undertake.

The mission of the TFI project in Kazakhstan was to create an environment which enabled the growth of small and medium enterprises and which promoted an increase in cross-border trade. To that end, TFI worked to identify and reduce administrative barriers to SME creation and growth and enable the public and private sectors to do the same; streamline and modernize the Kazakh Customs service and facilitate dialogue between cross-border traders and Kazakh customs officials; and encourage and assist Kazakhstan to accede to the World Trade Organization.

TFI began its work in Kazakhstan in 2001 as a follow-on of the earlier USAID Removal of Investment Constraints in Kazakhstan Project (RICK), which worked in Ust-Kamenogorsk, Aktau and Atyrau from October 2000 – September 2001. The one-year RICK project focused on developing roadmaps through first-hand experience by consultants of the constraints created by the Kazakh bureaucracy and the development of recommendations to reduce those that were identified. During the course of the RICK project, the consultants laid the basic methodological foundation that was refined for TFI's work in identifying and creating recommendations to reduce administrative constraints and by creating relationships with local government officials and entrepreneurs while raising awareness of the negative impact unnecessary time consuming and complex bureaucratic processes could have on SME growth.

#### ***Reduction of Investment Constraints***

During the 2001-2003 Base Period, particularly in Kazakhstan, the Project developed and refined a reform process that came to be known as the "RIC Methodology". By operating through focus and working groups in collaborative relationships with businesses and government counterparts, the Project effectively identified barriers to business operation and influenced positive changes in the regulatory environment. Of particular note during this period was the success in reforming the legal processes for construction and remodeling of business sites. Discussions with the private sector indicated that the construction permitting process in Kazakhstan was one of the greatest barriers to

private sector development. Construction was one of the fastest growing economic sectors in Kazakhstan and the pace of construction needed to keep pace with private sector development. TFI discovered, however, that while the construction of a commercial structure might only take 4-6 months, the permitting processes could take years. TFI worked with the Almaty City Akimat throughout the contract year to map all processes related to construction permitting and to identify opportunities to streamline. Together, TFI and the Akimat identified an overlap of agency jurisdiction that caused confusion for entrepreneurs as well as the requirement to receive duplicative approvals. TFI and the Akimat also identified unnecessary steps and documentary requirements in the process. Recommendations to eliminate the problems identified were adopted and implemented by the City Akim and they proved to be so successful in streamlining the permitting process that they were elevated to the republican level with the adoption of Decree 1313.

The adoption of Decree 1313 was a major turning point for TFI. It established TFI as a valuable resource to not only the local government with whom we had been working, but also with the private sector and the republican government. TFI used this opportunity to accelerate our collaboration with government and private sector through the establishment steering committees and working groups, which laid the foundation for a public private dialogue that became the genesis of TFI's partnership program.

Although TFI consultants would continue for the life of the Project to work directly with government counterparts, building the capacity of private sector counterparts, through training and on-going mentoring to undertake independent reform actions would become the focus of RIC activities.

### ***Partnership Program***

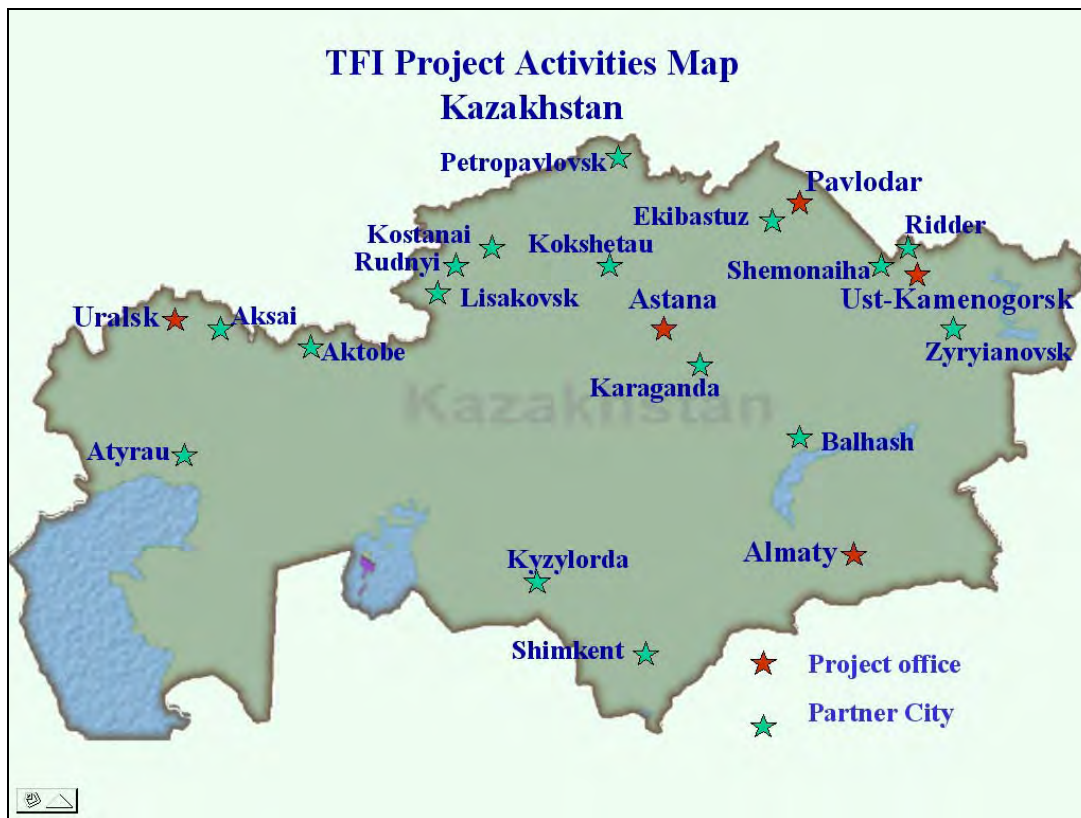
Following on successes in 2002-2003, TFI devoted more resources to work at the national level and to invest training resources in business associations to enable them to work with local governments in much the same way TIP had for the first two years of the project. The rationale for this investment was that it would create a sustainable system that facilitated public-private dialogue and to build capacity in partners organizations to continue work to identify and reduce barriers to SME growth.

In 2003-2004 TFI began the process of transitioning its Reduction of Investment Constraints methodology to business associations in Kazakhstan through the introduction of a Partnership Program. The ultimate goal of the program was to create a sustainable network of business associations that had both the financial and technical capacity to continue to improve the business environment for its members and the general SME community after the TFI Project concluded its work. TFI's goal for 2003-2004 was to enlist and train partners in five cities and to reduce constraints in at least two of those. By the end of May 2004, TFI surpassed those goals by enlisting eight partner associations in Aktobe, Astana, Atyrau, Ekibastuz, Ust-Kamenogorsk, Ridder, Kostanai and Karaganda, of which four reported successfully reduced constraints.

The second year of TFI's partnership program was marked by greater than expected expansion and results. TFI itself continued to build on its relationships with local governments as well as its expertise in implementing the RIC methodology. In 2004 – 2005 TFI expanded the number of partner program participants and implemented a training program that resulted in our partners reducing 27 constraints in 9 cities, a huge increase over the previous year. By the end of May 2005, TFI had recruited and trained 35 partners in 21 cities, four of which were local Akimats.

The locations of partners are indicated in the following map of Kazakhstan:





Results in the 2005 – 2006 project year reflect the increasing importance and ability of TFI partners. Constraint reductions impacted the construction industry, the pharmaceutical industry, and the advertising industry. These reductions will have a positive impact on thousands of SME's throughout the whole of Kazakhstan. Of particular note is the fact that TFI partner program participants are responsible for an ever larger portion of the constraint reductions reported by TFI. This fact highlights the value of the Partnership Program and the ability of Kazakh business associations and government bodies to independently improve the business climate in Kazakhstan.

During the final year of the project TFI focused its efforts on ensuring that the institutions that we helped to form would not only remain but continue to foster public private dialogue and cooperation in the identification and reduction of barriers to SME development.

First, TFI initiated a program to expand the partnership program and ensure its sustainability long after TFI concludes its work in Kazakhstan. This new “multiplication program” in which existing partners train and mentor governmental and non-governmental entities to implement the RIC methodology ensures that the process of reducing constraints will continue long after the conclusion of the TFI project. To ensure the continued expansion of this core after termination of the TFI project, existing partner program participants will be trained to effectively transfer the RIC methodology to new partners. Two TFI partner associations, the Astana Association for the Protection of Entrepreneurs Rights and the Association of Entrepreneurs of Karaganda Oblast (the mentor associations), officially launched the TFI devised association mentoring program. The mentor associations conducted their first trainings for three associations in Karaganda. In addition, an association in Shymkent has applied for membership in the mentoring program and has agreed to pay the expenses of the mentor associations to travel to Shymkent to conduct RIC trainings. Finally, the mentor associations applied for a grant through the EDP-TFI grants program to fund expansion of their training activities to the Kyrgyz Republic, Tajikistan and Uzbekistan. This grant was approved in late 2005 and training commenced in early 2006 for 37 associations in six cities – Bishkek, Osh, Tashkent, Ferghana, Dushanbe and Khujand. The trainings took place in three stages over a six

month period and concluded in July 2006 with partnership MOUs signed with five associations to continue trainings and constraints reductions. As expected, not every association completed the training, as the course is rigorous and actually designed to weed out those without the requisite interest or skills. Only by working with the most active and engaged associations will the Program be successful and sustainable. The results of the training, the constraints addressed and the materials used will be available for all interested associations on the regional website ([www.ca-ric.com](http://www.ca-ric.com)).

TFI strongly recommends continuing to support efforts to strengthen the ties among associations in the region.

### ***TFI RIC Activities***

While developing and implementing the Partnership Program, TFI continued its own work on directly reducing investment constraints. Over the course of the first year TFI successfully reduced constraints related to 22 separate processes in 6 cities. These impacted the tourism industry, the pharmaceutical industry, land acquisition and construction projects, as well as business registration and inspections and will have a positive impact on thousands of SME's throughout the whole of Kazakhstan.

Recommendations made by TFI and the Kazakhstan Tourism Association were instrumental in Kazakhstan's adoption in January 2004 of simplified visa regulations for citizens of 27 developed nations in North America, Europe and Asia. The new regulations permit citizens of these countries to receive one-month one-entry tourist, business or diplomatic visas without an invitation letter or visa support from a Kazakh entity. This not only benefits tourism but business travel as well.

A new law on business registration introduced the principle of one-window registration to Kazakhstan. Instead of visiting multiple state entities, entrepreneurs need only make two visits to the Ministry of Justice in order to register their business. In addition, the overall registration period was reduced to less than three weeks. The government has since established two Public Access Centers (PACs), one each in Almaty and Astana, where entrepreneurs may go to register a business. These centers are scheduled to open country-wide in the next several years. While on the surface they represent an excellent example of the one-window approach, problems with coordination and information sharing among different agencies have led to many complaints. TFI sees this as one area requiring the future attention of any regulatory reform project.

TFI successfully advocated for the adoption of a resolution by the Almaty Akim that improves the process of land site acquisition and land use for SME's. The resolution eliminates an average of 20 steps from the process and imposes time limits that will reduce the length of the process from one year or more to less than two months.

TFI also assisted the oblast government in West Kazakhstan Oblast to launch its official website. Finally, TFI worked closely with Akimats in Pavlodar and Ust-Kamenogorsk to improve their websites and upload information on compliance with various government processes such as construction permitting or registering land.

### ***Government Procurement***

Given the ever-increasing value of general government procurement contracts in Kazakhstan (over \$4 billion in 2004), a transparent and openly-competitive process for the awarding of contracts is important to provide equal access to bidders, particularly local SMEs, and to ensure the most efficient spending practices by governments. Beginning in 2002, TFI conducted an analysis of the laws, regulations and actual state procurement practices. Throughout the extension years, TFI worked closely with local procurement officials to identify improvements in the legal regime to improve the process and lay the foundation for future implementation of electronic procurement. Many of the

problems with the existing system were brought to TFI's attention by its partners in the pharmaceutical industry, where the government-funded health sector is one of its largest customers.

Based on TFI's recommendations, the GoK issued a decree at the beginning of 2005 that creates a unified list of required documents that must be submitted in a bid (previously differing agencies had differing requirements creating confusion among bidders); creates a uniform set of qualifying criteria to bid on tenders; and prohibits post-acceptance amendments or edits to award protocols. TFI then went further and helped draft the implementing regulations for an e-procurement system, developed a physical infrastructure to allow for direct business-to-government and government-to-business interaction and designed a pilot electronic government procurement system to allow for procurement of standardized goods such as office equipment and furniture, medical supplies, vehicles and spare parts. This system remains unimplemented as the government has decided to amend the law On State Procurement in late 2006. However, the improvements made to date enable entrepreneurs and companies to engage in inherently more fair competition, make the process of government procurement more transparent and strengthen control over budget expenditures and actions of tender commissions.

### ***Increased National-level Collaboration***

During the 2004 – 2005 Project year, TFI expanded its presence in Astana, and the government's growing awareness of our methodology and successes (President Nazarbayev specifically mentioned the success of a TFI partner association in reducing constraints in Karaganda in a speech he gave on February 2, 2005) led to increased collaboration with the Kazakh Government on many fronts and at many levels. For example, the Ministry of Industry and Trade issued a tender to finance RIC activities by private organization in all Kazakh Oblasts and funded RIC methodology training for the tender winners by TFI consultants; TFI worked with the research department of the Presidential Administration to develop a methodology for rating the regulatory environment of oblasts and cities throughout Kazakhstan; the Ministry of Economy and Budget Planning requested that TFI assist them in identifying and eliminating redundant permitting requirements; TFI worked with the Office of the General Procuracy to establish working groups that identified and eliminated illegal normative acts at the oblast and city level; and the governmental Center for Marketing and Research (responsible for implementing Kazakhstan's Cluster Development Project) established private/public coordination committees based on TFI's model for Customs Consultative Councils.

Also in 2005, at the request of the President's Administration and the Ministry of Industry and Trade, TFI conducted a pilot survey in order to gauge the business environment in different regions of Kazakhstan. The survey was developed jointly between TFI and the Kazakh Government. TFI conducted the pilot in East Kazakhstan Oblast, West Kazakhstan Oblast and the Karaganda/Astana region and was designed to test the questionnaire and the methodology to determine if the survey is an accurate indicator of the business climate in Kazakhstan. The cost of the pilot survey was shared equally between the GoK and TFI and TFI partner associations administered the survey in the pilot regions. The results revealed many problems with the questionnaire itself and the way many of the questions were posed. Based on this experience, TFI submitted a package of recommendations to the President's Administration for consideration in preparing a final survey methodology and questionnaire. In May 2006, TFI was again approached by the Government to assist in the final survey. Based on the previous recommendations, TFI submitted a revised questionnaire, methodology and specific recommendations for how to conduct the survey, e.g. with an experienced survey company, to ensure its integrity and usefulness.

The government intends to complete the first survey by the end of 2006 and has agreed to encourage the use of TFI partners in working with local Akimats to remove the identified constraints. The results may form the basis of much of the work of the follow-on project in Kazakhstan.

## *Law on Private Entrepreneurship*

In late 2004, the Prime Minister's Office established a series of working groups made up of Government and business to address a variety of business environment issues. TFI, on its own and through its association partners, was able to participate in four of these working groups (Infrastructure, Legal, Administrative Barriers and Financial & Economic Issues) that met regularly through the first quarter of 2005. During the working group sessions, TFI presented recommendations on constraint reductions and information on international best practices. These included issues related to licensing and permitting, inspections, MAS-Q, customs valuation and post-entry audits, law drafting procedures and Regulatory Impact Assessment (RIA) and public-private dialogue mechanisms. TFI was thanked for its contribution but no further meetings of the groups were held. Shortly thereafter, however, another working group was convened to begin drafting a law On Entrepreneurship that would supposedly address the very issues raised by the working groups. In light of the upcoming presidential election, this law became a priority of the Government. Unfortunately, this working group was closed to anyone outside the government.

The original concept behind the law On Entrepreneurship was to eliminate or unify the redundant, outdated, conflicting and scattered pieces of legislation that regulate the conduct of enterprise in Kazakhstan. In short, it was meant to achieve the following:

- Eliminate the possibility that new laws, sub-laws or ministerial rules could create additional constraints or redundant requirements for business;
- "Clear" Kazakh legislation of excessive, outdated or redundant norms;
- Systematize norms of government regulation on the support of enterprise;
- Prescribe the forms and methods of all government regulation of entrepreneurial activity through permissive procedures and control functions;
- Prescribe the forms of interaction between government control authorities and entrepreneurs;
- Ensure the uniform application of the definition and concepts of small, medium and large enterprises in civil law; and
- Unify definitions and functions of various forms of entrepreneurial activity, including the activity of state enterprises.

While the first draft made strides in meeting some of these goals, it also included some clearly unexpected and unfavorable provisions. These related mainly to the scope of proposed expert councils' activities (the draft limited their activities to commenting on draft laws and we felt they should have a more expansive role); the proposed mandatory accreditation of associations (without this associations would not be allowed to participate in experts' councils), and association financing. On this point, the draft put forth 3 variants for collecting revenue from private business to fund a government organized umbrella association of associations. We argued that all three variants were unconstitutional and unduly infringed the rights of business, as likely did the requirement of accreditation and limiting access to the policy debate.

Eventually a draft was passed to the Parliament, which is where the real debate began. In late April a working group was established in Parliament to discuss the law and TFI along with the Forum of entrepreneurs played a regular and significant role.

The main provisions of the draft law were argued among the government and business groups throughout the remainder of the year. In fact, it was one of the most contentious policy debates of that year and included massive advocacy campaigns on all sides. Eventually, passage had to be pushed into 2006, after the presidential election. Compromise was, however, eventually reached on most of the big issues. The financing requirement was eventually dropped; accreditation remained but most felt it would not be a major barrier to participation; and by most interpretations, experts' councils could be opened up to include any interested party. Some provisions on inspections, however, could prove problematic as some inspections no longer require registration beforehand and their frequency

is no longer limited.. However, the rules governing inspections are now included in a single law, which itself is a major improvement.

On the positive side, the new law is now the framework law that governs ALL aspects of entrepreneurship in Kazakhstan and establishes general principles for business and government interaction. It cancels three laws that used to contradict each other - Law on Individual Entrepreneurship, Law on Government Support of Small Business and Law on Protection and Support of Private Entrepreneurship. Additionally,

- the law clearly states the limits of government regulation of businesses, a new feature in Kazakh legislation.
- the Law provides a clearer framework for government and business interaction in the process of legal drafting. As such, clear procedures for the creation and existence of Expert Councils have been put in place. The Law also makes the decision of an Expert Council on a particular draft mandatory for consideration by all parties involved in drafting and approval of a said legal act.
- The Law, for the first time, requires a Regulatory Impact Assessment to be performed for every legal act that may affect businesses. This norm requires every draft of a legal act to be accompanied by a calculation of possible increase/decrease in the cost of doing business.
- The Law emphasizes the right of businesses to unite in associations and makes dues paid into those associations tax deductible – a very important incentive for businesses to join and support associations.
- the law sets a limited period for consideration of a licensing application; if not advised by the end of that period, an entrepreneur can begin conducting business.

The law is clearly not perfect, but it does represent a serious attempt to unify and clarify the government's policy on entrepreneurship. As with all laws, the test comes in its implementation, and any future activity should focus its efforts on ensuring the law's most beneficial provisions are fully implemented.

Another achievement of this law, or rather the process itself, is that it serves as a shining example of the power of advocacy and the benefit of open dialogue. While TFI did provide legal and technical support to the working group, the associations themselves proved quite capable of articulating their positions and were quite persuasive in their arguments. They also effectively used the mass media to their advantage - writing articles, giving interviews, and holding publicized roundtables, taking an important step in developing broad-based advocacy by informing and involving the general public, and moving beyond the involvement of a narrow group.

### ***Licensing***

TFI achieved a number of constraint reduction successes from 2003-2006 in the area of licensing and permitting as reflected in the Constraint Reduction Reports and the Work Plan summary. However, a great deal of work remains to be done, especially in changing the national approach to licensing and permitting. Kazakhstan continues to employ an excessively broad licensing regime, requiring licensing and permits for activities that may not meet an objective necessity standard were one to be applied. In 2005, the Government expressed interest in reforming the basic structure of the licensing regime, beginning with changes to the Law on Licensing. Throughout the 2005-2006 contract year, TFI consultants, working closely with an EU-TACIS project and the Forum of Entrepreneurs, participated in the working group developing amendments to the law. The goal is to reduce the number of activities subject to licensing, as 246 broad categories of activities are currently covered, eliminate duplication with other forms of regulation, such as certification and accreditation, and to streamline rules for issuing, extending and revoking licenses that favor licensees. At the time of this report, the draft continues to be developed by the parliamentary working group and, once adopted, will require the development of significant harmonization and secondary regulation to facilitate effective implementation and should be a priority for the follow-on project.

### ***Prosecutors' Working Groups***

In June 2005, the Forum of Entrepreneurs of Kazakhstan and the Office of the General Prosecutor signed an MOU to form working groups throughout Kazakhstan that will identify and eliminate normative acts that create barriers to SME development and are in violation of national legislation. TFI worked closely with prosecutors to help develop the model of the working groups as well as their composition and operating rules. The working groups are modeled on prosecutors working groups already working successfully in the Kyrgyz Republic.

During the quarter the first two prosecutors' working group meetings were held in Astana. The working groups are tasked with identifying and eliminating normative acts that are in violation of national legislation as well as illegal acts of local governments. TFI worked closely with the Prosecutor's Office to help them develop the model of the working groups as well as their composition and operating rules. The meetings were attended by both private sector representatives and representatives of the prosecutor's office. Based on issues raised during the first two meetings and the prosecutor's office is now investigating the potentially illegal attempt to revoke the land registration of a private company in Ust-Kamenogorsk. During the coming quarter, the working group will expand to Almaty and MOU's to establish working groups in Pavlodar, Ust-Kamenogorsk and Uralsk will be delivered to the prosecutor's offices in those cities.

### ***World Trade Organization Accession Assistance***

In 2001, Kazakhstan was the most advanced in the WTO accession process among all the countries of the Central Asia, excluding the Kyrgyz Republic, and it remains so by mid 2006. Although pursuing WTO accession, Kazakhstan did not request a broad-based package of assistance in this area from USAID or TFI. As such, TFI worked to provide consultation across components consistent with WTO provisions wherever possible and needed, and in fact, TFI's WTO related assistance directly to the Government of Kazakhstan was minimal compared to all the other Project beneficiary countries.

TFI's main contributions to the process were (1) the assistance provided in drafting the law On Technical Regulations to meet the requirements of the TBT and SPS Agreements and in working directly with the GosStandard to educate them on the reforms necessary to implement the law and establish an internationally recognized MAS-Q system; (2) Strengthening IP border measures and compliance to the TRIPS Agreement; and (3) educating the private sector on issues of international trade and the impact of WTO accession. Throughout the Project the majority of assistance was provided to the Government by other donors, such as the World Bank and EU-TACIS, which whom TFI regularly collaborated.

Kazakhstan has expressed a commitment to join the WTO in the near future and has begun the legal process for full-membership. Although many government representatives and entrepreneurs may have heard of the WTO, there was a great deal of confusion about exactly what the WTO is and how membership will impact the country. Concerns and expectations are being widely discussed in Kazakhstan, especially in business circles, and in many cases, the lack of knowledge or misunderstandings about the WTO have resulted in opposition or hesitancy to support membership and concerns about the impact of membership on business activities. Therefore, project activities early on were aimed at increasing understanding among various private sector groups, such as industry groups and consumers. Seminars were conducted in cooperation with the local business association – Confederation of Employers and were conducted in various regions of Kazakhstan. Informational seminars covered discussions on the consequences of membership in the WTO for such groups as energy – in Pavlodar, food industry in Ust-Kamenogorsk, agriculture processing industries – Almaty, Astana – telecommunications sector. Project experts provided presentations on implications for businesses of various relevant WTO agreements and provisions. These events helped to address concerns caused by misunderstandings of the role and functions of the WTO.

TFI was an active member in the working group that was established to draft a WTO-compliant law on technical regulations in Kazakhstan. TFI provided technical and legal consulting to the working group that contained members of government, the private sector and other donor organizations. In late 2003, the working group submitted a draft to the GoK that was largely WTO-compliant. However, in early 2004 a new draft emerged that had been changed significantly and, in TFI's opinion, was no longer WTO-compliant. The RK Law "On Technical Regulation" #603-11 was passed on November 9, 2004. TFI determined that the law was not fully in compliance with WTO requirements and began to lobby for amendments required to bring the law into compliance. Unfortunately, the Kazakh government was and continues to be reluctant to make changes to the law. EuropeAid (TACIS) is now implementing a program to assist with implementation of the law. During the contract year, TFI provided EuropeAid with its assessment of the law and both organizations continue to share information. EuropeAid has assumed the main donor role of supporting this activity and we expect that further improvements to the law will result.

As with elsewhere in the region, TFI also provided direct assistance to GosStandard to undertake institutional reforms necessary to implement a WTO-compliant and internationally recognized standards and conformity assessment regime. TFI conducted several assessments of GosStandard's structure, functions and technical capabilities and presented a list of recommendations that would serve as the basis for an MOU on further technical assistance. Unfortunately, repeated changes in the top management and other personnel over the following year and a half made it impossible for TFI to establish an effective working relationship with GosStandard. While TFI remained engaged with Gosstandard staff, included them in all local and regional trainings, supported their membership in the CAC-MAS-Q and international organizations, it was not until the Government announced a program to achieve international mutual recognition of its certification and conformity assessment results that institutional reform became a priority and TFI was invited to provide assistance.

At GosStandard's request TFI developed a detailed Road Map for achieving international recognition of its conformity assessment results, which ultimately involved international accreditation. The Road Map focused on the technical and institutional reforms that needed to be undertaken, specifically separating the activities of accreditation and conformity assessment, adopting and implementing the international standards ISO 17011 and 17025 for accreditation bodies and accreditation of laboratories, respectively, and requesting training support from international organizations (ILAC and IAF) to prepare for the accreditation process, which is lengthy and costly.

While this Road Map was well received and served as the basis for GosStandard's plan submitted to the Government, it later advised USAID management, that while continued support from TFI was welcome, they would determine the pace of any work and reforms related to it.

At the same time, while TFI support has been reduced, the International Trade Centre (ITC) is providing support on accreditation reform and the preparation of select laboratories for international accreditation in 2006-2007, and the EU-TACIS WTO Project mentioned above will expand to provide assistance to Kazakhstan in achieving full and active membership in ILAC, IAF and OIML.

TFI has also provided technical support to the Ministry of Agriculture in preparing road-map for implementation of the WTO Agreement on Sanitary and Phytosanitary Measures (SPS). This assistance was aimed at addressing growing concerns among various agencies with respect to Kazakhstan's WTO accession and how well they were prepared for the challenges of the WTO membership. In April 2006, at the request of the Deputy Minister of Agriculture, TFI provided an SPS expert for one month to map out SPS compliance issues and assist the Veterinary department to better define its role in a post-accession environment, in particular in ensuring food safety, which needs to shift from a focus on end products to one of prevention at the plant level. Part of this assistance also included providing comments to several SPS-related laws pending in parliament. The work of the consultant was well-received and the ministry requested that he return at a later date to continue working directly with the Veterinary department on implementation of the food safety model he proposed. Any such work would likely not be within the scope of a similar TFI-type project or one

focused purely on the business environment. The World Bank hopes to begin full implementation of its Agricultural Competitiveness Project for Kazakhstan later this year and we would recommend that any work contemplated with the Ministry of Agriculture be undertaken together with or in close cooperation with this project.

Compliance with the TRIPs (Trade-related Aspects of Intellectual Property Rights) Agreement is a vital concern for businesses seeking to protect their intellectual property as well as for countries seeking WTO membership. Working with international counterparts including the World Intellectual Property Organization and the World Customs Organization, and the UNECE, TFI supported efforts of the Government to improve IP rights mechanisms and enforcement. In July 2005, TFI organized a seminar/workshop with the participation of all these groups on IPR enforcement issues for Kazakh Customs. One of the outcomes of this workshop was an agreement to use the materials presented to conduct follow-up workshops in four regions of Kazakhstan for front-line customs officers. Between November 2005 and February 2006, workshops were held in Taldikorgan (for the Southern region; Kostanai (for the Northern region); Ust-Kamenogorsk (for the Eastern region) and Atyrau (for the Western region) in Kazakhstan. As a result of these, both Customs and the IP Committee prepared their own training programs and manuals for their officers and the Customs IP manual is now available on their web site.

The United States Trade Representative conducts an annual Section 301 review of countries efforts to protect intellectual property per the Trade Act of 1974. In the 2006 report, the USTR officially indicated Kazakhstan has been removed from the Watch List due to recent efforts to enforce IP protections.

TFI believes that future valuable assistance can be provided to both government and the private sector as WTO accession proceeds but assistance should be defined in response to direct requests from counterparts or by identifying gaps in other donor assistance projects. Furthermore, the Kazakh government recently established a new WTO body that may bring much needed coordination to the effort.

### ***Customs Consultative Councils***

A key feature of the Customs Modernization program in Kazakhstan during the Base Period was the promotion of public integrity and anti-corruption initiatives within Customs. At training sessions conducted during this period the idea of creating consultative councils with the private sector was recommended as one way of addressing integrity issues, reducing corruption and, in line with the Revised Kyoto Convention, communicating with the international trade community. TIP found that in some customs offices some dialogue did exist, while in others there were none. For this reason, TIP suggested to the Chairman of the Customs Control Agency at the time, Mr. Saparbaev, that such councils should be required at all customs offices and border posts and that TIP could provide training at select locations. The chairman agreed and by an internal order of January 2003 all customs offices were instructed to form consultative councils and, by invitation of the Chairman of Customs, TFI's Director for International Trade and Customs was made a member of the National Consultative Council in Astana.

This work continued well into the Extension Period and TFI provided direct support to those councils where it maintained offices and indirect support to others. There are now 28 Consultative Councils meeting on a regular basis in Kazakhstan, one at each of the main border/airport customs offices. In the northern oblasts of Kazakhstan, the creation of the Consultative Councils had another positive result. In the adjoining oblasts in the Russian Federation, private sector parties and customs officials introduced similar Councils. In Aktobe oblast and the adjoining oblast of Orenburg in Russia, the two councils have come together to form a Joint Border Commission, which addresses issues related cross border trade and traffic. To support these councils, TFI then mobilized grant resources through the Eurasia Foundation and later received support for the establishment of Joint Border Commissions in Uralsk and Petropavlovsk.



Custom Consultative Councils produced some noteworthy results in Kazakhstan, including:

- The Uralsk Consultative Council was responsible for the cancellation of a daily four hour lunchtime border closure at the "Mashtakovo" customs point on the Russian/Kazakh border. The closure had for years been a major point of contention for cross-border traders in the region.
- The Consultative Council in Aktobe successfully lobbied for streamlined customs clearance processes.
- The Consultative Council in Uralsk was responsible for the establishment of information kiosks at 10 customs points in Uralsk Oblast.
- Since September 2004, in Ust-Kamenogorsk, a telephone hotline has been operated every second Wednesday of the month through the Trade Union of Small & Medium Businesses. Each session, approximately 12-15 questions are received on various customs & trade related issues. As a result, Customs published a booklet on "The Rules of Exercising Inspections of Subjects of Small Business".
- The Consultative Council in Pavlodar was responsible for the recently announced pilot project on joint border control between Sharbaky, Kazakhstan and Kulunda, Russia.
- The National Consultative Council (TFI is a member) was responsible for the establishment of Post Terminals at all customs points in Kazakhstan that accept credit card payment of customs duties and taxes.
- The consultative council in Uralsk successfully lobbied the Russian government to impose a 60% rate reduction on mandatory transit insurance required of all Kazakh drivers entering Russia.
- The consultative council in Ust-Kamenogorsk introduced online submission of customs declarations and acceptance of credit card payments for customs duties.

While some of these councils are self-sustaining, some would benefit from continued support from any ongoing USAID trade facilitation program and should be viewed as a primary vehicle to deliver meaningful and lasting reform of customs clearance procedures and trade logistics.

#### ***D. Tajikistan***

As a borderland region during Soviet times, Tajikistan is one of the least developed areas of Central Asia. Difficulties in the country were further exacerbated by a civil war in the 1990s. In most cases, the current government resists substantial and necessary free-market reforms, but often through collaboration with other donors, the TFI Project has managed to achieve some progress in the area.

As early as August 2001, TFI began discussing with Tajik government officials the possibility of providing support on their WTO accession, but it was not until March 2002 that an MOU was signed and a WTO advisor, Rahat Toktonaliev, was assigned to Dushanbe. During the 2003 – 2004 Project year, support was further expanded to include Reduction of Investment Constraints and broader Trade Facilitation assistance. In late 2003, an office was established in Khujand, Tajikistan, in the Western end of the Ferghana Valley and the commercial center of Tajikistan, not only to provide assistance in regulatory reform activities, but also to participate in Ferghana Valley focused activities supported by consultants in Ferghana and Andijan, Uzbekistan and Osh, Kyrgyz Republic. Initially managed by an expatriate resident advisor, staff included 3 local consultants, 2 of whom split time between work in the TFI office and a TFI-supported office within an association partner. In 2004, TFI moved all consultants in-house to provide broader support to multiple association partners and increase effective team development. Also in late 2004, office management was fully localized.

TFI focused its initial efforts in Tajikistan, in particular in Khujand, in working with local associations and business groups with a strong desire to remove administrative and regulatory barriers to doing business and seeking constructive dialogue with government authorities. As in Kazakhstan and the Kyrgyz Republic, TFI sought to conclude MOUs with select associations to provide training and support in return for active participation in the reform process. Though largely symbolic, these agreements provided a foundation upon which to begin working and helped establish a network of partner associations that later proved extremely useful when formalizing consultative councils and working groups. In Dushanbe, TFI collaborated closely with the IFC SME Survey and Policy Development Project, especially in the area of inspection reform. Legal amendments, as the centerpiece of the current IFC reform initiative, are based on recommendation and specific language developed by the TFI and LIME Projects in the Kyrgyz Republic.

#### ***Licensing***

Based on initial focus groups with entrepreneurs and government counterparts in 2003, as well as the results of the IFC Business Environment survey of Tajikistan of the same year, licensing reform became the initial area of attention for the TFI RIC component in Tajikistan. Of particular concern for entrepreneurs was the lack of official information on licensing requirements as well as the ability of individual ministries and agencies to create new licenses, leading to a great deal of abuse. In addition, far too many activities were subject to licensing. With the assistance of TFI, the legal framework for licensing was reviewed and input incorporated from the private sector throughout the 2003-2004 contract year. The Law “On Licensing of Separate Types of Activity” was developed and adopted on May 17, 2004. The law determined the criteria and principles of licensing, established a single set of procedures for the issuance, suspension and revocation of licenses (to be later approved by the government), set the validity term and the cost of licenses, and established a detailed list of activities requiring licenses.

While the Law was a good first step in the reform process, further work was needed. Beginning in 2004 after the adoption of the law, TFI began working with its counterparts to develop the implementing regulation required by the law, which would stipulate, among other things, the procedures to be followed to obtain any type of license. The single regulation approach was borrowed from TFI’s success in the Kyrgyz Republic to consolidate licensing procedures in a single document that contained both general and specific procedures. The benefits to this, among others, are that it

provides a single document for entrepreneurs to refer while also limiting the discretion of licensing agencies to demand more than what is already established in law. This approach was accepted by the inter-agency working group tasked with developing the regulation. The general section was undertaken first by the working group, while the individual licensing agencies were tasked with developing their own procedures. These procedures were to deal exclusively with the requirements for receiving the right to engage in a particular activity. All other issues would be dealt with in the general section and would apply to all activities. The Regulation further clarifies licensing provisions and provides detailed procedures for licensing which will promote transparency; detailed procedures for payment of license fees; certain rights and obligations of licensing bodies, detailed procedure of control, detailed list of licensing requirements and conditions per each type of licensing type of activity. Given the number of government agencies involved and the length and comprehensive nature of the regulation, development and adoption required a great deal of coordination and analytical assistance from TFI. The regulations were finally adopted in September 2005.

To promote compliance with the new requirements and procedures, TFI organized and conducted seminars in Dushanbe, Khujand and Kurgan-Tube for entrepreneurs and licensing bodies explaining the provisions of the new law and the regulation.

Following adoption of the Law “On Licensing of Separate Types of Activity”, it also became necessary to harmonize other laws and regulations with the requirements of the new law. Typically this means revising other laws to remove references to licensed activities that had since been eliminated. An initial review of the existing legislation found that over 40 laws were not in compliance with the new licensing law, and TFI set out to prepare the necessary amendments. To date, amendments to more than 20 laws have been adopted by Parliament with the remainder pending in Parliament.

Despite these achievements, the consensus among many businesses was that the law still contained too many licensed activities and needed to reduce these even further. Working together with the IFC and SME Donors Working Group, additional amendments to the Law on Licensing of Separate Types of Activity were developed submitted to Parliament via the President’s Office during the 18<sup>th</sup> quarter. These amendments remain under consideration. Following adoption of the amendments, further assistance, in collaboration with the IFC and the SME Donors Working Group, is recommended to develop secondary implementing regulations and facilitate process changes consistent with the law and reformed regulations within licensing and oversight bodies.

Based on the results of the recent IFC Business Environment Survey, permits, in addition to licenses, appear to present problems and can be addressed as part of broader licensing reform. Permits typically act as de facto licenses and are less regulated than licensing. These issues have been included in the work plan of Phase III of the IFC project and the follow on USAID project should seek to work closely with them.

### ***Registration***

In April 2003, the Law “On State Registration of Legal Entities” went into effect. While the Law was expected to improve the registration process, analysis conducted by TFI indicated businesses were not experiencing the anticipated benefits, mainly because the implementing regulations had not been prepared and state agencies were using the old practice. One of the features of the new law was a one-stop-shop for registration, but without an agreement among registration authorities this feature would simply not work. With TFI assistance and support a coordination group was created in October 2003 with the Ministry of Justice, State Statistics Committee, Ministry of Revenues, Ministry of Finance, Ministry of Interior, representatives of business associations and the USAID/Bearing Point project, with the purpose of establishing a single registration unit, implementing regulations and an implementation plan.

The first task was to analyze the existing registration system, the requirements of the new law and then prepare a structure for the proposed registration regulations. Each agency involved in the registration process was also tasked with providing a list of their requirements and procedures in accordance with the new law and with the goal of streamlining the process for legal entities. These were then incorporated in a draft prepared by the Ministry of Justice and TFI, which became the working document for the group.

After extensive discussions over the course of the next several months a final regulation and a step-by-step implementation plan were approved. Several of the key features of this regulation are the establishment of the one-window registration in the Ministry of Justice and the introduction of a single registration form for registration, re-registration and registration of branch offices that contains all the information necessary for registering with each agency. This greatly simplifies the process of registering a business by reducing the number of documents required and thus the cost, and also helps reduce the number of mistakes made in the process, which had always been a concern of businesses as it is a source of unofficial payments.

Although the Government expressed its gratitude to TFI for its assistance and support for the effective implementation of the new system, they were concerned that the necessary funds to support the implementation plan would not be allocated by the budget. Initial estimates of the computers and other technical requirements needed to link the registration agencies is approximately \$27,000. TFI agreed and sought funding from the World Bank's FIAS-MIGA project in Tajikistan, which had initially expressed its willingness to do so as implementation of the one-window registration was included in its recommendations to the government, but then later declined. However, the Ministry of Justice subsequently took the initiative to push the draft normative legal acts through the Government and seek funding through the normal budget process. Since adoption of these acts is anticipated after the conclusion of the TFI Project, TFI has been working close with the World Bank FIAS-MIGA Project to ensure adoption and effective implementation. Furthermore, TFI believes the follow-on project to TFI may be a source of initial funding to the Ministry of Justice, perhaps on a cost-share basis and by leveraging funds from other sources.

#### *Registration of Individual Entrepreneurs*

Through its review of the registration process, and roundtable discussions with local businesses TFI identified an odd feature of the registration process for individual entrepreneurs. Apparently, individual entrepreneurs were not permitted to acquire official company stamps as required for legal entities. In most cases, this is not a huge barrier, but it poses a unique problem for those interested in engaging in international trade, i.e. import or export. In order to conclude an import or export contract, the requisite documents must bear the seal of the parties. As a result, individual entrepreneurs were effectively barred from engaging in trade, despite the fact that many could and attempted to do so.

After investigating the problem it appeared that there was no compelling reason to restrict individuals from acquiring stamps and that all that was needed was changes to the existing instructions of the Ministry of Internal Affairs. With TFI's assistance the changes were prepared and an internal order of the Ministry prepared that was approved in February 2006. To help spread the word about the changes, TFI organized trainings for government personnel and information campaigns in Dushanbe, Sogd and Khatlon Oblasts on proper compliance with the instructions. Additionally, with TFI support, over 150 copies of the instruction have been distributed to all employees of the Ministry of Domestic Affairs responsible for implementation. In addition to the immediate benefit accruing to individual entrepreneurs, the new order has also been a boon to the stamp engraving business.

#### *Investments*

At the beginning of 2004, the Government of Tajikistan passed a resolution tasking the Ministry of Economy and Trade with preparing a new law On Investment. This was partly in response to

complaints from investors about the inadequacies of the existing law as well as the high-level and high-profile efforts being undertaken in the Kyrgyz Republic to improve its own investment environment. Shortly thereafter, TFI was asked to participate in the working group that would develop this draft and assigned one of its experts to work directly with the ministry. This group convened in March 2004 and, at the suggestion of TFI, also included members of the business community. One of the key features for which TFI advocated was to create favorable conditions for all investors and treat foreign and domestic investors equally.

By late summer 2004, the first draft was complete and sent to ministries and agencies for their comment. TFI also used its extensive network of partner associations and business groups to organize round tables in Dushanbe, Kurgan-Tube and Khujand to provide the broader business community the opportunity to provide comments. These were later compiled and provided to the working group and the government for consideration.

A final draft was completed in February 2005 and has been under discussion in the government ever since. TFI expects the draft to be considered along with other key pieces of legislation pending as part of the WTO accession process, many of which have also been delayed.

### ***Customs Consultative Councils***

In Tajikistan, encouraging government transparency and dialogue with the private-sector is an especially challenging task. There are still deep-seated notions of the role of government relative to the private sector and unwillingness to share information. While TFI had had some success with bridging this gap, especially in Khujand with the support of the oblast hakim and the Ferghana Valley Cross Border Councils, these were mostly discrete events that offered no mechanism for sustainability. To address this deficiency, as well as to capitalize on the success of the Customs Consultative Council mechanism in the Kyrgyz Republic and Kazakhstan, TFI approached the Tajik Customs Committee with the idea of establishing similar councils in Tajikistan. This had the added benefit of complying with the requirements of the draft Customs Code to engage the trading community and to encourage its proper implementation. Tajik Customs agreed and the first council meeting was held in August 2004 in Khujand. In November the first council was established in Dushanbe while the Khujand council held its second meeting.

Based on the initial success of these councils, TFI and Customs Committee agreed with local officials in Khatlon oblast (Kurgan-Tube) and Gorno-Badakhshan Autonomous oblast-GBAO (Khorog) to establish councils there to deal with issues arising from trade with Afghanistan, China and the Kyrgyz Republic. To encourage this as well as to strengthen the existing councils in Dushanbe and Khujand, TFI organized a study tour to Bishkek, Kyrgyz Republic in January 2006 for four customs officials and four representatives of business from GBAO, Dushanbe, Sogd and Khatlon Oblasts. The program included meetings with the Kyrgyz Customs Brokers Association, standards and certification agencies, Kyrgyz Customs and the Chamber of Commerce and Industry. The Tajik participants also attended a regular session of the CCC in Bishkek and participated in a discussion of issues and best practices for enhancing the effectiveness of the councils in Tajikistan. Of particular interest were the active participation of Kyrgyz businesses and the receptive attitude of customs to the problems presented. The study tour was extremely well received and even resulted in the creation of another CCC in the town of Tursan-Zade.

The Councils have proven very effective at building dialogue and for raising issues of concern to businesses and getting those issues resolved. Some of the issues discussed have included fees on warehoused goods, certification of goods, VAT exemptions and refunds, export permits, risk management, advanced declaration of goods, and post-entry Customs controls. The successes that have resulted are highlighted in more detail in the constraint reduction tables later in the report, but more important than the individual successes is the long term impact such a regular dialogue mechanism can have on the overall reform effort.

With the exception of the council in Dushanbe, which has suffered from a lack of support from the central customs committee, the CCCs have been well-received and supported and continue to meet and address issues of concern. The councils in Khujand and Khorog, in particular, are well placed to become sustainable but will still require outside support in the short term. The follow-on USAID project will need to take a lead role in these and other similar councils before they become commonplace and can function on their own.

### ***Additional RIC Activities***

Both TIP and TFI's local RIC activities in Tajikistan focused on the country's commercial center in Khujand and the Sogd oblast. With its large number of businesses, its location in the Fergana Valley and natural trade links with Uzbekistan and the Kyrgyz Republic and its relatively active business community, the Project was successful in addressing local constraints to business activity, raising local issues at the national level and providing support to partner organizations and other projects. Working with general and industry-specific associations, TFI successfully identified and eliminated significant constraints to business activity in Khujand. These are highlighted in more detail in the constraint reduction tables that follow, but some of these include:

- Clarifying and publishing the business registration process;
- Reducing a business revenue tax in Khujand, that was later reduced in neighboring areas based on the recommendations adopted first in Khujand;
- Eliminating redundant vehicle certification requirements;
- Expanding the list of capital equipment eligible for VAT and duty-free importation;
- Creating a tax consultative council to facilitate public-private dialogue and private sector participation in the policymaking process

Based on issues raised in the Customs Consultative council, the staff in Khujand also conducted an analysis on the activities of the Tajik Commodity Exchange and later developed an issue paper that called for canceling the requirement of having an import/export contract approved through the Exchange for-a fee that is based on invoice value. For exporters and importers of food products, both raw and processed, in Sogd oblast, the Exchange is viewed as one of the biggest barriers to trade. In addition to serving no useful purpose and raising costs, its activities are contrary to the principles of the WTO. This very issue was raised in a report of the U.S. Ambassador Richard Hoagland to the Tajik government in early 2006 and TFI hopes it can be resolved as part of the WTO accession process. Thanks to the staff in Khujand, the issue has been raised by IFC and FIAS/MIGA.

TFI's operational strategy also focused heavily on collaboration with other donors and projects to maximize leveraging of related resources and present common positions on key reform issues. In Khujand, for example, the project worked closely with ACTED, Chemonics, and other partners to map the process for land registration to assist Dekhan farmers.

### ***Trade with Afghanistan***

Helping to stimulate greater trade ties between Tajikistan and Afghanistan became a priority for the TFI project in the first extension year of June 2003-May 2004. TFI had initially planned to co-sponsor with OSCE an Afghan-Tajik Trade Conference in late 2003-early 2004, but despite repeated attempts the conference was repeatedly delayed until it was eventually scrapped. In (date), as part of the Enterprise Development Project, an Afghan Trade Study was completed that included a trip to several cities in Afghanistan to determine what the opportunities Central Asian products could exploit in the Afghan markets and what barriers existed to trade and market entry. This trip highlighted the problem with obtaining visas on both sides, the cost and time required for transshipments of cargo, as the Afghans did not permit non-Afghan trucks to enter their territory, and the general lack of information on trade requirements and their costs.

During the 2004 – 2005 contract year, TFI developed a detailed guide for facilitating Tajik-Afghan trade. The guide outlined step-by-step processes required for trade between the two nations. It contained pre-customs, customs and post-customs control procedures, border crossing requirements, and other State control measures involved in exporting and importing goods. Based on guide information, to help provide Afghan traders with crucial information on the border procedures with Tajikistan, TFI developed and installed an informational board detailing the border crossing process and export-import procedures on the Tajik-Afghan border at Nizhniy Pyanj. The information is provided in both Russian and Dary languages. Also, as discussed in the International Trade Guide section, TFI facilitated the development and publication of trade-related information through the consolidated trade website.

However, the biggest barrier to trade between Afghanistan and Tajikistan is the lack of infrastructure. There is still no suitable bridge across the Nizhniy Pyanj River and all cargo has to be ferried, which is costly and inefficient. For that reason, most of the traffic and trade is characterized by small scale shuttle trade. A new bridge is being built across the river that is expected to be completed sometime in 2007 and new roads are being built between Dushanbe and the bridge as well as from Khujand to Dushanbe. Once completed, these will most certainly offer greater access and opportunity for traders on both sides of the border, but until then, only preparatory work can be done.

TFI has recommended that to the extent possible a joint border arrangement between the Tajik and Afghan authorities should be concluded prior to completion of the bridge so as to provide immediate regulatory relief to traders, streamline border procedures and reduce delays, to facilitate effective infrastructure development in anticipation of joint-border administration, and to have a legal system in place so that as infrastructure development occurs, benefits to traders are maximized. For example, developing bilingual customs declarations and other required documents would be a low-cost solution to a number of cross-border delays.

Also, with successful border area Customs Consultative Councils taking root in Tajikistan, as occurred on the Kazakh-Russian border, these forums can be the basis for cross-border discussions with Afghan authorities and entrepreneurs by expanding membership and operations to include representatives from both sides of the border.

### ***Metrology, Accreditation, Standardization & Quality (MAS-Q)***

TFI extended its MAS-Q component to include support to Tajikistan in late 2002. As with Kazakhstan and the Kyrgyz Republic, TFI first concluded an MOU with TajikStandard, the Tajik Standardization and Metrology body, to provide the framework for future cooperation and support. This support included training, laboratory upgrades and institutional reforms to transition the organization into an internationally recognized standards and metrology body. The first step was to perform an assessment of the current structure and functions of the organization and identify where changes were required. At the same time, TFI provided targeted training to TajikStandard staff to build their understanding of international practices and prepare them for the reforms that would eventually need to be made. Activities included training in standards vs. technical regulations and the Code of Good Practice, accreditation, certification and conformity assessment, and the fundamentals of the TBT and SPS agreements. As in the Kyrgyz Republic TFI also agreed to provide English language courses for key staff to help them better understand the internationally recognized and applied MAS-Q nomenclature. Finally, TajikStandard was also invited to participate in the CAC-MAS-Q which was just taking shape at that time.

In addition to knowledge support, TFI facilitated a donation of over \$190,000 worth of measurement equipment from the U.S. Navy and Boeing Corporation in 2004 to upgrade TajikStandard's testing capabilities. To help ensure the proper use of the equipment, TFI provided training for 10 metrologists from TajikStandard in May and August 2004.

Throughout 2004 and 2005, TFI provided even more training and regional support, including participation in the regional CAC MAS-Q meetings in April, June, September and November 2004, and October 2005. Also, TFI provided assistance to TajikStandard in applying for membership in IAF and in completing the information questionnaire for the ILAC Secretariat.

In October 2004, TFI began providing support to the Government for the creation of the Law “On Technical Regulation” to reform the GOST system, reducing excessive product-related regulations and facilitating the transition to a system of voluntary standards, essential requirements of the TBT and SPS Agreements of the WTO. To develop the draft law and related laws and regulations, an inter-ministerial working group of 15 ministries and agencies chaired by the Deputy Minister of Economy was created.

In December 2004, to build greater understanding of international standards practices and regional reforms already underway, TFI conducted a seminar for all working group members on comparative laws and activities in the area. Additionally, TFI supported the development of public information materials, including an article entitled “Technical Regulation in Tajikistan” that was published in the newspaper “Business and Policy”. The article described the current system of standardization and certification and identified the necessary technical regulation reforms required for WTO membership and for international mutual recognition.

At the same time, however, it became clear the present system of product and service regulation was creating such hardship for local businesses that waiting for the development, adoption and eventual implementation of a new law to bring some relief was simply not an acceptable approach or solution. Furthermore, TajikStandard was displaying little interest in undertaking any of the structural reforms highlighted in TFI’s initial assessment to bring them into compliance with international rules for standards and metrology bodies. For this reason, TFI, while continuing to support the development of the law On Technical Regulation, decided to simultaneously advocate more vigorously for immediate changes to the way products and services were regulated in the marketplace.

Based on feedback from consultative councils, TFI conducted a study of the certification system of TajikStandard and other agencies and developed an Issue Paper for distribution among government and NGOs. The paper identified the most pressing problems facing businesses in the area of certification, their causes and recommended solutions. These solutions were, in the opinion of TFI, those that could be taken immediately within existing law. These included, among others, reducing the list of products subject to mandatory certification, canceling the certification of services, applying cost-based instead of ad-valorem certification fees and registering and publishing all certification requirements.

In June 2005, TFI presented these findings at an Investment Forum in Dushanbe with high-level government officials and donors. The presentation, “Certification in Tajikistan: The Necessity of Urgent Measures”, was extremely well-received and TFI was complimented later on its outspoken position and the necessity to raise these unpopular issues in public. In fact, a representative of TajikStandard was in attendance and was asked to respond, which forced them to publicly recognize the problems and agree to address them. As a direct result of this event, the problems we identified were included into the government action plan of measures to be taken to improve the business and investment climate in Tajikistan, a program that will be implemented with support from the World Bank FIAS/MIGA.

Since then, TajikStandard has made some feeble attempts to address the immediate problems of certification. In November 2005, for example, they developed a list of products subject to mandatory certification for approval and registration by the Ministry of Justice. The list, however, included virtually every product in the nomenclature, ignoring the concerns of businesses. Thankfully, the Ministry of Justice rejected the draft on the grounds that it contradicted the stated reform policies of the government.



At the same time, work on the draft law On Technical Regulations was progressing slowly. The working group had divided itself into two camps, one supporting TajikStandard and the other supporting more fundamental reform, and each with its own competing draft. In hopes of building greater consensus on a fundamental approach to technical regulation reform TFI organized several additional training workshops for members of the working group in late 2005 and early 2006. These included TFI's own experts and well as those from the Kyrgyz Republic and Russia.

Despite these efforts, TajikStandard remained unconvinced and unwilling to change its fundamental position that it should remain in full control of all aspects of standards development, certification and accreditation. As such it continued to promote its own draft within the working group and even requested that the Ministry of Economy disband the working group and establish a new one.

Finally, in early 2006, the working group agreed on a draft supported by TFI and sent it to the government for review and comment. As of today, this draft is still with the government and TFI has recommended that it be provided to the WTO Working Party prior to the next meeting to solicit their comments. This, in our opinion, would at least establish for all an authoritative and credible opinion and provide a basis for further work.

Clearly, deregulation of the GOST system in Tajikistan continues to move slowly, due in large part to the reluctance of TajikStandard to reform voluntarily and of the Government and the President to force changes upon it. In response, TFI has worked closely with other donors and projects to build a "critical mass" for promoting this reform and TFI's recommendations have already been accepted by both IFC and FIAS/MIGA and included in their programs and recommendations to the Government as both those projects move forward. The U.S. Ambassador to Tajikistan, Richard Hoagland, in a March 31, 2006 speech at the Center for Strategic Research of the President of Tajikistan noted the necessity of reforming the GOST system and mentioned each of TFI's recommendations. These very issues have also been included in the Poverty Reduction Strategy Action Plan of the Government of Tajikistan and have been publicly acknowledged as essential to improving the investment environment in the country. Finally, if Tajikistan's intentions to join the WTO are serious, then these reforms and compliance to the TBT Agreement are essential prerequisites. It would therefore seem that all the ingredients to build the political will for reform are in place. At the same time, mobilizing the private sector around this issue is essential and should be one of the main priorities of the USAID follow on project in Tajikistan so no momentum is lost.

### ***World Trade Organization Accession***

The end of the civil war and political stability achieved by 2001 allowed Tajikistan to intensify its economic reform efforts. The Government of Tajikistan considered accession to the World Trade Organization (WTO) as one of the paramount tasks of its strategy of economic development. Tajikistan was the last country of the former Soviet Union, apart from Turkmenistan, to apply for WTO membership. In July 2001, a WTO General Council, following formal application by Tajik Government, established a Working Party to examine accession of the Tajikistan to the WTO. Responding to a request from the government of Tajikistan, USAID/CAR expanded its trade related activities to include support to the Tajik governments on the WTO accession processes and requested TIP/TFI to provide the necessary technical assistance. TFI mobilized local staff and opened up its Dushanbe office in April 2002 and a Memorandum of Understanding between USAID/CAR and the Tajik Government was signed in December 2002. Assistance was provided to the Ministry of Economy and Trade and other relevant agencies of Tajikistan through TIP/TFI's existing pool of experts in the region as well as locally-hired experts. This included placing Mr. Rahat Toktonaliev, a Kyrgyz national and WTO expert, in Dushanbe on a permanent basis to develop and manage the program.

The assistance program provided for capacity building through trainings for the government officials, businesses and business associations on the WTO accession issues, expert advice and support throughout the accession process, help in analyzing and bringing Tajik foreign trade legislation into

compliance with the WTO rules and establishing a WTO information center. Assistance was also provided, *inter alia*, in the areas of standards, intellectual property, tax reform and customs.

During the period of TFI's intervention Tajikistan's accession process kept a fast pace and significant progress was made despite the fact that Tajikistan applied for membership later than other countries in the region. A significant number of accession documentation was prepared and submitted, a number of key legislative acts aimed at WTO compliance were enacted and three rounds of multilateral and bilateral negotiations were conducted.

TFI also worked with the private sector and academia on increasing understanding of the costs and benefits of Tajikistan's WTO membership. The Project helped to create better communication between the government and representatives of business and academia, the main goal of which was to have them identify and formulate their own interests and concerns and to advocate them before the Tajik WTO accession negotiating team. To help interested parties access information on WTO related matters, TFI helped to establish the WTO Information Center under the Ministry of Economy and Trade. The Information Center contains a vast library of WTO-related material and is fully operational and accessible to all interested persons, including the private sector and academia. It also serves as the temporary WTO Enquiry Point.

#### *Memorandum on Foreign Trade Regime*

The main document to be submitted to the WTO Secretariat as a basis for launching multilateral negotiations on accession to the WTO is the Memorandum on the Foreign Trade Regime. TFI worked closely with the Tajik government to prepare this document and made a number of suggestions that were eventually accepted by the government. A clear and comprehensive Foreign Trade Memorandum helped to reduce the number of questions posed by the WTO Accession Working Party members.

TFI then provided support in preparing answers to the questions that did arise on the Foreign Trade Memorandum. Several rounds of questions-answers session were conducted with written questions coming mainly from United States, European Commission and Australia. Assistance included providing expert advice in understanding the questions, reviewing the draft replies and formal and informal trainings. Improving the quality of replies to the Working Party members is one the keys to move forward the accession process at a reasonable pace.

#### *Legislative compliance*

Bringing the foreign trade and investment legislation into compliance with the requirements of the relevant agreements is also one of the significant elements of the WTO accession process. TFI also reviewed trade-related legislation and prepared a list of the laws and regulations to be drafted and enacted along with references to relevant provisions of the various WTO agreements. This then became the basis for the Tajik government's WTO Legislative Compliance Action Plan that was officially submitted to the WTO Secretariat. TFI also participated in the drafting and review of the laws and regulations required to implement the action plan. Among the most important laws passed with TFI's participation include the Customs and Tax Codes, The Law on Inventions, and the Law on Industrial Designs. An important step taken by the GOT was the acceptance of the Article VIII obligations of the IMF Agreement. Catalyzed by the WTO accession requirements, general legislative reform is now aimed at making the Tajik trade and investment regime more transparent, fair and business friendly.

#### *Support for the Negotiating Team*

TFI provided a great deal of assistance in preparing the Tajik negotiating team for three rounds of multilateral negotiations. TFI also assisted in preparing and revising the market access offers on goods and services. The Working Party members have repeatedly noted the progress made by

Tajikistan since it applied. As recognition of the progress made, the WTO Secretariat has issued an initial draft of the Factual Summary of Points Raised – an important document that describes the Tajik accession negotiation process. This document then will become a basis for the Draft Working Party report, which will describe the terms and conditions of Tajikistan’s membership to the WTO.

Strengthening trade related institutional capacity is one of the most important issues for the Tajik government in the process of joining the multilateral trading system. During the life of the Project TFI conducted a series of WTO related trainings targeted at Tajik government officials involved in the WTO accession process, as well as aimed at increasing general awareness among businesses and academia. These trainings, conducted in Dushanbe as well as abroad, included:

- WTO awareness seminars for businesses representing the main sectors of the Tajik economy, government officials and academia aimed at building private sector and public support for the Government’s WTO accession efforts;
- Study Tour for Tajik WTO Accession Negotiations Team to Bishkek, Kyrgyz Republic to learn more about its WTO accession and post-accession experience, including discussions with the chief negotiator for the Kyrgyz Republic’s WTO accession.
- Study Tour to WTO Headquarters for the Tajik Accession Negotiations Team aimed at increasing their capacity to effectively negotiate its accession terms. Senior level negotiators learned how multilateral and bilateral accession negotiations are conducted and what WTO Working Party members expect from Tajikistan with respect to its attitude and approach to negotiations. Apart from participation as observers at the Working Party on the accession of Vietnam, the Tajik team had a series of meetings with key members of the Tajik accession Working Party, representatives of the WTO Secretariat and international organizations and technical assistance providers in Geneva.
- Seminars on the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) were held for judges, prosecutors, police and customs officers and the staff of TajikPatent and Copyright Agency. The seminar addressed awareness of intellectual property legislation that is in place and being developed among law enforcement agencies, defining the future functions of all parties in protecting IP rights and coordination between TajikPatent, the Copyright Agency and other law enforcement bodies in enforcing IP rights.
- Series of trainings were conducted for representatives of various ministries and agencies on developing initial market access offers on goods and on services and on preparation of all the required accession documents (ACC forms).

Greater detail is provided in the Tajikistan WTO Checklist attached to this report.

#### *Future Focus*

TFI believes that support to Tajikistan’s accession should be continued in almost all its aspects. The accession process offers one of the best opportunities to advance fundamental reforms in the area of trade, investment and business development and many of the initiatives undertaken by TFI may never have started had it not been for the requirements imposed by the accession process. However, given the acute lack of resources and capacity in the Government to carry out these reforms and advance the process forward, outside support in terms of technical and material assistance is essential, including post accession support during the initial period of membership.

In particular, assistance can be targeted at the Accession Negotiations Team to further strengthen its capacity and capability, and be focused in the following areas:

- Questions and answers and review of the draft Factual Summary of Points raised and, consequently, the draft Working Party Report;

- Implementation of the WTO Legislative Action Plan through drafting and review of laws and amendments. Namely, reforms are still needed in the areas of: import restriction on alcohol and tobacco, the requirement of the mandatory sale through the Tajik Universal Commodity Exchange, establishment of non-discriminatory and cost-based fees for certification, customs clearance and other trade-related documentary requirements, trademark registration, issuance of certificates of origin, and customs clearance;
- Technical regulation reform requires significant resources, commitments and political will from the GOT. The historical intransigence of TajikStandard will have to be addressed at the highest levels for any meaningful reform to take place and for the Working Party to be convinced that a new approach to product regulation will be adopted;
- International regulation of trade in services is a very complex issue and Tajikistan still lacks the necessary expertise to handle these negotiations effectively;
- The outcome of the Doha negotiations and their effect and implications for Tajikistan will also become important within coming years;

In addition to USAID, other donors have been providing support to the WTO accession of Tajikistan. For example, the United Nations Training and Research Institute (UNITAR) has implemented the initial phase of the SECO (Swiss government) funded WTO accession support program. Its second phase is now being implemented by the Geneva-based IDEAS consulting company. EU-TACIS has done some work in the area of IP in the past and is planning to provide additional WTO related assistance. Should it choose, USAID should work in close cooperation with these and other donors in order to maximize the effects of assistance for the benefit of the Tajik government, but also agree on an assistance plan with the Tajik government that, to the extent feasible, includes specific actions tied to the Legislative Action Plan and the other accession documents provided to the Working Party, with timelines for completion and regular monitoring.

## ***E. Uzbekistan***

TFI support to Uzbekistan began in 2003 and, throughout the TFI Project, was largely focused on World Trade Organization accession assistance. Consistent attempts were made between 2003 and 2006 to implement the Reduction of Investment Constraint Component, bring the Uzbek government into dialogue forums with neighbors in the Ferghana Valley, expand usage of TIR Carnets, and implement a number of initiatives experiencing success in other countries of Central Asia. While TFI had success with the expansion of TIR Carnets and in addressing problems Uzbek businesses were experiencing in other countries, especially beekeepers crossing into the Kyrgyz Republic, substantial legal reform and deregulation remained elusive.

The resistance of the Uzbek government to reform is well-known and well-documented, so additional coverage is not necessary here. However, uncertainty regarding the status of development assistance to Uzbekistan after the events in Andijan in May 2005 impacted the project and its ability to maintain relationships necessary to achieve whatever success was possible in the current political and security environment.

TFI maintained an expatriate WTO expert in Tashkent with local management of country operations and regional offices in Ferghana and Andijan. Due to security concerns and difficulties working with local government officials after May 2005, Ferghana Valley operations in Uzbekistan were consolidated in the Ferghana office and the Andijan office was closed.

### ***Reduction of Investment Constraints***

Implementation of the RIC Component in Uzbekistan began in the period 2003 – 2004. Largely looking at issues in the Ferghana Valley, it was soon discovered that local government officials have little or no discretion to effect change and are very hesitant to be involved with international organizations. Pressures in the area continued to build until culminating with the uprising in May 2005 in Andijan and subsequent use of force by the Government of Uzbekistan.

Notwithstanding the difficulties working with the Uzbek Government, TFI had successes, especially in the area of cross-border trade and movement with Kyrgyz Government officials, but with impact on Uzbek entrepreneurs as discussed in the Ferghana Valley section.

During 2004 – 2005, TFI developed and distributed a handbook for entrepreneurs in both Andijan and Ferghana in an effort to better explain the business registration process. In addition, TFI assisted in the implementation of changes to the business registration fee structure, which resulted in a 40% reduction in fees for entrepreneurs. TFI also contributed to the creation of business registration software in Uzbekistan, which is already being used by four government departments for business registration and greatly reduces registration processing time.

### ***World Trade Organization Accession***

The process of WTO accession was dormant in Uzbekistan until early spring 2003, when the GOU expressed interest in resuming the accession process with the assistance of USAID TFI. As a result of consolidated efforts and steps taken by the GOU consistent with the recommendations provided by TFI, the Second Meeting of the Working Party was held on June 29, 2004 in Geneva.

TFI's first step was to propose an organizational structure of the implementation process that would help the GOU to understand its accession work. One of the main initiatives was the creation of the Negotiating Team (Small Council, as it is called) in December 2003 that included representatives of various GOU agencies, the appointment of officials to work full time on the accession process and to provide advice to upper level government officials on issues of concern, including the trade agenda.

At the same time, the Small Council supported high level officials during the Working Party (WP) meetings and in bilateral negotiations. In addition to the Customs working group, TFI also reactivated the working groups on Intellectual Property (IP), TBT and SPS and set up an action plan for each group with concrete objectives, both short term and long term. To support their activities, TFI regularly conducted working sessions with each group on implementation of the accession requirements related to the group concerned. The requirements included submission of the checklists and replies to member's questions to WTO as well as formulating recommendations to the GOU on trade policy issues. Parliament also adopted a law on Anti-Dumping and Countervailing Duties and Safeguard Measures in December 2003. TFI experts made a number of recommendations to the WTO prior to its submission.

The next step was to draft the Legislative Action Plan, which is required by the WTO, but which also helps the GOU build its strategy in the accession process and formulate its trade agenda. It includes plans for the legislative changes both short term and long term, and sets up concrete benchmarks for the GOU in the WTO accession process.

During the 2003 – 2004 year, the GOU prepared the first drafts of the following legislative acts that represent steps toward implementation of the WTO Agreements on TBT and SPS:

- The Law on Technical Regulations
- The Law on Conformity Assessment
- The Draft Resolution of the Cabinet of Ministers on the TBT and SPS Enquiry Points
- The Draft Resolution of the Cabinet of Ministers on accepting Codex Alimentarius

TFI Experts provided recommendations for the draft Laws “On Technical Regulations” and “On Conformity Assessment”. Consistent with TFI recommendations, for the first time, the GOU agreed to hold a public discussion of the Law “On Technical Regulations” in February 2004. Participants were invited to submit comments and proposals for incorporation into a revised draft text. TFI Experts also revised the TBT and SPS checklists with the members of the TBT and SPS working groups and these were submitted to the Agency for Foreign Economic Relations before the Working Party Meeting in June 2004.

TFI provided recommendations on amendments to a variety of laws and other legal acts to bring them into compliance with the TRIPS Agreement, specifically by introducing new provisions required by TRIPS on enforcement of IPR. These included the Civil Code, Criminal Code, Administrative Code, Economic Code, Copyright Law, Patent Law and the Trademark Law.

TFI also conducted or organized a variety of trainings for GOU members. For example, in January 2004, TFI funded a GOU delegation to the WTO in Geneva to conduct informal consultations for the preparation to the next Working Party Meeting. As a result of these consultations, the Second Working Party Meeting was held on June 29, 2004 and the Chairman of the Uzbekistan Working Party was appointed.

TFI organized a WTO Accession Seminar in March 2004 to provide the members of the Small Council with a broader picture of the WTO system by introducing most of the WTO agreements, the accession process in general and the experiences of other countries. The members were also given the opportunity to analyze and discuss the steps already taken in the WTO accession process, their answers to WTO questions, and the implications of the slow speed of Uzbekistan's accession process in light of the more dynamic accession processes of Kazakhstan, Tajikistan and Russia. The purpose of such an exercise was to combine theory and practice by explaining the meaning of the WTO agreement and then showing how it applied to the context of Uzbekistan and how the GOU could improve its responses to requests for information from the WTO. As a result, the GOU admitted that the replies provided to WTO could be improved and a consensus was reached that replies ought to be revised and resubmitted to WTO before the next Working Party Meeting. With Uzbekistan, this was

a major achievement and TFI was able to assist the Small Council in revising the replies throughout the month of April. Following the approval of the Cabinet of Ministers, revised replies were submitted to the WTO in May 2004 as document WT/ACC/UZB/10. TFI also organized and funded a two day IPR enforcement seminar in Tashkent for 60 participants from various GOU ministries and agencies involved with IPR enforcement. Lecturers included renowned experts in IPR matters from Russia, Kazakhstan, the Kyrgyz Republic and Tajikistan.

As a result of TFI's assistance during the 2004 – 2005 Project year, further steps were taken toward WTO accession in Uzbekistan. The Second Working Party Meeting was held in June 2004, where revised GOU replies to WTO questions were reviewed and the Legislative Action Plan was submitted to the WTO for the first time. Achievements toward WTO accession were made this year through a number of important legislative initiatives, the adoption of several WTO-required international conventions, such as Bern Convention and International Convention on Plants Protection, and the preparation of the new Customs Code and Technical Regulating Law. The GOU established a single TBT SPS Inquiry Point and an Uzbek Mission in the WTO, in order to accelerate the process of accession following the Working Party Meeting. For the first time in Uzbekistan, TFI held round-table discussions on the benefits and challenges of the WTO membership with industry representatives and private sector institutions. TFI supported the participation of GOU officials and academicians at the WTO annual Symposium in Geneva, which resulted in increased level of understanding on part of the participants on the current negotiations in WTO.

In 2005, the accession process slowed due to new government appointments. However, TFI continued regular contact with the members of the Small Council, key officials at the Cabinet of Ministers, Ministry of Finance, Ministry of Economy and other related GOU agencies.

During the Working Party Meeting, Uzbekistan was informed that without the submission of its initial offers on goods and services to the WTO, the next WP Meeting would not take place. The same message was communicated to the GOU officials in Geneva by the WTO Accession Division representatives and other WTO experts during TFI training on market offers for goods. TFI continued to promote development of the offers including holding practical trainings on drafting both documents. The main concern over the goods offer is related to the GOU's discriminatory application of excise taxes to imported goods. According to WTO principles on national treatment, there should be no discriminatory taxation with regards to imports. Uzbekistan's discriminatory application of excise taxes to imported goods will have to be eliminated during the WTO accession process.

In December 2005, Uzbekistan officially joined the Codex Alimentarius. Codex is a requirement of the WTO SPS Agreement and Uzbekistan's membership in Codex implies that the country will adhere to international standards in food products.

In January 2006, following notification that the United States had renewed a "notwithstanding waiver" to continue assistance to the Central Government of Uzbekistan on its WTO accession, TFI completed and submitted a draft strategy for the WTO accession negotiations. Based on the recommendations in the Draft Strategy, TFI provided MFERIT with three WTO questionnaires on Import Licensing, Customs Valuation and State Trading. All three questionnaires are mandatory WTO documents that must be completed and submitted to the WTO prior to the next Working Party (WP) Meeting.

The draft new edition of the Copyright Law was submitted to the Parliament and is pending consideration.

The draft law on IPR enforcement measures has been prepared. At the request of the MFERIT, TFI provided its commentary, recommending, in particular, that the draft provided by TFI last year be considered in place of the existing law. Elements of the latter have already been submitted to the WTO, so any changes weakening the enforcement measures would not be well received by the WP.

TFI assisted in translation of WTO questions on agriculture from Australia and the U.S. Future steps are being discussed on organizing working sessions with the members of the Small Council on preparation of replies to these questions.

#### *Other non-Government work*

In June 2005, when the U.S. government's "notwithstanding waiver" expired and TFI was instructed to cease its assistance to the GOU, a number of other activities were undertaken with local organizations to support both the WTO accession process and business reforms in general. These included work with the Association of Transporters of Uzbekistan, the Association of Advocates and the Chamber of Commerce and Industry.

TFI funded the preparation and publication of 1,000 copies of "Incoterms – 2000", translated into Uzbek and Russian. This is the first time this information has been available in the Uzbek language and should help all businesses involved in international trade better understand the nomenclature and mechanics of international trade. Copies of the guide were disseminated among the members of the Association and interested GOU agencies and organizations.

TFI, in collaboration with the Center of Legal Research and the Association of Advocates, continued preparation of proposals concerning possible revisions to some of the trade-related provisions in the general part of the Uzbek Civil Code. Proposed amendments have been prepared to 211 articles for submission to the Ministry of Justice and others involved in the WTO accession process for consideration for inclusion in the Legislative Action Plan.

To continue the dissemination of information on WTO, local TFI experts published a series of articles on WTO related issues in the local newspaper Business Week. To date, ten articles have been published on topics that include general discussions of WTO and more specific topics such as tariffs, customs, technical regulating, market access and IPR. The articles were written specifically for the layperson and raise questions about Uzbekistan's level of preparedness for accession.

Finally, at the request of the Chairman of the Chamber of Commerce and Industry, TFI conducted a series of WTO informational seminars throughout Uzbekistan for Chamber members. These included general introductory topics as well as specific topics related to Uzbek industries such as cotton, textiles, and agriculture. TFI also assisted in the establishment of a WTO related section in the Chamber's Library that will be available to businessmen, members and others. TFI provided some basic texts including the WTO Agreements, WTO World Trade Reports and recent TPR reports.

The following recommendations were submitted to the GOU in early 2006 and are presented here for benefit of any future projects or initiatives contemplated for providing support to the WTO accession of Uzbekistan.

#### *Institutional Structure*

The lead Governmental Agency in the process of WTO accession is the Ministry for Foreign Economic Relations, Investment and Trade (MFERIT). Within the Ministry, the Directorate General for Information and Analysis, the WTO Department, the Legal Department and other Divisions carry out the substantive WTO related work. MFERIT operates jointly with the Inter Agency Commission on WTO Accession, the Small Council, the 8 Working Groups and the Permanent Mission in Geneva.

The Inter Agency Commission on WTO Accession organized by Resolution of the Cabinet of Ministers No. 364, of October 22, 2002 includes representatives from the Cabinet of Ministers, MFERIT, Ministries of Foreign Affairs, Justice, Finance, Economy, Agriculture, Health, Central Bank, Customs Committee, UzStandard, Copyright Agency, etc. The last meeting of the Inter Agency Commission took place in July 2005 under the leadership of H. E. Mr. E. Ganiev. Because Minister Ganiev has taken new responsibilities, it would be important to appoint a new Chairman of



the Inter Agency Commission. It will be the Commission's task to define the policies to guide the WTO related work in accordance with the agreed strategy, to monitor and maintain the momentum of the WTO accession negotiations and to help to formulate the national trade agenda.

The Small Council created in 2004, consists of 14 representatives from relevant GOU Ministries and State agencies. The last meeting of the Small Council took place in 2005 under the leadership of Mr. N. Safaev from the Cabinet of Ministers. Because Mr. N. Safaev has taken new responsibilities, it would be important to appoint a new Chairman of the Small Council. The Small Council is responsible for implementing the recommendations and decisions adopted by the Inter Agency Commission with a view to pursuing the WTO accession negotiations systematically and to report to the Inter Agency Commission.

The Inter Agency Commission established the following Working Groups with a mandate covering specific trade sectors: 1) market access for goods, 2) market access for services, 3) sanitary and phytosanitary measures, 4) technical barriers to trade, 5) intellectual property rights (both copyright and industrial property), 6) agricultural support, 7) group to assess consequences of the accession and 8) group on bringing the national legislation into conformity with the WTO agreements. The Working Groups consist of governmental experts in those specific areas. Some of the officials that participate in the Small Council are also members of the Working Groups. Each Working Group is headed by some high ranking official from the Inter Agency Commission. The Working Groups should be reactivated to address the preparation of replies to questions and other issues related to the implementation of the WTO Agreements and the drafting of legislation.

The Permanent Mission in Geneva is responsible for the relations with the Accession and Technical Cooperation and other Divisions of the WTO Secretariat and with other international organizations such as UNCTAD, ITC and ECE, relations with WTO Members in respect of WTO accession, maintaining the momentum of the accession process, the organization of multilateral, plurilateral and bilateral meetings and consultations, the follow up of these meetings and the consultations, the monitoring of the WTO accession negotiations of other countries in the region and elsewhere, monitoring and reporting about the Doha Development Agenda negotiations, the Cotton Initiative, monitoring of the Trade Policy Reviews, etc.

#### *Legislative Action Plan*

The Legislative Action Plan (LAP) is the basis for the GOU's main legislative and institutional reforms in the framework of the WTO accession process. The LAP which presently includes some 25 legislative texts is subject to regular updates and revisions. WTO expects that the LAP will be revised and updated prior to the 4th Working Party meeting and that the time limits for enacting WTO consistent legislation in certain sectors will be reduced to the extent possible. The revised LAP will need to be prepared by the Working Group on bringing the national legislation into conformity with the WTO Agreements. The revision should be consistent with the Legislative Plan for Economic Reform established by the Presidential Decree No. UP 3618 dated 14 June 2005 "On measures for accelerating the implementation of priority directions in the sphere of deepening market reforms and further liberalization the economy".

So far, three international conventions were adopted by Uzbekistan, required by WTO: the Bern Convention (in implementation of WTO TRIPS), the International Union for Plant Protection (in implementation of WTO SPS) and Codex Alimentarius (in implementation of WTO SPS). The Law on Safeguard Measures, Antidumping and Countervailing Duties was adopted in fall 2003 and the Resolution establishing procedures for AD/CVD/Safeguards investigations was adopted in May 2005. GOU also adopted a Resolution on the procedures for transfer of the rights for inventions in accordance with WTO TRIPS Agreement (Paris Convention) in June 2005.

The main legislative instruments currently under consideration in the framework of WTO accession by GOU are the Customs Code to be adopted in 2007, the draft Law on Technical Regulating to be

adopted in 2006 for Sanitary and Phytosanitary Measures (SPS) and in 2007 for Technical Barriers to Trade (TBT), and the new edition of the Copyright Law to be adopted in 2006.

Concerning the Customs Code, an EU-funded project has been providing assistance in drafting the new edition of the Customs Code since 2000; however, the process had remained stagnant until TFI began providing assistance on the preparation of the draft Customs Code in August 2004. The first draft of the Customs Code is due for submission to the Cabinet of Ministers and relevant ministries for review on May 1, 2006. The GOU approved the Concept for the new edition that was prepared with the assistance of TFI. Some differences of opinion still exist in respect of issues such as the inclusion of customs valuation and rules of origin in the Customs Code or in the Tariff Law.

The draft law on Technical Regulating prepared by MFERIT has been forwarded for comments to other Ministries and Agencies. Following the adoption of the Technical Regulating Law it will be possible to revise and reduce the list of products subject to mandatory certification and to implement institutional reforms concerning certification and accreditation.

The draft new edition of the Law on Copyright which has been submitted to Parliament for consideration may have to be supplemented by enforcement provisions and border measures consistent with the provisions of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) if these are not already included. If this is the case, WTO consistent provisions may have to be incorporated in the near future into some other legal instruments.

Regarding the fact that draft texts have already been completed, the Inter Agency Commission should instruct the Small Council to convene the respective Working Groups to review the drafts institutionally, to consult private sector organizations, to settle the outstanding differences, and to finalize the draft texts. As soon as possible, the draft texts should be submitted to WTO for consideration of their consistency with the respective WTO Agreements, in order to avoid having to make changes to the legislation after adoption by the Parliament.

After being finalized, the drafts could also be published and presented to the consideration of business groups and other interested parties by the MFERIT and the respective Ministries and Agencies. The Small Council, in consultation with the respective Working Groups, should establish a Plan of Action to address each of the other twenty three outstanding legislative texts systematically. TFI could assist in the preparation of the Plan of Action.

The draft legislative texts of the Customs Code, the draft Law on Technical Regulating and the new edition of the Copyright Law should be reviewed and finalized during 2006, with a view to their submission to Parliament for adoption in 2006. As foreseen in the LAP, the other twenty-three outstanding legislative texts should be drafted, reviewed and finalized in 2006, 2007 and 2008, with a view to their finalization at the latest in 2009.

#### *Assessment of the Impact of WTO Accession*

A number of acceding countries with assistance from experts of the international community and international organizations have carried out analyses of the implications of the process of WTO accession, taking into account possible levels of concessions and commitments, and the expected minuses and pluses resulting from the trade liberalization outcome of the negotiations for the economy of the acceding country as a whole, at the level of expected rates of GDP growth, income, employment and investment, and also at the individual sectoral levels in agriculture, industry, and services as well as the potential creation of investment opportunities.

This assessment could be carried out by some of the existing think-tanks such as CER, CEER, and others, with the support of programs aimed at supporting economic reforms such as Bearing Point, and the support of the World Bank, UNDP and others.

The methodology includes the use of econometric models and simulation exercises such as the General Computable Equilibrium Model (GCE), G-cubed, which may use partial equilibrium analysis to estimate sectoral gains or losses. The assessment should take into account not only the initial market access offers on goods and services but also the possibility of making revisions to the initial market access offers in certain sectors. GOU may also wish to consider the need to evaluate the implications for the process of WTO accession, of the recent accession to the Eurasian Economic Community (EurAsEC), to which Uzbekistan adhered in January 2006, and the market access commitments therein with respect to a common external tariff.

#### *Market Access Negotiations on Goods and Services*

The GOU submitted to the WTO the initial market access offers on goods and services in August 2005. In the course of bilateral consultations, some Members asked that the goods offers be improved, the duty rates reduced to approximate the levels currently applied, and that GOU consider participating in some of the sectoral initiatives such as the Information Technology Agreement, textiles, chemicals harmonization and others.

With respect to services, some Members asked that the GOU consider increasing substantially the sector and subsectoral coverage requesting that the modes of supply 2 and 3 be bound without MFN or national treatment limitations.

So far only a few WTO members have expressed interest in entering into market access negotiations with Uzbekistan, namely: Australia, Canada, European Union, Japan, Korea and the United States. It is possible that other WTO Members such as Malaysia (on behalf of ASEAN), India, Turkey, Brazil, Cuba, Ecuador and others may wish to enter into market access negotiations later on.

Following the completion of the assessment of the possible impact of WTO accession, the MFERIT and the Working Groups on market access in goods and services should take the initiative to commence the preparation of revised market access offers for consideration by the Small Council and the Inter Agency Commission in mid 2006.

MFERIT and the Working Groups on market access in goods and services should organize consultations with other Ministries and Agencies, the Chamber of Commerce and Industry and other relevant associations, including services enterprises associations, with a view to deciding the possible revisions to the initial market access offers on goods and services that will be submitted to the Small Council and the Inter Agency Commission for consideration and decision.

GOU should authorize the Minister for Foreign Economic Relations, or a Vice Minister, to sign the bilateral agreements with those trading partners ready to finalize the negotiations at the time of the next meeting of the Working Party. With some other trading partners the negotiations may take longer and may require visits to the respective capitals in 2006 or 2007.

Consultations with interested parties, revision of the initial market access offers on goods and services, and submission to WTO of the revised offers should take place in 2006. The conclusion of market access negotiations on goods and services with interested parties in 2006 and 2007, if possible.

#### *Electronic Commerce*

Electronic Commerce is one of the issues being pursued in the Doha Development Agenda Negotiations that potentially could have a significant economic impact for the expansion of trade in Uzbekistan. The development of electronic commerce may have implications for employment, professional training and competitiveness and fiscal income. This is also an important subject in the Doha Development Agenda Negotiations.

The MFERIT through the Mission in Geneva should follow this issue closely with a view to ascertaining what the prospects are for consensus on an agreement on electronic commerce and its possible terms. The officials from the MFERIT, with the assistance of experts and consultants, could prepare a round table on electronic commerce to be held in Tashkent in 2006 with the participation of all the Ministries and Agencies concerned, the Chamber of Commerce and Industry and other interested associations, prior to the conclusion of the Doha Development Agenda Negotiations, or immediately thereafter.

#### *Coordination of Technical Assistance*

Several donors and international organizations are at present providing technical assistance and capacity building in the field of foreign trade, including USAID, EU-TACIS, Germany, France, Japan, Switzerland, UNDP, ECE, UNCTAD, ITC, World Bank, ADB, IDB, and others. Some donors have permanent offices in Tashkent while others use the services of temporary consultants. Some donors have regional projects in Central Asia while others have national projects and programs. MFERIT may wish to perform the role of assistance coordinator, and consider the convenience of continuing to receive assistance regularly from USAID and other donors through a resident adviser on WTO issues.

#### *Future WTO Assistance*

Future WTO assistance will be needed to conduct the following activities:

- The institutional structures: Strengthen the GOU structure established on implementation of WTO accession process; Establish Information centers such as WTO Information Center, GATS Information Center, TBT and SPS Inquiry Points.
- Implementation of the WTO agreements on the basis of the Legislative Action Plan (LAP) circulated in document wt/acc/uzb/12/rev.1: Continue updating the LAP by either introducing new legislative initiatives or eliminating existing ones that constitute violations to the WTO Agreements or constitute trade distorting barriers. Continue support in adopting the new editions of the WTO compliant Customs Code, Technical Regulating Law, Copyright Law and IPR Enforcement Law. Support in preparation of new trade related draft legislation indicated in the LAP.
- Market access negotiations on goods and services: Revise offers on goods and services addressing WTO member countries concerns
- Agricultural Support Table: Revise base period and take into account the latest developments and statistical data in the agricultural sector
- Preparation of responses to additional questions and other documents such as the responses to the WTO questionnaires on customs valuation, import licensing, and state trading: Continue support in preparation of WTO documentation and responses.
- Dissemination of information: Continue public information efforts by holding seminars, trainings and round tables on WTO both in country and abroad, publish articles, etc.
- Assessment of the possible impact of WTO accession, in particular the possible levels of concessions and commitments and the expected impact resulting from the trade liberalization outcome of the negotiations for the economy of the acceding country as a whole, at the level of expected rates of GDP growth, income, employment and investment, and also at the individual sector levels in agriculture, industry, and services as well as the potential creation of investment opportunities.

## V. BENCHMARKS AND PERFORMANCE INDICATORS

For each contract year, specific activity objectives and benchmarks were included in annual work plans and reported against. Annual work plan reports for each country for the period 2003 – 2006 are included as a separate appendix to this report.

In accordance with the TFI Performance Monitoring Plan, the primary performance indicators are

- The overall reduction of investment constraints relative to a specific reduction target for each contract year;
- The number of steps achieved towards WTO accession or post-accession compliance relative to a specific reduction target for each contract year; and
- At the end of the Project, at least 75% of a sample of businesses benefiting from TFI intervention indicates that barriers have been successfully reduced and the environment has improved.

Within the RIC Component, primary performance indicators are the overall reduction of trade and investment constraints articulated as a specific reduction target for each contract year. Annual constraint reduction tables are included for the 2003 – 2006 period in the appendix to this report.

Results versus annual targets are shown below and indicate that in most cases, and certainly on an aggregate basis, TFI consistently exceeded its targets.

Reduction of Investment Constraints								
	Quantity							
	2003 – 2004		2004 – 2005		2005 – 2006		Total (2003 – 2006)	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Kazakhstan	None set	24	50	55	40	40	90	119
Kyrgyz Republic		22	30	38	20	31	50	93
Tajikistan		3	20	15	10	14	30	32
Uzbekistan		2	3	3	3	2	6	7
Total		53	103	111	73	87	176	251

Note: The Work Plan for the first year of the Extension Period was not approved until February 2004, precluding the establishment of targets.

Calculation of economic impact of reduced constraints followed a very simple scope x scale equation; calculating impact based on estimates of the number of businesses impacted multiplied by the impact per business. In some cases, time savings or opportunities for increased revenue are quantified as well. The data, assumptions and calculations employed for each constraint are included in the constraint tables in the “impact” column. The total impact of TFI activities is estimated at:

Reduction of Investment Constraints				
	Direct Economic Impact			
	2003 – 2004	2004 – 2005	2005 – 2006	Total (2003 – 2006)
	Annual Impact	Annual Impact	Annual Impact	Annual Impact
Kazakhstan	\$94,326,451	\$38,159,439	\$89,529,023	\$222,014,913
Kyrgyz Republic	\$4,527,707	\$5,326,779	\$2,744,370	\$12,598,856
Tajikistan	\$3,139,531	\$425,491	\$2,460,968	\$6,025,990
Uzbekistan	\$90,000	\$131,500	N/A	\$221,500
Total	\$102,083,689	\$44,043,209	\$94,734,361	\$240,861,259

Note: TFI has been successful in Uzbekistan during the 2005-2006 contract year in providing technical support to association partners, but the government has been reluctant to move forward on substantial reforms and quantification data is not available.

Additionally, perception by entrepreneurs of TFI activities is a performance indicator in the Performance Monitoring Plan. To evaluate perception of TFI activities, focus was directed at those areas where TFI operated and on those issues which were addressed by TFI with direct impact on entrepreneurs. Through monitoring efforts, a sampling of entrepreneurs was surveyed regarding the benefits of TFI assistance in addressing specific issues. The number of those who responded favorably and the total number surveyed regarding each constraint are included in the constraint reduction tables in the “monitoring ratio” in the appendix to this report. Where monitoring data is not available due to lagging impact, general application of the reform, or collection impediments “N/A” is indicated in the monitoring column in the tables.

Consolidating data from across all constraints, TFI is able to provide a measure of perception as a performance indicator.

<b>Perception Indicator</b>								
	2003 – 2004		2004 – 2005		2005 – 2006		Total (2003 – 2006)	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Kazakhstan	75%	87.84%	75%	88.27%	75%	82.93%	75%	86.38%
Kyrgyz Republic	75%	96.02%	75%	90.80%	75%	94.58%	75%	93.38%
Tajikistan	75%	88.64%	75%	93.01%	75%	96.43%	75%	93.65%
Uzbekistan	75%	100%	75%	95.45%	75%	100%	75%	96.55%
Total	75%	91.43%	75%	90.11%	75%	90.06%	75%	90.34%

TFI was also asked to track the formation, development, and capacity of business associations to carry on and expand the process of improving the implementation of laws and regulations affecting the business environment for SMEs. As an indicator, TFI used the number and financial impact of constraints removed through the direct activities of private-sector partners and constraints removed through public-private dialogue bodies such as Customs Consultative Councils and Prosecutors' Working Groups as well as the formal Partnership Program. These constraints are included in the attached constraint reduction tables and indicated with a "PP" notation. The following table is a consolidated summary of results achieved with TFI support of partners' activities.

<b>Business Association Partner Activities</b>							
Quantity and Economic Impact							
2003 – 2004		2004 – 2005		2005 – 2006		Total (2003 – 2006)	
Number	Impact	Number	Impact	Number	Impact	Number	Impact
11	\$1,109,748	56	\$20,068,633	52	\$25,244,176	119	\$46,422,557

One of the significant benefits of changing laws and administrative processes is that the economic impact of those changes is experienced by entrepreneurs indefinitely. Until a law or process is again modified, businesses in all future years would be expected to have the cost and time savings captured in the constraint tables and summarized above. A cornerstone of reform is sustainability. Therefore, the sustainability of changes should be considered and when analyzing the impact of project activities, the degree to which changes are believed to be sustainable should be factored into secondary impact estimates. As with any long-term investment, the investment in a reform project should be measured against not only the economic impact during the life of the project, the years when the money is spent, but also against those benefits that will continue to accrue to entrepreneurs after a project ends, the residual and sustained impact.

For the Trade Facilitation Component, constraints to trade activities related to Customs and MAS-Q were included in the overall number and impact of constraints to business activity. Also, for Kazakhstan and the Kyrgyz Republic, WTO-related issues were addressed as constraints where specific laws or regulations are involved. Non-quantifiable assistance, such as support to the Inter-Ministerial Commission in the Kyrgyz Republic, is addressed in the narrative above. Kyrgyz Republic post-accession compliance activities are considered business constraints and identified with a "WTO" notation in the attached constraint tables. For Tajikistan and Uzbekistan, WTO checklists for 2003 – 2006 are included in the appendix, and the specific indicator of checklist steps taken versus targets is provided below.

<b>World Trade Organization</b>								
	Quantity							
	2003 – 2004		2004 – 2005		2005 – 2006		Total (2003 – 2006)	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Kyrgyz Republic	None set	6	2	8	3	9	5	23
Tajikistan		20	17	16	18	11	35	47
Uzbekistan		15	20	14	15	13	35	42

*Note: For Tajikistan and Uzbekistan, steps taken are documented in the attached WTO checklists. Some figures may differ from those reported in quarterly reports due to mistakes in counting. For the Kyrgyz Republic, post-accession compliance actions are documented in the attached Constraint Reduction Table for the Kyrgyz Republic.*

*TFI-EDP Business Surveys*

In November 2004, August 2005, and March 2006, TFI conducted surveying of businesses across the four country region. Respondents were asked to rate a number of basic regulatory processes on a difficult scale of 1 to 5, with 1 indicating the process can be completed without difficulty, to 5, indicating a nearly impossible process. In addition to providing a numerical evaluation of processes, respondents provided quantitative information that was used by TFI consultants to evaluate and prioritize constraints for analysis and reform.

Over the course of the three rounds of surveying, over 2100 responses were received and analyzed, including over 50% of the EDP client portfolio. The responses are subjective, in that the respondents were asked to provide their own view of the difficulty of the given processes, and were asked to only rate the difficulty of the process in their country rather than asked to compare processes from country to country. Country to country comparisons may be difficult, because, in general, respondents would be expected to have limited experience with processes in other areas. However, the responses provide an indication of the relative difficulty of comparable processes within each country. For example, while it is not possible to say the numbers indicate that licensing in the Kyrgyz Republic is more difficult than in Kazakhstan, it is possible to say respondents in all countries indicated that land acquisition and construction remain some of the most difficult processes when compared to others in that country.

Similarly, changes in regulatory difficulty ratings over time must be considered against the backdrop of specific reforms that have been implemented and lagging impact of legal and regulatory changes on the business environment.

In addition to the process-related responses tabulated below, each survey included questions on the general openness of government, perceived changes in interference and other country and period specific questions that provided TFI consultants with greater depth of understanding of the regulatory environment.

TFI - EDP Survey Results										
	Business Process									Total Regulatory Burden
	Tax registration and compliance	Compliance with health, safety and sanitary norms	Licensing	Certificating	Import / Export	Non-tax reporting & compliance (statistics, etc)	Land purchase, sales, renting	Land construction & remodeling	Business registration and liquidation	
<b>Kyrgyz Republic</b>										
Nov-04	3.116	2.478	2.690	2.705	3.526	1.895	3.707	3.702	2.912	2.955
Aug-05	2.723	2.613	2.862	2.793	3.312	2.371	3.613	3.629	2.684	2.937
Mar-06	2.759	2.576	2.676	2.781	3.193	2.295	3.338	3.507	3.062	2.906
Change	-0.358	0.098	-0.015	0.076	-0.332	0.401	-0.369	-0.194	0.150	-0.049
<b>Kazakhstan</b>										
Nov-04	2.875	2.772	3.098	3.000	3.071	2.354	3.442	3.716	2.659	2.989
Aug-05	2.876	2.664	3.131	3.083	3.360	2.537	3.609	3.587	2.965	3.063
Mar-06	2.697	2.638	2.815	2.762	2.936	2.241	3.571	3.544	2.819	2.822
Change	-0.178	-0.135	-0.283	-0.238	-0.136	-0.113	0.129	-0.173	0.161	-0.167
<b>Tajikistan</b>										
Nov-04	3.489	3.056	3.533	3.478	3.609	2.412	3.822	3.587	2.791	3.309
Aug-05	3.576	3.222	3.882	3.912	3.678	3.188	4.186	4.026	3.265	3.658
Mar-06	3.603	3.354	3.570	3.592	3.284	2.754	3.367	3.538	3.087	3.352
Change	0.114	0.298	0.038	0.114	-0.325	0.342	-0.455	-0.049	0.295	0.043
<b>Uzbekistan</b>										
Nov-04	3.122	2.671	3.195	3.118	3.882	2.378	3.925	3.725	3.053	2.940
Aug-05	2.543	2.690	2.622	2.467	3.077	2.091	2.972	2.949	2.705	2.663
Mar-06	2.070	2.256	2.049	2.070	2.711	1.780	2.763	2.548	2.071	2.248
Change	-1.052	-0.415	-1.146	-1.048	-1.172	-0.598	-1.162	-1.177	-0.981	-0.692
<b>Central Asia</b>										
Nov-04	3.072	2.650	3.019	3.000	3.476	2.165	3.656	3.582	2.759	3.032
Aug-05	2.861	2.720	3.070	3.015	3.357	2.517	3.680	3.649	2.868	3.069
Mar-06	2.822	2.688	2.840	2.861	3.064	2.346	3.426	3.496	2.938	2.936
Change	-0.250	0.038	-0.178	-0.139	-0.412	0.181	-0.230	-0.086	0.178	-0.096

The survey results indicate that there has been improvement in the perception of the difficulty of many regulatory processes during the TFI Project. However, due to lagging implementation benefit and the failure of some government bodies to fully implement framework reforms, direct correlation between TFI activities and the survey results is difficult. However, the survey is helpful to identify where future attention may be the most helpful. As indicated, land-related processes are consistently rated as the most difficult for entrepreneurs through both survey quantification and quantitative data provided by respondents during the survey process.

#### *Additional Surveys and World Bank Doing Business Reports*

In addition to data collected through routine TFI operations and supplemental in-house surveying, TFI also reviewed and incorporated survey data and environment analysis from 3<sup>rd</sup> party sources. These included the IBC Survey of members in the Kyrgyz Republic, the IFC Surveys of Uzbekistan and Tajikistan, the EBRD-World Bank BEEPS Surveys of all countries in Central Asia and, finally, the World Bank Doing Business Indicators, which have become increasingly valuable as a method for both evaluating the specific regulatory environment and for making comparisons between countries. In Central Asia, some process-specific data has been collected in Kazakhstan, Uzbekistan and the Kyrgyz Republic. However, the current lack of consistently collected data over time precludes making specific trend conclusions relative to the TFI's own results and findings.



VI: APPENDIX

Attachment A: Kyrgyz Republic Work Plan Reports (2003 – 2006)

June 1, 2003 – May 31, 2004			
Reduction of Investment Constraints (RIC)			
No.	Objective	Start Date	End Date
<i>KG RIC 01</i>	<i>Amendments to the law On Normative Legal Acts adopted and implemented</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>The absence of administrative and law drafting procedures that require justification, impact analysis and review and comment by non-governmental parties for certain regulatory acts is the cause of many investment constraints and the excessive level of government regulation of business activities. The work will initially address acts originating in the Government (Cabinet) and will later shift to implementing improved procedures for Parliamentary and Presidential acts. TFI expects to reduce the number and improve the quality of all of new legislative and regulatory acts.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Passage of amendments to the Law On Normative Legal Acts in Parliament.</li> <li>2. <b>Partially Complete:</b> Draft regulations and recommended mechanisms to implement the amendments prepared for consideration by the Government.</li> <li>3. <b>Complete:</b> Private sector participates in the drafting and review process for at least one regulatory act of Government.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	<p>On August 1, 2003 Kyrgyz President Askar Akaev signed into law amendments to the Law On Normative Legal Acts prepared by TFI experts together with its partners – the amendments have also passed in Parliament. They introduced new requirements: mandatory public discussion and official publication of all drafts that introduce new types of state business regulation; mandatory financing for drafting of laws and other normative legal acts out of the Republican budget (should be provided by a separate item of expenditures); implementation of new types of state business regulation exclusively through laws; and the conduct of scientific, legal and other specialized review of legislative drafts that introduce new types of government enterprise regulation. TFI believes the revised Law will make the law drafting process more transparent, open, and effective.</p> <p>The work on draft regulations and mechanisms to implement the amendments is ongoing. TFI has conducted several consultations with the representatives of the Prime Minister’s Office, Ministry of Justice, the Commission on Deregulation and the IRT so as to reach a consensus on the way this work should be done. A framework paper with TFI recommendations was prepared and sent to the decision makers. Most recommendations were approved and included in Matrix IV on May 14, 2004 (Decree of the President of KR # 165).</p>		
No.	Objective	Start Date	End Date
<i>KG RIC 02</i>	<i>Improved legal drafting procedures implemented in Osh oblast</i>	<i>1 Dec 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Based on the work achieved in adopting and implementing the changes to the law On Normative Legal Acts, TFI will attempt to improve the legal drafting procedures for local acts in Osh oblast. Often, changes in national legislation are not fully implemented at the local level and, with the support of the Osh oblast governor, TFI believes that these very important national-level changes can be implemented in Osh and even serve as a model for other local administrations. Once implemented, these will reduce the number and improve the quality of locally promulgated regulations.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Osh governor approves reform of oblast-level legal drafting procedures and working group formed with all affected parties.</li> <li>2. <b>Partially Complete:</b> Amendments to the Reglment of the oblast drafted and signed by the Osh governor.</li> <li>3. <b>Incomplete:</b> Private sector participates in the drafting and review process for at least one oblast-level regulatory act.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	<p>The government of Osh Oblast and the mayor of Osh approved the reform activities and creation of a Working Group on this activity. TFI experts were members of the Working Group. Amendments to the Reglment (oblast government charter) have been drafted and submitted top the governor in May 2004. The Governor is scheduled to sign the Reglment on June 15, 2004. The new procedures will establish publication guidelines, require basic cost-benefit analysis and</p>		

	allow for public input and participation in the regulatory process. Private sector participation in the drafting and review process is expected to occur during the first part of the next quarter after the new law has been signed and implemented. Very preliminary economic impact analysis shows that improvements to the administrative procedures system are projected to save entrepreneurs at least \$150,000 annually through reduced barriers previously imposed by illegal and poorly considered regulations.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 03</b>	<b><i>National legislation amended to eliminate remaining illegal permits and to institute a unified policy on permitting of business activities</i></b>	<b><i>1 Jun 03</i></b>	<b><i>31 May 04</i></b>
<b>Description</b>	<i>Licenses and permits and their authorities are granted through a variety of legal acts that violate the Constitution of the KR and the stated policies of the President. Contradictions in national legislation need to be removed and a unified policy established on permitting business activities, thereby creating greater transparency in the process. Once fully implemented, these reforms will result in fewer permits on business activities and greater transparency in their issuance.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Partially Complete:</b> Law On Licensing is amended to provide greater clarity and distinguish between other permissions.</li> <li><b>Partially Complete:</b> Existing laws are brought into compliance with the provisions of the law On Licensing.</li> <li><b>Complete:</b> Unified list of permits approved by the Government consistent with the law On Licensing.</li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2003 – May 2004</b>	TFI experts along with TFI partners prepared the first draft of amendments to the Law On Licensing, and the KG Commission on Deregulation officially approved the draft in principle. Fifty-one existing laws were identified by TFI experts working together with IR Matrix Working Group as not complying with the Law On Licensing. The Working Group prepared 51 draft amendments to existing laws, which were approved by the Government and submitted to Parliament. As of this writing, 36 amendments out of 51 have been passed to bring those laws into compliance with the Law On Licensing. Examples are amendments to the Tax Code, Land Code, and Air Code. Some additional work remains. A Unified List of Permits was developed TFI experts and approved by Government Resolution #103 of February 25, 2004. The new List of Permits eliminated most of the illegal permits. However there are several more that must be eliminated. Also the Price List regarding permits should be revised. TFI is planning to continue work in this direction.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 04</b>	<b><i>Law On Protection of the Rights of Businesses During Government Inspections drafted</i></b>	<b><i>1 Jun 03</i></b>	<b><i>31 May 04</i></b>
<b>Description</b>	<i>At present, there exist no criteria or rules governing the conduct of inspections by government bodies. Therefore, it is difficult to determine what constitutes a lawful or unlawful inspection. Furthermore, inspecting bodies generally do not have rules and procedures governing their inspections. The law should better define inspections, the rights of parties and the general procedures applying to all inspecting bodies. TFI expects this to eventually result in a drop in the level of government interference in the activities of businesses.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Partially complete:</b> Law drafted and presented to the Government for approval and submission to Parliament.</li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2003 – May 2004</b>	The Expert Group under the Kyrgyz Commission on Deregulation, with participation by TFI experts, prepared the first draft of a Law On Inspections. The new Law is intended to provide for a fair and effective inspection regime that does not unnecessarily interfere with business activity. The Commission on Deregulation approved the first draft in principle. To get the public involved in the law drafting process the draft was put on websites of state agencies, associations of businessmen, etc.; and presented at the round tables. Now TFI is getting comments from state agencies, the private sector, and foreign investors. TFI will take into account the comments and present the revised draft for review. After finalizing the draft, the Working Group will send it to Mr. Baibolov, Vice Speaker of Parliament, who will then submit it to Parliament.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 05</b>	<b><i>Streamline the process of acquiring site development and construction permits</i></b>	<b><i>1 Jun 03</i></b>	<b><i>31 May 04</i></b>
<b>Description</b>	<i>The process of acquiring permission to engage in construction or even repair of a building is lengthy, expensive and non-transparent and involves multiple government agencies. A reduction in the number of permits required and a more transparent and easier to navigate process will benefit SMEs.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> New regulations drafted, submitted to, and approved by the Government.</li> <li><b>Partially Complete:</b> New procedures implemented with participation of private sector partners.</li> </ol>		

	3. <b>Incomplete:</b> Indication from a representative sample of SMEs that they have been reduced.		
	<i>Status &amp; Comments</i>		
<i>June 2003 – May 2004</i>	In February 2004 the Kyrgyz Government adopted Resolution #57 approving two regulations that had been drafted with the assistance of TFI experts along with the Chemonics Land Reform Project. The first outlines the rules and procedures regarding site ownership and lease rights in inhabited areas. The second lays out the procedure to accomplish intentions to invest and construct. In order to familiarize the business community with the new requirements in the process for acquiring site development and construction permits, presentations were made during seminars and round tables in Bishkek City and Kara-Balta Town. The representatives of government bodies engaged in the issuance of permits, namely Bishkekglavarchitecture and State Agency of Registration of Rights to Immovable Property, also took part in these seminars and round tables. There is not enough experience yet with the application of the new procedures. In addition, localities are still in the process of bringing local normative acts into compliance with the Kyrgyz Government regulations.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>KG RIC 06</i>	<i>Streamline the process of acquiring permits for outdoor advertising in Bishkek</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>The process of acquiring permission to place outdoor advertising in Bishkek has been identified as a major constraint by both local and foreign businesses. The present process is duplicative and unnecessarily expensive as two local agencies issue similar permits and exercise similar controls.</i>		
<i>Performance Indicators</i>	1. <b>Incomplete:</b> Duplicate authority over outdoor advertising eliminated. 2. <b>Partially Complete:</b> Improved process adopted and implemented for the issuance of permits. 3. <b>Incomplete:</b> Indications from a representative sample of SMEs that they have been reduced.		
	<i>Status &amp; Comments</i>		
<i>June 2003 – May 2004</i>	There is still no clear position on which state body should be authorized to issue permits on outdoor advertising to control compliance with the permits, despite recommendations made by businesses and TFI. Recommendations for eliminating duplicative or unnecessary and otherwise illegal normative acts related to permits for outdoor advertising were provided to the Prosecutor's Office of Bishkek City so that the appropriate actions could be taken. The Prosecutor of Bishkek City on November 28, 2003 ordered the eliminations of the identified acts. Further, in order to improve the procedure for issuance of permits and remove contradictions in the present procedures, new rules affecting outdoor advertising placement were prepared by "Ugut" Agency. The proposed rules, which are currently being examined by the Justice Department of Bishkek City, cannot be said to improve the procedure for issuance of permits for outdoor advertising. TFI experts gave numerous comments on the proposed rules to the Justice Department of Bishkek City. TFI plans to continue this work. As a result of the ongoing nature of this work improvements have not yet been put in place.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>KG MASQ 01</i>	<i>WTO-compliant draft law On the Fundamentals of Technical Regulations completed and adopted</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Adoption of a WTO-compliant law on Technical Regulations is important because it establishes the legal basis for distinguishing between mandatory health and safety regulations and voluntary quality standards, thereby removing from SMEs the substantial burden of complying with the host of mandatory quality regulations that are imposed on them under the current standards regime.</i>		
<i>Performance Indicators</i>	1. <b>Complete:</b> WTO-compliant law on Technical Regulations drafted. 2. <b>Complete:</b> WTO-compliant law on Technical Regulations adopted by Parliament.		
	<i>Status &amp; Comments</i>		
<i>June 2003 – May 2004</i>	A WTO-compliant Law on Technical Regulations was passed by the Parliament on April 16, 2004 and signed by the President of KR on May 22, 2004. TFI experts were heavily involved in the drafting and presentation of the law.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>KG MASQ 02</i>	<i>Implementing legislation to carry out the law On the Fundamentals of Technical Regulations prepared</i>	<i>1 Jan 04</i>	<i>31 May 04</i>
<i>Description</i>	<i>The Technical Regulations law will come into force 6 months after its adoption. During this time it will be necessary to develop draft regulations to implement the new law and begin the transition to a new MAS-Q infrastructure. Properly drafted and implemented regulations will reduce costs to businesses and simplify customs clearance of goods by reducing the number of regulated products and the number of agencies assessing product compliance.</i>		

<b>Performance Indicators</b>	1. <b>Incomplete:</b> Implementing regulations drafted that result in fewer products and processes subject to mandatory requirements and transparent procedures for all future regulations.		
	<b>Status &amp; Comments</b>		
<b>June 2003 – May 2004</b>	A new TR law has been adopted but implementing regulations have still not been drafted. A working group has been appointed to draft the implementing regulations and TFI is a member. Work on this Objective will continue in CY 04-05.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG MASQ 03</b>	<b>Reform and transition plan for KyrgyzStandard consistent with modern practices adopted by the Government of the Kyrgyz Republic</b>	<b>1 Jan 04</b>	<b>31 May 04</b>
<b>Description</b>	<i>In addition to legislative changes, the transition to an internationally-recognized MAS-Q system will require certain institutional reforms, most notably the transition of KyrgyzStandard to a non-regulatory standard and metrology institute and the development of qualified specialists in various MAS-Q fields. The result will be less government intervention in the activities of businesses and the creation of an organization that provides needed services to business and government.</i>		
<b>Performance Indicators</b>	1. <b>Complete:</b> Appropriate transition plan drafted and accepted by the KyrgyzStandard. 2. <b>Complete:</b> Government officially announces a new structure for the KyrgyzStandard consistent with law on the Fundamentals of Technical Regulations and the transition plan.		
	<b>Status &amp; Comments</b>		
<b>June 2003 – May 2004</b>	A transition plan was completed and submitted to the KyrgyzStandard. Through Order No. 73 (July 7, 2003) issued by the Director of the KyrgyzStandard, a Transition Plan Internal Working Group was officially created, committed to the implementation of the Transition Plan. As a result of a review and assessment of the transition plan, a detailed work plan was completed and has been adopted by NISM as their official strategic work plan for 2004-2005. On February 6, 2004 the President of the Kyrgyz Republic officially announced the creation of the National Institute on Standards and Metrology; a resolution has also been passed detailing a new structure for the KyrgyzStandard consistent with law on the Fundamentals of Technical Regulations and the transition plan.		
<b>World Trade Organization (WTO)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG WTO 01</b>	<b>Reestablish the Inter-ministerial Commission (IMC) on Coordination of WTO Issues and strengthen its ability to identify and reduce constraints to trade and eliminate areas of non-compliance with WTO requirements</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>For the Kyrgyz Republic to take full advantage of its WTO membership and to comply with its requirements, coordination is needed of the actions of all ministries, state committees and administrative bodies responsible for implementing the WTO Agreements. Such coordination will also ensure greater consistency in the application of trade policies and facilitates the identification and reduction of trade and investment constraints.</i>		
<b>Performance Indicators</b>	1. <b>Partially Complete:</b> Passage of regulations reestablishing the IMC that include participation of the private sector and clearly task all relevant agencies with compliance to specific WTO agreements. 2. <b>Complete:</b> IMC meets at least bi-monthly. 3. <b>Complete:</b> IMC action plan developed and approved. 4. <b>Partially Complete:</b> At least one non-compliance issue identified in the action plan is solved as a result of IMC intervention.		
	<b>Status &amp; Comments</b>		
<b>June 2003 – May 2004</b>	According to Resolution #374 of the Government of June 23, 2003 the new composition of the Inter-Ministerial Committee (IMC) was adopted. The Resolution approved (1) the Regulation on the IMC, which describes the IMC's authorities and envisions the involvement private sector representatives in the IMC's activity with the right to vote; (2) the Regulation on distribution of responsibilities among the ministries and agencies, defining the scope of responsibility of each body for implementing WTO Agreements and the Kyrgyz commitments under the WTO. The allocation of tasks to each ministry and agency provides for coordination of their activities regarding WTO issues. IMC meetings are held regularly. From July 31, 2003 to May 31, 2004 six IMC meetings took place. IMC Action Plans for the second half-year of 2003 and for 2004 have been prepared and approved.		

No.	Objective	Start Date	End Date
<b>KG WTO 02</b>	<b>Customs Code compliant with WTO and Amended Kyoto principles adopted</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>Adoption of a Customs Code compliant with WTO requirements and Amended Kyoto principles is the foundation for a sound customs system and essential to ensure the Kyrgyz Republic's compliance with its international commitments and allow it to be integrated into the world trading system and participate in regional preferential trade agreements.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Partially Complete:</b> Acceptable Customs Code adopted in Parliament.</li> <li><b>Incomplete:</b> Post shipment audit procedures drafted and presented to Customs/Revenue Committee.</li> <li><b>Partially Complete:</b> Rules that encourage competition drafted for regulating private sector customs services, specifically customs brokers.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	<p>On April 13, 2004, Lower Chamber of the Parliament adopted the new Customs Code (NCC). The Code is pending consideration by Upper Chamber, which must act by June 13th or the Code goes to the President for approval. The NCC incorporates provisions on audit-based post-entry control, which are general. TFI made a recommendation to reduce the period fixed for audit inspections (may not exceed 30 business days) to 15. The recommendation was not accepted by the Customs and TFI did not insist, since the present legislation contains no limit on the period for inspections. Important provisions of the NCC will provide transparency to businesses that are engaged in the area of customs ancillary services by fully describing licensing procedures that would include criteria for approval, withdrawal, suspension, dismissal and renewal of licenses. TFI drafted a new chapter on licensing of ancillary services that was included in the NCC. It took account of the Law On Licensing and Regulation on Licensing of Certain Kinds of Entrepreneurship. Some action must be taken with respect to the Law "On Licensing". At first there was confusion as to what would be done, but a satisfactory solution has now been proposed.</p>		
No.	Objective	Start Date	End Date
<b>KG WTO 03</b>	<b>KG Customs Consultative (Customs) Councils and Joint Border Commissions in the Kyrgyz Republic</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>National trade administration officials and traders need to establish forums in which traders can raise issues, administrators can receive submissions, and solutions can be jointly developed in identifying and reducing trade constraints. The objective of the Councils is to build a sustainable capacity in the private sector to contribute to trade policy review and development and to identify and reduce trade constraints. A National Consultative Council is also to be established to deal with national-level trade policies, procedures and systems.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Consultative (Customs) Council to be established in the Kyrgyz Republic at the Customs Headquarter;</li> <li><b>Complete:</b> Developing Consultative Council agendas, proposing ideas, strategies, options to overcome any problems related to trade issues on the agenda</li> <li><b>Complete:</b> Meetings of the Councils to be held on a regular (at least once a month) basis.</li> <li><b>Complete:</b> Organizing meeting and invitation to the Consultative Council meeting of experts from other ministries and agencies (the Ministry of Transport and Communication, GosStandard, etc.), if necessary.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	<p>The National Consultative Council at the Customs Headquarters was established on March 25, 2004. Three meetings of the CC have been held, and the private sector and customs officials have set the agendas for these meetings jointly. At Consultative Council meetings businesses identified the following constraints: (1) control level of prices, (2) contradictions in national legislation in the realm of VAT exemptions, and (3) transit issues. Other constraints have also been identified. Working groups composed of Consultative Council members have been created to draft decisions and submit proposed solutions on these issues for the next meeting of the Consultative Council. TFI experts work together with businesses and customs officials to suggest positive solutions. The Consultative Councils are conducted once a month; the Action Plan of the Consultative Council for 2004 was set by the TFI experts together with Kyrgyz Customs and businesses; and TFI experts have suggested creating Consultative Councils in regional Customs Houses e.g., in (Osh Oblast). The Regulation of the Consultative Council provides that the representatives of other state bodies of the Kyrgyz Republic, public organizations, and mass media may be invited to CC meetings.</p>		

<b>June 1, 2004 – May 31, 2005</b>			
<b>Reduction of Investment Constraints (RIC)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 01</b>	<b>Amendments to the law On Normative Legal Acts implemented</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>The absence of administrative and law drafting procedures that require justification, impact analysis, review and comment by non-governmental parties for certain regulatory acts is the cause of many investment constraints and the excessive level of government regulation of business activities. The work will initially address acts originating in the Government (Cabinet) and will later shift to implementing improved procedures for Parliamentary and Presidential acts.</i>		
<b>Intermediate Objectives</b>	1. <b>INCOMPLETE.</b> - Present to the Government for consideration draft regulations and recommended mechanisms to implement the amendments adopted in August 2003. – <b>31 Dec 2004</b> 2. <b>INCOMPLETE.</b> - If approved, assist the Government and private sector partners implement the new procedures. – <b>31 May 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	<p>The Law on Normative Legal Acts was amended on July 17, 2004 and came into force on August 6, 2004. A 60 – 90 day period for review and comment of draft regulations was included in the recommended amendment, but was eliminated from the final enacted version. While publication is required, regulations can legally be adopted without a notice and comment period. As a result of combined pressure and recommendations from TFI and other donors and implementing partners, including the World Bank and ARD/Checchi, the Kyrgyz Government issued a resolution in November 2004 calling for the insertion of the previously omitted 60 day provisions for notice and comment following publication. The Resolution was sent to the Parliament of the Kyrgyz Republic for consideration but has yet not been passed.</p> <p>With the adoption of the 5th investment matrix in October 2004 two working groups were created to address and implement the law on normative legal acts. TFI experts are members of both working groups. The first group is preparing changes to the Law “On Normative Legal Acts”, enhancing legal predictability and stability by establishing a hierarchy of laws. The second group is developing the pilot project to introduce regulatory impact analysis into the legal drafting process. Based on the pilot, implementing regulations will be developed to establish uniform regulatory impact analysis (RIA) methodology and procedures. The draft decree addressing implementation of RIA procedures has been developed, but will be discussed further with the new government following elections in July. Also, the government continues to express interest in changing the publication and comment procedures of the government and it is expected draft changes will be presented to the government in the near future. However, the work is proceeding carefully as the transitional government’s priorities are being developed. In the next year, the project will also work with local and regional government to work on implementation issues to devise workable solutions given existing resources.</p> <p>Also, a new draft law on normative and legal acts is being finalized. Some issues are best addressed through constitutional change, and those issues are being provided to the group considering constitutional changes following the March revolution and in anticipation of July Presidential elections and possible parliamentary elections thereafter.</p> <p>Note: With the adoption of the 5th Investment Matrix in October 2004, two working groups were created to perform work in this area – on changes to the Law “On Normative Legal Acts” and on developing an RIA strategy. TFI strongly encouraged increased focus both during development of the Matrix and through these working groups on immediate changes to the Reglament of the Government requiring publication and opportunities for comment, even while more detailed RIA strategy were being developed. However, due to expectations of a new LNLA, different focus of the working groups, and lack of government will, the government was not prepared to move forward aggressively. When it became clear the working groups would not move forward quickly, the government was approached directly in the 3rd quarter to being independent work on implementing the publication and comment procedures. This work is expected to continue, ending decisions following elections. Given the governments’ lack of strong commitment in this area, and confounding information from the Matrix groups, TFI did everything possible to move forward on these objectives.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 02</b>	<b>Improved legal drafting (rule-making) procedures implemented in Osh oblast</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Often, changes in national legislation are not fully implemented at the local level and, with the support of the Osh oblast Governor, TFI believes that important national-level changes in legal drafting procedures can be implemented in Osh and even serve as a model for other local administrations. Once implemented,</i>		

	<i>these will reduce the number and improve the quality of locally-promulgated regulations. The working group has developed and submitted recommended amendments to oblast administrative procedures which are currently awaiting approval by the Governor.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - Amendments to the Reglament of the oblast signed by the Osh Governor. – <b>30 Sep 2004</b></li> <li><b>COMPLETED.</b> - Instructional roundtables held on the new procedures. – <b>31 Dec 2005</b></li> <li><b>INCOMPLETE.</b> - At least one regulatory act either drafted or reviewed in accordance with the new procedures. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	With TFI's assistance, the working group developed the revised legal drafting procedures for the Osh Oblast state administration. The Osh Governor adopted the recommendations and signed the new procedures in October 2004. The development of the new Regulations was included in the 5th Investment Matrix approved by the President of the Kyrgyz Republic, and has been referenced by the President as he model for other government bodies in the country. Following adoption, instructional roundtables were held for over 170 participants in the Southern Kyrgyz Republic on the new procedures. Since the adoption of improved drafting procedures in Osh Oblast in October 2004, 158 decrees were adopted by the oblast government. However, all but 1 decree dealt with granting funds, government structure, or appointments to government positions and therefore were not regulations directly impacting business subject to the new procedures. One decree was to directly implement a national law and therefore not developed according to the procedures. Due to the appointment of a new governor in December and the revolution in March, appointments of new staff, and the transitional nature of the government, regulations impacting business were not adopted. TFI is working with the new government and looks forward to working with the new government following elections in July to ensure proper execution of the procedures.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 03</b>	<b>Introduction of improved rule-making procedures in Bishkek City and Jayil Rayon, Chui oblast and Jalal-Abad oblast</b>	<b>1 Jun 04</b>	<b>28 Feb 05</b>
<b>Description</b>	<i>Based on the activity on adoption and implementation of amendments to the Law "On Normative and Legal Acts" in Osh and at the national level, TFI will take actions to improve the rule-making procedures at other local administrations (rayon, city, and oblast). TFI believes that support for these reforms exists in select areas of the Chui oblast and in the south of the Kyrgyz Republic. The activity will help reduce the number of improper normative and legal provisions adopted at the local level.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - Approval for developing changes to rule-making procedures is received in Bishkek, Jayil and Jalal-Abad. – <b>30 Nov 2004</b></li> <li><b>COMPLETED.</b> - Working groups consisting of the relevant stakeholders are formed to review and draft regulations. – <b>30 Nov 2004</b></li> <li><b>COMPLETED.</b> - Amendments to rayon, city, and oblast Regulations, as appropriate, are drafted and presented for approval. – <b>28 Feb 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	The reglament of the Mayor's Office was approved in December by Resolution #1384 in December 2004. With TFI's assistance, the legal drafting procedures for Jalal-Abad Oblast were signed by the Jalal-Abad Governor on January 29, 2005. Following adoption, TFI conducted a seminar to ensure proper implementation and execution of the new procedures. The reglament of Jayil Rayon State Administration was adopted by the Resolution of the Akim # 99P in February 24, 2005. TFI continues to work with these administrations to ensure effective implementation of the changes and will continue to do so in the coming year.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 04</b>	<b>National legislation amended to institute a unified policy on licensing and permitting of business activities</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Professional licenses and their authorities are granted through a variety of legal acts that violate the Constitution of the KR and the stated policies of the President. Contradictions in national legislation need to be removed and a unified policy established on licensing business activities, thereby creating greater transparency in the process. Once fully implemented, these reforms will result in fewer regulations on professional business activities and greater transparency in their issuance.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - Amendments to the Unified List of Permits are presented that ensure only permits stipulated for by law are included. - <b>31 Mar 2005</b></li> <li><b>COMPLETED.</b> - Amendments to the Law "On Licensing" providing greater clarity and distinguishing between other forms of permissions are presented to and approved by Parliament. – <b>31 May 2005</b></li> <li><b>INCOMPLETE.</b> - Conflicting local regulations and procedures are identified in Osh Oblast, and recommendations made to bring all processes into compliance with new national legislation on licensing and permitting of business activities. – <b>31 May 2005</b></li> </ol>		

<i>Status &amp; Comments</i>			
<b>June 2004 – May 2005</b>	Following the inclusion of comments, the draft Unified List of Permits has been presented to the Government and is pending approval. The draft law on licensing has been presented to Parliament, but due to elections, the revolution and a focus on political issues, Parliament has not moved the law forward. Adoption and implementation of this law remains a priority and will be a focus of activities in the next year. Note: Review of conflicting local regulations did not occur because the law is still pending in Parliament.		
No.	Objective	Start Date	End Date
<b>KG RIC 05</b>	<b><i>Law On Protection of the Rights of Businesses During Government Inspections drafted and adopted</i></b>	<b><i>1 Jun 04</i></b>	<b><i>31 May 05</i></b>
<b>Description</b>	<i>At present, there exist no criteria or rules governing the conduct of inspections by government bodies. Therefore, it is difficult to determine what constitutes a lawful or unlawful inspection. Furthermore, inspecting bodies generally do not have rules and procedures governing their inspections. The law should better define inspections, the rights of parties and the general procedures applying to all inspecting bodies. TFI expects this to eventually result in a drop in the level of government interference in the activities of businesses.</i>		
<b>Performance Indicators</b>	1. <b>PARTIALLY COMPLETE.</b> - Law drafted and presented to Parliament for approval. - <b>31 May 2005</b> 2. <b>INCOMPLETE.</b> - In Osh oblast, old practices and procedures are reviewed and recommendations made to bring procedures into compliance with the new law's provisions. - <b>31 May 2005</b>		
<i>Status &amp; Comments</i>			
<b>June 2004 – May 2005</b>	The draft law on inspections has been presented to Parliament, but due to elections, the revolution and a focus on political issues, Parliament has not moved the law forward. Adoption and implementation of this law remains a priority and will be a focus of activities in the next year. Note: Review of local procedures did not occur because the law is still pending in Parliament.		
No.	Objective	Start Date	End Date
<b>KG RIC 06</b>	<b><i>New procedures for acquiring site development and construction permits are implemented</i></b>	<b><i>1 Jun 04</i></b>	<b><i>31 Dec 04</i></b>
<b>Description</b>	<i>The process of acquiring permission to engage in construction or even repair of a building is lengthy, expensive and non-transparent and involves multiple government agencies. New procedures reducing the number of permits required and introducing a more transparent and easier to navigate process benefiting SMEs were approved by the Government in April 2004. TFI will work in select areas to facilitate implementation of the new procedures.</i>		
<b>Performance Indicators</b>	1. <b>COMPLETED.</b> - New procedures are introduced through presentations and trainings in select areas of Chui oblast and in Osh oblast. - <b>30 Nov 2004</b> 2. <b>INCOMPLETE.</b> - A representative sample of businesses confirms the new procedures are practiced and represent an improvement. - <b>31 Dec 2004</b>		
<i>Status &amp; Comments</i>			
<b>June 2004 – May 2005</b>	A review of the existing procedures in Bishkek and Osh for land site acquisition, development and construction was conducted. It was determined that national reforms developed by Chemonics were not being properly implemented at the local level. As a result, working groups were created to analyze existing procedures and introduce changes to bring the local procedures into compliance. During the year, presentations and trainings to familiarize businesses with the new procedures for acquiring site development and construction permits were conducted in Chui and Osh Oblasts for entrepreneurs and government representatives using process maps and documents prepared by the Chemonics Land Reform Project. Following the revolution, TFI and Chemonics held additional training seminars to explain the updated procedures to entrepreneurs, newly elected city deputies, and representatives from the Mayor's office and the architecture department. It is expected that the newly elected Deputy Council and the new Mayor's office representatives will approve the Resolution following national elections. Once the resolution is approved, TFI will be able to work with entrepreneurs to confirm that the new procedures have been properly implemented. Note: A sample measuring the new procedures was not collected, because despite presentations and promotion of the procedures, they have not yet been fully implemented. Work in this area in support of Chemonics will continue in the next year.		
No.	Objective	Start Date	End Date
<b>KG RIC 07</b>	<b><i>Procedures for state registration, re-registration, and liquidation of business entities are simplified</i></b>	<b><i>1 Jun 04</i></b>	<b><i>31 May 05</i></b>
<b>Description</b>	<i>The process of registration of a new enterprise is often lengthy, costly and non-transparent. This is especially true for the liquidation or de-registration of businesses. There is also a lack of coordination between government bodies involved in the registration process, and the fact that they are located in different places. This creates barriers to market entry and exit, reduces investments and the tax base, distorts official statistics and further encourages informal business. A working group has been formed with the participation of TFI, the IRT, business associations and all agencies involved in the registration process to prepare the</i>		



	<i>necessary amendments.</i>		
<b>Performance Indicators</b>	1. <b>COMPLETED.</b> - Working group agrees to streamlined processes for registration, re-registration and de-registration. - <b>31 Oct 2004</b> - 2. <b>PARTIALLY COMPLETE.</b> - Amendments to the Law on Registration of Legal Entities are drafted and presented to Parliament for approval. – <b>31 Mar 2005</b> 3. <b>INCOMPLETE.</b> - If adopted, assist in the implementation of the new procedures. – <b>31 May 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	With TFI support, a working group developed the draft regulation on the procedure for interaction of authorized government bodies in the state registration system under one-stop principle and the draft law “On State Registration of Legal Entities, Branches, and Representative Offices of Legal Entities and Private Entrepreneurs” that abolishes mandatory legal review during registration and allows for assignment of identification codes by the registering body. It also reduces procedures for registration and issuance of certificate of registration by an applicant to 3 days. The draft acts have been circulated for comment and approval by government bodies. Due to elections, revolution and the political focus of the government, work was slowed. To date, 7 of the 9 necessary approvals have been gathered and the final necessary approvals are expected in the near future. Once approvals are gathered, the drafts will be submitted to Parliament. Adoption and implementation of these procedures remains and priority and work in this area will continue in the next year.		
<b>Trade Facilitation</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG TF 01</b>	<b>Customs Brokers and other ancillary trade services are legalized and Customs begins issuing licenses</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>The need for customs brokers has increased in the last 20 years because of developments in international trade. SMEs are typically too busy to spend their time learning about the complexities of Customs legislation and international trade rules. Customs brokers perform this function, saving SMEs and the Customs service time and money, improving the quality of declarations, and reducing the level of corruption.</i>		
<b>Performance Indicators</b>	1. <b>COMPLETED.</b> - Amendments to the law On Licensing that legalize ancillary trade services are presented to and approved by Parliament. – <b>31 Aug 2004</b> 2. <b>COMPLETED.</b> - Licensing system is in place and first license is issued. – <b>31 May 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	The Law on Supplements to the Law on Licensing was passed by Parliament and signed by the President in August 2004 and will become effective on January 1, 2005. According to the law, trade ancillary services (customs brokers, freight forwarders, etc) may now legally operate. The creation of a true private market for the ancillary services will allow development of the trade and transport infrastructures, which will eventually be reflected in the development of international trade. On December 28, 2004, the Regulation “On Customs Brokers” was adopted by the Government setting out the rights and obligations of brokers. The first broker’s license was issued on March 31, 2005. To date, 18 brokerage companies have been officially licensed as well as company licensed to operate as a duty-free shop. TFI also provided support to a number of brokerage companies interested in forming an association to advocate and protect their interests. With the support of TFI, the Association of Customs Brokers was officially established in May.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG TF 02</b>	<b>International Trade Guide (ITG) of the Kyrgyz Republic is developed and launched</b>	<b>1 Jun 04</b>	<b>31 Mar 05</b>
<b>Description</b>	<i>One of the main constraints to trade in Central Asia is the dearth of accurate information on the obligations and rights that traders have in relation to import, export, transit and other processes. The development of an International Trade Guide (ITG) and the integrated on-line tariff for each country are intended to eliminate this constraint.</i> <p><i>TFI’s strategy is to use the services of a private sector partner to produce on-line versions of the ITGs and integrated tariffs. The private sector partner establishes an arrangement with each customs administration to receive regular updates to trade policies and procedures free of charge and, in turn, provides the electronic version of the updated ITG to each customs administration free of charge.</i></p> <p><i>The production of ITGs will serve to reduce or eliminate a primary constraint to trade and will also help each customs administration to provide more uniform (equal treatment of competing traders), consistent (over time, and from office to office) and equitable (fair application and enforcement of level playing field)</i></p>		

	<i>administration of trade legislation.</i>		
<b>Performance Indicators</b>	1. <b>COMPLETED.</b> - Test version of the ITG completed. - <b>31 Dec 2004</b> 2. <b>COMPLETED.</b> - Final version approved and launched. – <b>28 Feb 2005</b> 3. <b>COMPLETED.</b> - Public Information Sessions on the ITG held. – <b>31 Mar 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	With the financial assistance of the OSCE, and the conclusion of an agreement between Customs and INCOM, the Kyrgyz Republic ITG was developed, approved, and launched. Public information sessions on the ITG were held through the Consultative Council, as well as through meetings and discussions with businesses, and additional information sessions are planned in the future. As normative acts change, and the list of goods subject to mandatory conformity assessment are completed, that information is expected to be updated in the ITG along with future routine updates.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG TF 03</b>	<b>Consultative (Customs) Councils are established and functioning in the Kyrgyz Republic and successfully reducing barriers to trade</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<p><i>A critical factor in modern trade administration is the inclusion of all stakeholders. Private sector interests need to be included in the development of trade policy and administrative procedures. Requiring customs administrators to consult with their “clientele” is a principle of the revised Kyoto Convention and has also been added, through TFI efforts, to the new Customs Codes in the region.</i></p> <p><i>Consultative processes are something new in the cultural environment of the former Soviet Union, and particularly in Central Asia. Indeed, earlier there was (and in many places there continues to be) a widespread reluctance on the part of administrative officials to provide even basic information to businesses.</i></p> <p><i>National trade administration officials and traders need to collaborate to establish a forum in which traders can raise issues, administrators can receive suggestions, and solutions can be jointly developed. The objective of the Councils is to build a sustainable capacity in the private sector to contribute to trade policy review and development and identify and reduce trade constraints.</i></p>		
<b>Performance Indicators</b>	1. <b>COMPLETED.</b> - Consultative Councils (CC) established in the Kyrgyz Republic at the national level and in Osh oblast supporting traders in the Ferghana Valley regions (Osh, Batken, Jalal-Abad Oblasts). – <b>31 AUG 2004</b> 2. <b>COMPLETED.</b> - Meetings of the Councils are held on a regular (at least quarterly) basis with the agendas set jointly by the private sector and government officials. - <b>31 MAY 2005</b> 3. <b>COMPLETED.</b> - At least three trade constraints are reduced through the efforts of Consultative Councils. – <b>31 MAY 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	Through the Customs Consultative Councils, businesses and Customs identified and addressed a number of barriers to trade, including control level pricing, which was used to determine the valuation of imports for duty assessment in violation of WTO principles. This requirement was eliminated by Customs in June 2004. Businesses were required to get an approval from the Head of the Customs House prior to initiating the clearance procedure, requiring a wait of between 1 and 5 hours per clearance. Customs agreed to eliminate the requirement and issued a formal order on November 25, 2004. Businesses reported that fees for Kazakh carriers were being assessed according to an old fee schedule. In February 2004, the fees had been lowered from \$1000 to \$250, but Customs had not adequately notified their staff or the full business community. As a result of the Council meeting, Customs agreed to issue a formal directive to its staff regarding proper assessments and further notified the business community through the Council. It was suggested by businesses that the <i>List of Goods Temporarily Imported (Exported) while Fully Exempted from Customs Duties and Taxes</i> should be developed. This List was developed and approved by the Resolution of the Government. In Osh, In accordance with recommendations from the Council, the Osh Customs Office instructed the customs officers that no visa from the head of a customs office is required at the first stage of customs clearance and civilians are prohibited from acting on behalf of the government as “facilitators” at customs posts. The transition to private sector ownership and sustainability of the Council in Bishkek and Osh began through the elections of dedicated private-sector representatives who began partnership with Customs and who will lead the work of the Consultative Council meetings in the future. Following the revolution, the Council was an important mechanism for Customs to reach out to the business community and make statement against corruption, for improved administration, and express its commitment to trade in light of uncertainty surrounding events. During the quarter, 3rd party training providers petitioned Customs through the		

	Council to reverse their previous decision and recognize training results from private trainers certifying customs clearance specialists. As a result, Customs agreed to recognize the results, thereby clearing the way for both specialists to provide services and for 3rd party trainers to support the industry.		
No.	Objective	Start Date	End Date
<b>KG TF 04</b>	<b>Transit Facilitation - Extension of the TIR System in the Kyrgyz Republic</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>The TIR is an international convention with established rules and procedures for providing guarantees for transit shipments. The convention is the most widely used and recognized transit guarantee mechanism in Europe, the Middle East and Africa and has already been established in Central Asia with the assistance of the EU's TRASECA program. Additionally, each country in Central Asia has already acceded to the convention and the system is well established for larger transporters. Therefore, expanding its use and availability among small and medium transporters is, in TFI's opinion, the best option for the facilitation of transit trade in Central Asia. Once TIR Carnets are available in a region, training and usage advocacy are important steps to build acceptance and proper implementation of TIR System procedures.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Identify potential subcontracting TIR holders in Southern Kyrgyz Republic. – <b>31 Aug 2004</b></li> <li>2. <b>COMPLETED.</b> - Reach agreement with company to support subcontracting through seminars and consultations. – <b>31 May 2004</b></li> <li>3. <b>COMPLETED.</b> - Conduct seminars in Southern Kyrgyz Republic to market and facilitate subcontracting of TIR Carnet.- <b>31 Mar 2005</b></li> <li>4. <b>COMPLETED.</b> - At least 3 subcontracted Carnets are issued to companies in Southern Kyrgyz Republic by the partner. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	Due to lack of sufficient knowledge of the TIR system among Customs officers that ultimately adversely affects transporters; the Customs with TFI's assistance organized the National TIR Seminar held in the city of Bishkek on March 23-24. Among about 40 participants of the seminar there were Customs officers from all over the regions, as well as interested transporters. A UNECE representative told the participants about 5 fundamental principles and advantages of the TIR system, proper use of TIR carnet, actions by Customs officers when controlling transportations with use of TIR carnets, criteria for use of the TIR system, and etc. Based on discussions with interested parties, it was decided that the best solution for businesses may be the expansion of carnet subcontracting instead of direct access. TFI identified a local TIR holder as a good candidate for expanded subcontracting of Carnets to other businesses. TFI and EDP agreed to work together to consult to the company to expand local subcontracting as a service. Through the combined support of TFI and EDP, subcontracting seminars were held by an EDP client to promote the use of TIR Carnet subcontracting. As a direct result, the EDP client entered into 3 subcontracting agreements and future subcontracting agreements are expected. On the basis of the first seminars, the company will continue to hold informational seminars about TIR Carnet and considers the program to have great potential amongst entrepreneurs involved in foreign trade. In addition, TFI has suggested that the company work with the Osh Committee for External Economical Ties regarding import and export trade with China. TFI will continue to inform other transport companies in Southern the Kyrgyz Republic of the benefits of TIR Carnet in an attempt to expand the number of TIR Carnet holders, as well as the number of subcontractors.		
No.	Objective	Start Date	End Date
<b>KG TF 05</b>	<b>Customs valuation of imported goods conducted in accordance with the principles of the WTO Agreement on Customs Valuation</b>	<b>30 Sep 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>The customs valuation of imported goods continues to be one of the main constraints to trade, and a major irritant for traders. TFI will provide a short-term specialist to help the Customs Committee to develop valuation techniques that comply with WTO principles regarding the valuation of imported goods. Representatives (ideally, technical trainers) will be invited from the Tajik or Uzbek Customs administrations to participate in these sessions.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Propose a customs valuation program for Kyrgyz Customs that is WTO-compliant. – <b>31 Dec 2004</b></li> <li>2. <b>COMPLETED.</b> - Customs valuation program presented for approval by Kyrgyz Customs Committee. – <b>28 Feb 2005</b></li> <li>3. <b>COMPLETED.</b> - If program adopted, conduct training for Customs officers in the application of the customs valuation program. – <b>31 May 05</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	Supported by TFI, a short-term expert on Customs valuation conducted a 4-week training session with Customs from November - December, 2004 on WTO-compliant valuation practices. Taking into account her recommendations, an instruction on valuation methodology was developed and adopted by Resolution of the Government on December 27, 2004. Monitoring of valuation practices is on-going to ensure proper compliance through the Customs Consultative Council. According to reports from businesses and Customs, the valuation techniques are being properly implemented. Customs reports that the first method (declared value) is being used in 95% of all import transactions.		

No.	Objective	Start Date	End Date
<b>KG TF 06</b>	<b>National Risk Management Program adopted and implemented by Customs officials in the Kyrgyz Republic</b>	<b>30 Sep 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>A key element of modern trade administration is the adoption of risk assessment criteria and selectivity in customs compliance verification activities. TFI will provide a short-term specialist to help the Customs Control Agency to develop national risk management programs for the facilitation of trade and improvement of fiscal administration. Representatives will also be invited to participate from the Tajik and/or Uzbek Customs administrations. The objective is to use established risk assessment criteria to identify low-risk traders in order to provide better service and faster clearance times to such traders.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - Detailed procedures developed. – <b>30 Nov 2004</b></li> <li><b>PARTIALLY COMPLETE.</b> - Risk criteria established and low-risk traders identified. – <b>28 Feb 2005</b></li> <li><b>COMPLETED.</b> - Training delivered. – <b>31 May 2005</b></li> <li><b>COMPLETED.</b> - National Risk Management Program established by the Customs Committee in the Kyrgyz Republic. - <b>31 May 2005</b></li> <li><b>INCOMPLETE.</b> - Improved service times, including pre-arrival clearances, are offered to low-risk traders at Manas Airport. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	<p>With the support of TFI, a short-term risk management specialist conducted a 4-week training course for the Customs Department developing and presenting proper risk management techniques to improve clearance procedures and regulatory practices. Expert recommendations on simplification of customs procedures were drafted and given to the Kyrgyz Customs. To implement the procedures, the Instruction “On Post Entry Control” adopting the risk management program was adopted by Resolution of the Government on December 28, 2004. The regulation restricts inspections to only those businesses which have benefited from simplified procedures during clearance and preferences and sets out the requirements for low-risk trader identification. Based on reports to date, businesses have not opted for simplified procedures so low-risk traders have yet to be identified and process improvements cannot be measured from business experience. According to businesses, the hesitancy to utilize simplified procedures is the result of a combination of recent government instability, the hesitancy to provide government additional information, concerns about after-the-fact audits, and because corruption practices are known and for many businesses easier to use than even simplified procedures. It is expected that if government addresses corruption, simplified procedures will be used.</p>		
<b>World Trade Organization (WTO)</b>			
No.	Objective	Start Date	End Date
<b>KG WTO 01</b>	<b>The Inter-Ministerial Commission (IMC) on Coordination of WTO Issues identifies and reduces constraints to trade and eliminates areas of non-compliance with WTO requirements</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>For the Kyrgyz Republic to take full advantage of its WTO membership and comply with its requirements, coordination is needed among all ministries, state committees and administrative bodies responsible for implementing WTO agreements. Such coordination will also ensure greater consistency in the application of trade policies and facilitates the identification and reduction of trade and investment constraints. The IMC has now operated for one year and has been successful in reducing constraints to trade, ensuring compliance with WTO requirements and providing a forum for the trade community to participate directly in the development of trade policy and discussion of trade-related issues. The IMC and the WTO department of the Ministry of Economic Development, Industry and Trade (MEDIT), still require considerable technical assistance from TFI to ensure their viability.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - The Charter of the IMC is amended to include private sector observers as permanent members. – <b>31 Aug 2004</b></li> <li><b>COMPLETED.</b> - TFI together with IMC members develop and present to the Government recommendations to solve non-compliance issues identified in the January 2004 IMC Action Plan. – <b>30 Nov 2004</b></li> <li><b>COMPLETED.</b> - Analytical Note prepared on fulfilling the Kyrgyz Republic’s WTO commitments to assist those preparing the Memorandum for the Trade Policy Review Mechanism (required 6 years after accession). - <b>31 May 2005</b></li> <li><b>COMPLETED.</b> - At least two constraints resolved or non-compliance issues addressed as a result of IMC intervention. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	<p>Based on recommendations from TFI, the Charter of the Inter-Ministerial Commission (IMC), which addresses constraints to trade and WTO-compliance, was amended to include private sector representatives as permanent members, allowing the private sector to be actively and consistently represented on the IMC (Government Resolution #677 of September 11, 2004). In support of WTO compliance commitments, TFI assisted MEDIT with the draft Agreement on Unified Measures of Non-Tariff Regulations in the process of formation of the Customs Union (within the framework of the Eurasian Economic Community) and the draft</p>		

	Agreement of Eurasian Economic Community on trade in services with accordance of WTO provisions. MEDIT approved and forwarded to the Government the recommendations developed by the IMC with TFI support with respect to WTO non-compliant normative legal acts. In February, the Government of the Kyrgyz Republic instructed the relevant ministries and agencies, consistent with the January 2004 IMC Action Plan, to draft regulatory changes to bring the legal acts indicated by the IMC into compliance with WTO provisions. On the basis of the IMC Action Plan, the Government drafted changes to Government Resolution № 203, of March 10, 2003, which provided for the differentiated amount of payment for registration of medicines according to country of origin, leading to discrimination between goods and firms of different countries, and by doing so, violating fundamental WTO principles: MFN and the national treatment (Articles I и III, GATT 1994). The draft amendments are pending signature by the Acting Prime-Minister. Based on recommendations of the WTO Department with the assistance of TFI, the President rejected the Laws “On Flour Enriching at Bakeries” and “On Preventive Measures with regard to Iodine Deficit Diseases” and returned them to Parliament. The laws prohibited importation of non-enriched flour and non-iodized salt, violating WTO rules and procedures. In May, the analytical note on fulfilling the Kyrgyz Republic’s WTO commitments was prepared and sent to the WTO Department.		
No.	Objective	Start Date	End Date
<b>KG WTO 02</b>	<b>Legislation necessary to implement the Customs Code and ensure its compliance with WTO and Revised Kyoto Convention principles is prepared, adopted and implemented</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<p><i>A Customs Code sets out the legal and regulatory framework for trade administration in each country. Import, export and transit procedures depend directly on the legal provisions in the Customs Code as the basis for each procedure. Other customs procedures; such as temporary admission, transshipment, warehousing, duty drawbacks, processing in bond, bonded carriers, free zones, duty free shops, and so on, also depend directly on the Customs Code for operational effectiveness and efficiency.</i></p> <p><i>Therefore, it is critical for trade facilitation that a Customs Code establish a framework that is in compliance with the principles and agreements of the World Trade Organization, the standards and recommended practices of the Revised Kyoto Convention for the Simplification and Harmonization of Customs Procedures, and in accordance with international best practices for transparency and integrity in trade administration.</i></p> <p><i>Enforcement of provisions in the Customs Code must be supported by clear subordinate legislation. It is very important to ensure the subordinate legislation is business-friendly and does not introduce more constraints. Customs and businesses need to be made aware of all the new concepts and procedures under the Customs Code, as well as subordinate legislation that allow the Code to work.</i></p>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Prepare revisions to subordinate legislation (regulations, instructions and other) with a view to ensuring compliance with the Customs Code, WTO requirements and Revised Kyoto Convention. - <b>31 May 2005</b></li> <li>2. <b>COMPLETED.</b> - Identify regulations, instructions and other normative legal acts impeding businesses’ ability to carry out foreign trade activities and prepare amendments to bring those acts into compliance with the new Customs Code. – <b>31 May 2005</b></li> <li>3. <b>COMPLETED.</b> - When new regulations are adopted, conduct a formal presentation and training on the Customs Code and its regulations, instructions and new procedures to Customs representatives and businesses all over the country. – <b>31 May 2005</b></li> <li>4. <b>COMPLETED.</b> - Conduct informal survey and make on-site visits to ensure that improvements in the Code are implemented by the Customs Committee. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	The new Customs Code was signed by the President in July 2004 (No. 88) and took effect on January 1, 2005. The formal presentation on the new Customs Code was held in September. Following the presentation of the Code in November, a series of trainings were conducted around the Kyrgyz Republic with the support of AED. In Bishkek, Balykchy and Osh, over 200 participants received presentations and engaged in discussion on the specific provisions of the new Code and draft regulations. Follow up is planned with participants and others to verify the provisions of the Code are being properly implemented. With the consultative assistance of TFI, Customs Code implementing regulations were adopted by the Government on December 28, 2004. Comments and recommendations given by businesses with TFI’s assistance on a number of draft implementing regulations, accepted by Customs, were ultimately approved by the Government and posted on the Customs website. To follow-up on training, a work shop was held in Bishkek, with the support of AED, with previous participants representing Chui, Talas, Osh, Jalal-Abad, and Issyk-Kul regions. The participants reported on the success of the training as well as implementation of the Code and regulations by Customs.		

	Additional seminars are planned to further monitor implementation of the Code and regulations. Based on reviews of actions at posts, feedback from businesses and the discussions within the Customs Council, the new Customs Code is largely being implemented effectively. Where implementation lags exist, TFI is working with the business community and Customs to address the issue. For example, mechanisms to provide current information to posts are being discussed with Customs.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>KG MASQ 01</i>	<i>Regulations required to carry out the provisions of the law On the Fundamentals of Technical Regulations adopted and implemented</i>	<i>1 Jun 04</i>	<i>31 May 05</i>
<b>Description</b>	<i>The Technical Regulations law will come into force on December 6, 2004. Before then it will be necessary to develop draft regulations to implement the new law. Properly drafted and implemented regulations will reduce costs to businesses and simplify customs clearance of goods by reducing the number of regulated products and the number of agencies assessing product compliance. They will also allow for more flexibility in complying with mandatory requirements by offering conformity assessment choices.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>PARTIALLY COMPLETE.</b> - Complete list of products subject to mandatory assessment of conformity prepared and presented to the Government. – <b>31 Mar 2005</b></li> <li>2. <b>PARTIALLY COMPLETE.</b> - Procedures for the recognition of conformity assessment documents received from other countries prepared and presented to the Government. –</li> <li>3. <b>INCOMPLETE.</b> - Program for the development and adoption of technical regulations prepared and presented to the Government. – <b>31 May 2005</b></li> <li>4. <b>INCOMPLETE.</b> - Procedures for issuing and accepting supplier's (manufacturer's) declaration of conformity developed and adopted. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	<p>In August, the Commission on Technical Regulation created a working group tasked with developing regulations to implement the Law “On the Fundamentals of Technical Regulation”. The group will include representatives from MEDIT, NISM, the private sector, TACIS, and USAID. The first task of the group was to draft Decree for the President of KR “On Institutional and Structural Changes in the area of Technical Regulation” to define the role of MEDIT as the Authorized Body for Technical Regulating and NISM as the National Body on standards and metrology. However, the Law required a large number of regulations to be drafted and adopted before it came into effect. Due to delays on the part of the government and political disputes between key counterparts, development of necessary regulations was slowed. Due to political problems regarding infrastructure issues, and based on the vigorous recommendations of USAID TFI, in November, the Commission on Technical Regulation Reform formed a second working group to address issues of legal implementation of provisions of the Law on the Fundamentals of Technical Regulation. The second Working Group includes the representatives from the Ministry of Economic Development and Trade (MEDIT), National Institute for Standards and Metrology (NISM), Ministry of Justice, International Business Council, National Association of Commodity Producers, the Secretariat and TFI. In November, at the request of the Vice Prime Minister Otorbaev, TFI provided detailed recommendations in an opinion letter concerning the infrastructure conflict between MEDIT and NISM. The recommendations were accepted by the Vice Prime Minister and a series of meetings were held at the request of the Vice Prime Minister with head of NISM, Minister of MEDIT and TFI to discuss the recommendations. While all parties agreed during the meetings, it was not until April, after the revolution, that the government adopted a Decree resolving the issue. Developed with the support of TFI, the Law “On The Fundamentals of Technical Regulation” went into effect on December 1, 2004, repealing a number of regulations impacting business, including:</p> <ul style="list-style-type: none"> <li>- The Law on Certification of Products and Services, # 6 of April 2, 1996;</li> <li>- The Law on Standardization, # 8 of April 2, 1996;</li> <li>- The Law on Amendments to Some Legislative Acts (The Law on Certification of Products and Services; The Law on Standardization), #76 of June 1998;</li> <li>- The Law on Amendments to the Law on Certification of Products and Services, # 225 of November 18, 2003.</li> </ul> <p>Following extensive lobbying and the revolution, the Decree “Institutional and Structural Changes in Technical Regulation Area” was signed by the Acting President. The Decree resolves long-standing political and infrastructure issues between key parties in the area of technical regulation reform. The Ministry of the</p>		

	Economic Development, Industry and Trade was appointed as the authorized body for technical regulation, government supervision functions were eliminated, and the National Institute for Standards and Metrology of the Kyrgyz Republic was ordered moved under the Government. Both political difference between the parties and the revolution stalled reforms in this area during the last year. However, the list of goods subject to mandatory conformity assessment, import procedures of those goods, regulation on accreditation, and rules for recognition of foreign conformity assessment results are being finalized and are expected to move forward in the next quarter. TFI will continue to provide support in this area, and once the regulations are adopted with focus on ensuring proper implementation so businesses receive the benefits of the changes. Alliances with private sector advocates and other donor organizations are expected to be particularly important in influencing the reforms, and discussions are underway with the World Bank to ensure our efforts coincide with future support the Bank is planning to provide. Note: According the Law “On the Fundamentals of Technical Regulation” the government was directed to create and adopt the indicated legal documents by December 2004. Despite the best efforts of TFI and other organizations including local business associations and the World Bank, the government delayed the work due to internal political disputes and lack of immediate decision making on threshold infrastructure issues which were the focus of government counterparts.		
No.	Objective	Start Date	End Date
KG MASQ 02	<i>The National Institute for Standards and Metrology (NISM) restructured and its functions re-aligned to change from a regulatory and enforcement-type organization (KyrgyzStandard) into a non-regulatory, non-enforcement and conformity assessment services provider (NISM)</i>	1 Jun 04	31 May 05
<b>Description</b>	<p><i>NISM jointly with the TFI MAS-Q team has prepared a Work Plan, which contains all the steps necessary to carry out this objective. The plan has been officially adopted by NISM as their strategic Work Plan for 2004-2005. The Work Plan was created based on the assessment and evaluation of actions carried out during the implementation phase of the Transition Plan. The Work Plan was also developed to align the new organization with the requirements of the recently approved Law On the Fundamentals of Technical Regulation which promotes the voluntary nature of standards, metrology and accreditation. Work is anticipated in the three main areas listed below:</i></p> <ol style="list-style-type: none"> <li><i>1) In the area of Standardization, implement the plan to enhance the global competitiveness of producers of products and providers of services within the Kyrgyz Republic through voluntary application of standards.</i></li> <li><i>2) In the area of Metrology, implement a national metrology system to ensure uniformity of measurements within the Kyrgyz Republic and traceability of measurements to the International System of Units (SI), to improve quality of products and services and to support international trade.</i></li> <li><i>3) In the area of Accreditation, implement system to achieve mutual recognition according to the principles of the International Accreditation Forum (IAF) and the International Laboratory Accreditation Cooperation (ILAC).</i></li> </ol>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - NISM discontinues current national accreditation system and implements ISO/IEC standard 17025. – <b>31 Jan 2005</b></li> <li>2. <b>COMPLETED.</b> - NISM establishes procedures for preparation, adoption and application of standards in accordance with the WTO, Technical Barriers to Trade Agreement (Annex 3, Code of Good Practice). – <b>31 Mar 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	<p>As a direct result of TFI intervention, <b>NISM</b> became the successor to the previous <b>KyrgyzStandard</b> and was reorganized as a non-regulatory standards and metrology institute in May 2004. As an institute, NISM no longer a body of executive power (as KyrgyzStandard was) and its decisions are not binding or mandatory. TFI worked directly with NISM management to create its implementing regulation (polozheniye) and draft a Strategic Action Plan to transition to an internationally-compliant standards and metrology body providing services to government and industry. The Strategic Plan was approved by NISM management in April 2004. Since that time NISM has continued to make measurable progress in completing the tasks identified in the Strategic Work Plan in the areas of Standardization, Metrology and Accreditation.</p> <p>NISM has accepted the Code of Good Practice and has begun harmonizing its standards with international standards and a number of outdated and obsolete standards have been officially eliminated. A quality manual for the preparation of standards has been completed and is being reviewed by all departments within NISM. Rules on establishing Technical committees have been prepared in accordance with the Code of Good Practice (Annex 3 of the TBT). NISM has adopted ISO/IEC 17025 as the National Accreditation standard. It has begun preliminary accreditation preparation for three (of a possible 16) laboratories with the assistance of ITC using the new standard. NISM has also begun preliminary implementation of ISO standards 65 and 62 on certification bodies and is studying the potential impact of the new ISO/IEC 17011 standard on uniform rules for accreditation bodies. To date, NISM has submitted an application to IAF, a draft Quality</p>		

	<p>Manual and 12 procedures of the accreditation body to comply with this standard. Other procedures and documents are being prepared. These must be met in full in order to achieve international recognition of conformity assessment results. A new concept on Legal Metrology has been elaborated by NISM and is available for discussion among interested parties and, according to NISM, will be approved in mid-2005. A list of calibration and measurement services has been developed. In December 2004 NISM also drafted a standard for “type approval” as a means of measurement. Selected tasks and completion dates have naturally shifted throughout the Project year to reflect certain realities, such as NISM’s own priorities, the continued stalemate over infrastructure issues and WTO Enquiry Point functions within the government, the delayed implementation of key elements of the law On Technical Regulations and, finally, internal budget and resource allocation issues unique to NISM. As these issues are dealt with, TFI will continue to provide assistance to NISM on as needed basis and within the scope of the Project. Much of this will depend on the Government’s decision of where to place the national accreditation body, which, as of the date of this report, is still unclear.</p>
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June 1, 2005 – May 31, 2006			
Reduction of Investment Constraints (RIC)			
No.	Objective	Start Date	End Date
<i>KG RIC 01</i>	<i>Improved Regulatory Drafting Procedures at the National and Local Level</i>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<i>Description</i>	<p><i>TFI has been successful in supporting the adoption at the regional level of implementing regulations instituting the requirements for justification, impact analysis, review and comment by non-governmental parties for certain regulatory acts regulating business activities. However, the national government has been slow to adopt similar procedures and the necessary changes to the Law “On Normative Legal Acts” requiring 60-day comment periods, though approved by Government, have not been adopted by Parliament. Given the political uncertainty in the country, it is unclear whether a new national government will move to implement these procedures, though TFI will continue to promote their adoption and implementation with the new government after elections in July. At the same time, TFI will continue to promote the implementation model adopted in Osh, Bishkek, Issyk Kul, and Jalal-Abad in the previous project year in other regions of the country as well as assist in the implementation of working mechanisms to realize the benefits of the procedures to the business community.</i></p>		
<i>Intermediate Objectives</i>	<ul style="list-style-type: none"> <li>• Submit recommendations to government counterparts regarding improving mechanisms, procedures and regulations necessary to introduce publication, comment and cost benefit provisions – <b>30 Sep 2005 - COMPLETED</b></li> <li>• Government counterparts approve new procedures and implementation mechanisms – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Following adoption of procedures, seminars are conducted with government and association counterparts to increase familiarity with the procedures and encourage private-sector participation in the drafting process – <b>31 May 2006 - COMPLETED</b></li> <li>• In at least 2 regions, regulations are adopted using the new mechanisms for public involvement – <b>31 May 2006 - COMPLETED</b></li> </ul>		
<i>Status &amp; Comments</i>			
<i>June 2005 – May 2006</i>	<p>On January 4, 2006, according to Resolution #1, the Reglament of the Government of the Kyrgyz Republic was adopted. TFI recommendations regarding development of basic cost-benefit analysis, publication through the Ministry of Justice website in addition to other media, and a 2 month opportunity for comment on draft regulatory acts were incorporated into new drafting procedures.</p> <p>On April 25, 2006, the Ministry of Justice of the Kyrgyz Republic, with TFI’s assistance, held a seminar to explain provisions of the new Reglament of the Government, which require mandatory posting of draft normative and legal acts on web-sites for two months for public discussion and encourage private sector participation in the drafting process. Representatives from ministries and agencies and the Prime Minister’s Office took part in the seminar. The Prime Minister’s Office representatives noted that if documents submitted do not comply with any provision of the Reglament, including publication and comment provisions, they will be sent to the drafters without consideration.</p> <p>Within the framework of the Partnership Program, the private sector was informed of the new Reglament provisions, including the provisions on mandatory private sector participation in the drafting process.</p>		



No.	Objective	Start Date	End Date
<b>KG RIC 02</b>	<b>Improvement of State Regulation of Licenses and Inspections of Entrepreneurial Activity</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<p>In 2004, draft laws on licensing and inspections support by TFI were submitted to Parliament as a package, but adoption has been delayed due to the revolution, parliamentary focus on constitutional and political issues, and new scheduled elections. The licensing law, if adopted and properly implemented, will radically change inefficient practices of state regulating, limit governmental discretion to create new licenses, extend the validity of licenses and institute judicial protections for license holders. The inspections law, if adopted and properly implemented, will institute provisions favoring compliance over sanction, provide for remedial periods, opportunities to seek relief for questionable inspections, and place burdens of proving violations on the government. If adopted, proper implementation of both laws will be necessary for business to benefit. It is anticipated that some bodies in the government may submit competing drafts which do not contain significant changes for business. Future TFI work in this area assumes the TFI-supported drafts will be adopted rather than competing versions.</p>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• If TFI-supported laws on licensing and inspections previously submitted to Parliament are adopted, provide consultation on the development of implementing regulations including recommending publication for private-sector comment, resulting in submission to the Government – <b>31 Dec 2005 - INCOMPLETE</b></li> <li>• Seminars are conducted for private sector and government representatives in Bishkek and Osh on provisions of the new laws in order to insure they are properly implemented – <b>31 Mar 2006 - INCOMPLETE</b></li> <li>• Monitor implementation of new licensing rules and if necessary work with counterparts and Prosecutorial Working Groups to take corrective action – <b>31 May 2006 - INCOMPLETE</b></li> <li>• Surveys of entrepreneurs indicate a decline in the level of harassment and illegal action by inspectors and a general improvement in the conduct of inspections – <b>31 May 2006 – INCOMPLETE</b></li> </ul>		
<b>Status &amp; Comments</b>			
<b>June 2005 – May 2006</b>	<p>The draft Laws “On Inspections” and “On Licensing” were submitted to Parliament and are pending consideration. Throughout the year, TFI worked with government and private-sector counterparts to encourage adoption and effective implementation of the laws.</p> <p>While consideration of both laws was delayed by political events, progress is expected in the near future. Deputy Babanov agreed to initiate the Law “On Inspections” replacing Deputy Baibolov. The draft is expected to be sent to the Committee on Entrepreneurship Support for further consideration in June 2006.</p> <p>Deputy Babanov is also initiating the amendments to the Law “On Licensing”. The amendments are currently in Parliament and consideration is expected by the Committee for Economic Issues in the nearest future.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 03</b>	<b>Procedures for State Registration and Liquidation of Business Entities are Simplified</b>	<b>1 June 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<p>The process of registration and liquidation of enterprises is often lengthy, costly and non-transparent. The lack of coordination between government bodies also creates barriers to market entry and exit, reducing investments and the tax base, distorting official statistics and further encouraging informal business. In early 2005, draft laws and regulations that address these problems and introduce a true one-stop shop for business registration were developed. These now need to be adopted by Parliament and properly implemented by the relevant government agencies.</p>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• If TFI-supported law is submitted to and adopted by Parliament, provide consultation on the development of implementing regulations governing simplified procedures for state registration of business entities, including publication for private sector comment, resulting in submission to the Government – <b>31 Jan 2006 - INCOMPLETE</b></li> <li>• Following adoption of implementing regulations, seminars are conducted for private sector and government representatives in Bishkek and Osh on provisions of the new procedures to insure they are properly implemented – <b>31 May 2006 - INCOMPLETE</b></li> <li>• Through a survey of at least 30 new registrants following implementation of new procedures, businesses indicate procedures have improved and the registration process conforms to the law – <b>31 May 2006 - INCOMPLETE</b></li> </ul>		
<b>Status &amp; Comments</b>			
<b>June 2005 –</b>	<p>Throughout the year, TFI worked closely with the Ministries of Justice, Finance, Social Fund and Statistics to develop a consensus approach to reform of the</p>		

<b>May 2006</b>	<p>business registration process. On January 18, 2006, Decree 22 of the Prime Minister established the Commission on creation of the “one-stop” for registration of business entities with the goal of finalizing the draft Law “On State Registration of Legal Entities and Private Entrepreneurs and Introduce “One-Stop” Principle”. TFI continued support to counterparts through the commission.</p> <p>Although the draft law on business registration was developed and consensus reached among the interested ministries and agencies, the Ministry of Justice does not send it to the Government due to the lack of funds for the introduction of the changes. While reforms will reduce operational costs in the long-run, investment is required in information systems to support data sharing and consolidation of registration activities. Also, the Ministry of Justice formally required that the Ministry of Finance, which coordinates donors’ support, to include implementation of the draft law on business registration in the Program of Country Support.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG RIC 04</b>	<b>Strengthen the Sustainability of Prosecutor’s Office Working Groups with Private Sector Participation at the National and Regional Levels</b>	<b>1 June 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<p><i>The interaction of the business community with Prosecutor’s Office bodies in Joint Working Groups during the previous contract year has proven the effectiveness of such cooperation. For future sustainable work on identification of administrative barriers, the active and regular participation of businesses is required. TFI will implement sustainable partnerships between business associations and government counterparts as well as train them in the RIC methodology and operation of Prosecutor’s Office Working Groups to expand advocacy opportunities for businesses at the national and multiple regional locations.</i></p>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Working groups agree to collaborate with designated private sector counterparts in at least 3 areas of the country – <b>30 Jun 2005- COMPLETED</b></li> <li>• Associations and government counterparts are trained on RIC methodology as applied through Prosecutors’ Working Groups to increase the efficiency and effectiveness of the groups as well as empower associations as advocates and increase business participation – <b>30 Sep 2005 - COMPLETED</b></li> <li>• Surveys of participants indicate at least 2/3 of respondents find Prosecutorial Working Groups effective in resolving issues of concern - <b>31 May 2006 - COMPLETED</b></li> </ul>		
<b>Status &amp; Comments</b>			
<b>June 2005 – May 2006</b>	<p>As indicated in report materials, the POWGs have been very successful in reducing illegal regulations and providing a mechanism for relief for businesses. TFI supported POWGs and the elimination of illegal regulations in collaboration with partners in Talas, Issyk Kul, Bishkek, Osh and Jalal-Abad.</p> <p>To further encourage sustainability, TFI conducted a number of activities. At the request of the Osh oblast Prosecutor’s Office, in January 2006, TFI conducted a seminar for the prosecutors of Osh, Batken and Jalal-Abad oblasts with participation of the Kyrgyz Association for Protection of Intellectual Property Rights and the Southern Division of KyrgyzPatent office to increase government officers’ knowledge of intellectual property law and increase communication between government agents and the private sector.</p> <p>Members of the Prosecutors Office Working Groups participated in the first round of advocacy training conducted in Bishkek on February 22, 2006. Participants were provided with first-hand information on TFI methodology on removal of investment constraints, and supplied with “RIC methodology” materials, including sample process maps and recommendations. According to participate feedback, attendees found the training very useful, timely and crucial for the establishment of constructive business-government relations, and a good tool to improve advocacy skills and efforts.</p> <p>To increase public involvement and information dissemination, Jalal-Abad, Osh Oblast, and Osh City Prosecutors’ Offices agreed to forge agreements between the offices, NGOs, and the mass media.</p> <p>To continue work within the Partnership Program, in coordination with Kazakhstani partner associations, in April 2006, training was conducted for representatives of 22 business associations in Bishkek and Osh on the RIC methodology and advocacy opportunities for businesses at the national and regional level.</p> <p>Surveys of participants indicate that associations find the Prosecutorial Working Groups effective in resolving issues of concern.</p>		

<b>Trade Facilitation</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG TF 01</b>	<b>Strengthen the Customs Consultative Councils with Private Sector Participation at the National and Regional Level</b>	<b>1 June 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>Customs Consultative Councils in Bishkek and Osh have proven to be valuable forums for discussion of trade-related business issues and for fostering dialogue between Customs and the private sector. For sustainability, private sector ownership of the groups is required. Private sector counterparts have been selected by the business community to work with Customs to manage those duties currently performed by TFI. To promote sustainability, continued, but decreasing support to associations and Customs is essential.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• TFI completes transition to the association counterpart for management of the agenda process – <b>31 Aug 2005 - COMPLETED</b></li> <li>• TFI completes transition to the association counterpart to effectively track results and expand business participation in the Council. – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Surveys of participants indicate at least 2/3 of respondents find Consultative Councils effective in resolving issues of concern - <b>31 May 2006 - COMPLETED</b></li> </ul>		
<b>Status &amp; Comments</b>			
<b>June 2005 – May 2006</b>	<p>As indicated in additional report materials, the Custom Consultative Councils have proven to be very effective at building public-private dialogue and addressing specific issues of concern to businesses.</p> <p>Representing the expanding interest of the private sector in the CCC, the Congress of Business Associations (CBA) agreed to support the Council in conjunction with the Associations of Customs Brokers. With over 30 member associations representing over 80,000 people, CBA will provided valuable private sector input and facilitate increased business participation. Continuing to meet monthly, association partners are increasing tracking issues and are successfully managing the meeting agenda. In Osh, the CCC is actively supported by the Young Lawyers Association of the South.</p> <p>TFI has completed transition to the Secretary of the Consultative Council to track issues raised at meetings of the Consultative Council and results obtained. The issue tracking chart is to be placed on the Customs web at <a href="http://www.customs.gov.kg/content/TableOfIssuesStatus/rus">http://www.customs.gov.kg/content/TableOfIssuesStatus/rus</a>. Further institutionalizing the CCC, the new Regulation on the Customs Consultative Council improved was developed by Customs and private sector representatives and adopted.</p> <p>Problems raised and discussed included the temporary regulation for exportation of engineering tools, equipment and parts thereto outside the KR, pre-approval visa issue, and the mechanism for implementation of the procedure for importation of products subject to mandatory conformity assessment.</p> <p>Also, to regionally build on best practices, a Tajik delegation of customs officers and businesses invited to the 20th meeting viewed the work of the Kyrgyz Customs Consultative Council, met with government and private sector representatives, and are expected to replicate the successful model in Tajikistan with TFI-TJ assistance.</p>		
<b>World Trade Organization (WTO)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG WTO 01</b>	<b>Strengthen the WTO Department and the Inter-Ministerial Commission on WTO</b>	<b>1 June 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>In the previous contract year, TFI provided significant support to the WTO Department within MEDIT to assist in the fulfillment of its duties in support of WTO compliance. Similarly, TFI has supported the activities of the Inter-Ministerial Commission for WTO for over 2 years as a coordination and monitoring body composed of the relevant ministries, state committees and select members of the private sector. At the same time, the relevant ministries and agencies each have a WTO specialist independently responsible for WTO compliance issues. TFI will seek to unify the WTO specialists assigned to various ministries into an expert group coordinated by the WTO Department responsible for reviewing and commenting on regulations for WTO compliance, transferring many tasks currently</i>		

	<i>carried out by TFI, creating a support mechanism for the IMC and establishing a body of professionals whose expertise can be enhanced across the government. Additionally, following elections for President, a new government will likely assign new representatives to the IMC, which will require training and support.</i>		
<b>Performance Indicators</b>	<ul style="list-style-type: none"> <li>• Following elections, provide WTO training to any new members of the IMC – <b>31 Oct 2005 – COMPLETED</b></li> <li>• The IMC creates an expert group composed of specialists from relevant ministries – <b>30 Nov 2005 - COMPLETED</b></li> <li>• The IMC expert group is trained by TFI on agreed upon operational procedures and WTO principles – <b>31 Jan 2006 - COMPLETED</b></li> <li>• Through the combined activities of the IMC and expert group at least 4 draft regulations are reviewed and comments are provided to the government – <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>The WTO Department and the IMC agreed to establish an expert group of 17 technical WTO staff from across government bodies. Following establishment, TFI trained the Expert Group on the rules and principles of the WTO and on preparation of replies to WTO Trade Policy Review questionnaire.</p> <p>On November 25, 2005, TFI jointly with PCA (TACIS) and the WTO Department held a training session for members of the Inter-Ministerial Commission and expert group to prepare for Doha Round negotiations.</p> <p>The IMC and expert group provided comments on a number of draft laws for Parliament: As indicated in report materials, comments were reviewed by both groups, as well as by TFI, for compliance with WTO commitments, and provided to the WTO Department of the Ministry of Industry, Trade and Tourism. In addition to routine consultation, specific drafts included: “On Control Marks”, “On Customs Tariff”, the package of regulations implementing the Law “On the Fundamental of Technical Regulation” discussed below, “On Restriction of Smoking”, and “On Protection of Citizens of the Kyrgyz Republic from Harmful Impact of Tobacco”</p> <p>TFI assisted the WTO Department in preparing answers and comments to the WTO Secretariat Report. In addition to answering the questions raised by the WTO Secretariat, ministries and agencies have the opportunity to identify any possible factual errors and express disagreement with the Secretariat's conclusions. Special attention was given to questions relating to technical regulation, customs matters, and licensing procedures.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG WTO 02</b>	<b>Identify and Implement Improvements to the Customs Code</b>	<b>1 June 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>In 2004, TFI assisted in the development of the Customs Code for the Kyrgyz Republic. While the Code is a significant improvement, minor modifications to further incorporate business-friendly provisions and international best practice are needed.</i>		
<b>Performance Indicators</b>	<ul style="list-style-type: none"> <li>• Review with Customs and private sector counterparts proposed changes to the Customs Code and implementing regulations and present to Customs final recommendations regarding proposed changes – <b>30 Nov 2005 – COMPLETED</b></li> <li>• Following submission of TFI-supported recommendations to the Government, lobby for adoption through informational meetings, roundtables, and other advocacy activities – <b>28 Feb 2006 - COMPLETED</b></li> <li>• Following submission of TFI-supported recommendations to the Parliament, lobby for adoption through informational meetings, roundtables, and other advocacy activities - <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	Throughout the year, TFI worked closely with Customs and private sector representatives to monitor implementation of the new Customs Code and identify areas for potential improvement. Based on information received and analysis, potential changes to the Customs Code were identified, and to promote legal certainty, it was recommended that any changes be postponed to allow for further implementation and monitoring. The Customs Code Working Group, including members of the CCC and Parliament, is consideration all information received and is expected to take future action as appropriate taking into account TFI analysis and recommendations.		

<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KG MASQ 01</b>	<b>Key Provisions of the Law “On the Fundamentals of Technical Regulation” Implemented that Reduce the Scope of Regulation and Compliance Costs for Business</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>To continue work in the area of technical regulation reform, regulations to implement the Law “On the Fundamentals of Technical Regulation” are necessary. Properly drafted and implemented regulations will reduce costs to businesses and simplify customs clearance of goods by reducing the number of regulated products. They will also allow for more flexibility in complying with mandatory requirements by offering conformity assessment choices. Considering recent political events, and uncertainty surrounding upcoming presidential and expected parliamentary elections, government policy and the ability to implement reforms in this area is unclear. However, it is hoped the development of the recommendations will spur attention to this area.</i>		
<b>Performance Indicators</b>	<ul style="list-style-type: none"> <li>• First package of recommendations on mandatory conformity assessment finalized by the working group and submitted to the Government – <b>31 Aug 2005 - COMPLETED</b></li> <li>• Revised recommendations on accreditation finalized and submitted to the Government – <b>31 Mar 2006 - COMPLETED</b></li> <li>• When adopted, public meetings for businesses and government representatives held to introduce the new regulations – <b>31 May 2006 - COMPLETED</b></li> <li>• Adopted List of Goods Subject to Mandatory Conformity Assessment reduces number of items subject to conformity assessment by 50% – <b>31 Dec 2005 – COMPLETED</b></li> </ul>		
<b>Status &amp; Comments</b>			
<b>June 2005 – May 2006</b>	<p>Throughout the year, TFI worked closely with NISM, MITT, and other stakeholders to develop the implementing regulations required by the Law “On the Fundamentals of Technical Regulation”. On December 30, 2005, the Government approved Resolution #639, “On Mandatory Products Conformity Assessment” which included the list of goods subject to mandatory conformity assessment. The new list reduces the number of products subject to regulation from approximately 5500 to 2089.</p> <p>On January 11, 2006, Resolution #8 was adopted, establishing the procedures for importing goods subject to conformity assessment and on recognition of external assessment results.</p> <p>The draft Resolution “On Accreditation” continues to be the subject of much disagreement within Government. However, all donors (WB, ITC, USAID) are in agreement on the recommendation for creation of a single national accreditation body. The draft is current pending Government approval.</p>		

Attachment B: Kyrgyz Republic Constraint Reduction Tables (2001 – 2006)

Kyrgyz Republic						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
1	<i>Bishkek - Handicrafts</i>	Improper permit for export	Improper permit for export restricts production and spread of the Kyrgyz National Handicrafts (mass produced and therefore not presenting a cultural value for the country)	The State Commission on Antimonopoly Policy initiated a review process under the Inventory Commission on Normative Legal Documents headed by the Ministry of Justice. This Commission supported the proposed changes to this Regulation and brought it to the Cabinet of Ministers' regular hearings within the framework of this Inventory Commission. At these hearings, the Cabinet of Ministers supported the proposed changes. However, it took considerable time to receive an official notification. Finally, a new Resolution of the Cabinet of Ministers # 835, "On Introducing Additions and Changes into Certain Decisions of the Cabinet of Ministers of the Kyrgyz Republic" was adopted on Dec. 9, 2002, which specifically amends the existing Regulation on Export/Import of Cultural Property. From now on, any modern goods made of felt can be freely exported outside the Kyrgyz Republic, with no permission required from the Ministry of Education and Culture	Through the efforts of TIP advisors and its partners in the business community, the Government eliminated the requirement to receive a permit from the Ministry of Education and Culture for the export of modern handmade Kyrgyz rugs. The permit, which was required for each rug exported, added approximately 15% to the cost of each rug. The change is a potential boon to exporters of Kyrgyz rugs looking to satisfy increasing international demand for Kyrgyz handicrafts and for local producers, many of who reside in small towns and villages where few economic opportunities exist.  According to customs statistics, exported goods made of felt totaled \$46,991 in 2003. Assuming that hand-made rugs comprise 60% of the total exports (which is \$28,194.6) and given the 15% of the permit package cost, total savings for entrepreneurs exporting hand-made rugs totals at least <b>\$4,229</b> annually.	<b>8/10</b>
2	<i>Bishkek - Handicrafts</i>	Cost prohibitive process	Cost prohibitive process, the cost (in terms of time and money) of this permit is high, which restricts exporters from exporting as much as they want based on the existing demand. They	The State Commission on Antimonopoly Policy took the following actions They initiated a review process under the Inventory Commission on Normative Legal Documents headed by the Ministry of Justice. This Commission supported the proposed changes to this Regulation and brought it to the Cabinet of Ministers' regular hearings within the framework of this Inventory Commission. At these hearings, the Cabinet of Ministers supported the proposed changes. However, it	To alleviate entrepreneurs' concerns the State Commission on Antimonopoly Policy took the following actions, with the assistance and based on the request of Pragma Corporation: They initiated a review process under the Inventory Commission on Normative Legal Documents headed by the Ministry of Justice. This Commission supported the proposed changes to this Regulation and brought it to the Cabinet of Ministers' regular hearings within the framework of this Inventory Commission. At these hearings, the Cabinet of Ministers supported the	<b>8/10</b>

Kyrgyz Republic						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
			prefer to put this permit on the shoulders of the foreign tourists/expatriates, who usually do not have time to deal with this permit, therefore, as soon as they find out about this requirement, they decide not to buy.	took considerable time to receive an official notification. Finally, a new Resolution of the Cabinet of Ministers # 835, “On Introducing Additions and Changes into Certain Decisions of the Cabinet of Ministers of the Kyrgyz Republic” was adopted on Dec. 9, 2002, which specifically amends the existing Regulation on Export/Import of Cultural Property. From now on, any modern goods made of felt can be freely exported outside the Kyrgyz Republic, with no permission required from the Ministry of Education and Culture	proposed changes. However, it took considerable time to receive an official notification. Finally, a new Resolution of the Cabinet of Ministers # 835, “On Introducing Additions and Changes into Certain Decisions of the Cabinet of Ministers of the Kyrgyz Republic” was adopted on Dec. 9, 2002, which specifically amends the existing Regulation on Export/Import of Cultural Property. From now on, any modern goods made of felt can be freely exported outside the Kyrgyz Republic, with no permission required from the Ministry of Education and Culture  According to customs statistics, exported goods made of felt totaled \$46,991 in 2003. Given the 15% of the permit package cost, <b>total savings</b> for entrepreneurs exporting felt goods equals <b>\$7,049</b> per year.	
3	<i>Bishkek - Sanitary Permits</i>	Lack of Information/non-transparent process;	Lack of Information/non-transparent process;	In order to insure the proper implementation of our recommendations, Bishkek RIC team requested a specific action by the Mayor’s office, which took place on January 21, 2003 in the form of the Mayor’s office Administrative Decree #18p “On Administrative Procedures Simplification Measures in Bishkek Sanitary Epidemiological Station”.	The information on procedures and processes at SES is to be disseminated by developing a specific brochure to make the procedures above more transparent.	<b>15/15</b>
4	<i>Bishkek - Sanitary Permits</i>	Excessive application and renewal process	Excessive application and renewal process;	In order to insure the proper implementation of our recommendations, Bishkek RIC team requested a specific action by the Mayor’s office, which took place on January 21, 2003 in the form of the Mayor’s office Administrative Decree #18p “On Administrative Procedures Simplification Measures in Bishkek Sanitary Epidemiological Station”.	Based on these measures the following was achieved: <ul style="list-style-type: none"> <li>• the existing renewal process, which is currently taking place every year, was improved by developing a new simplified form to be filled in by an entrepreneur, thus, at least two days of businesses’ time has been saved;</li> <li>• the requirement of an annual site visit to the business by SES employees as a part of the renewal process was eliminated;</li> <li>• the quality of services has been improved (an instruction for working with clients is to be developed);</li> <li>• the requirement for original certification of radio technical equipment as a condition for obtaining certain</li> </ul>	<b>15/15</b>

Kyrgyz Republic						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
					licenses was eliminated saving both time and money.	
5	<i>Bishkek - Sanitary Permits</i>	Excessive cost	Excessive cost	In order to insure the proper implementation of our recommendations, Bishkek RIC team requested a specific action by the Mayor's office, which took place on January 21, 2003 in the form of the Mayor's office Administrative Decree #18p "On Administrative Procedures Simplification Measures in Bishkek Sanitary Epidemiological Station".	Based on these measures the following was achieved: <ul style="list-style-type: none"> <li>the annual renewal fee was reduced by 30% saving businesses' costs;</li> <li>the requirement for original certification of radio technical equipment as a condition for obtaining certain licenses was eliminated saving both time and money.</li> </ul>	<b>10/15</b>
6	<i>Bishkek - Sanitary Permits</i>	Contradictions, overlap and lack of coordination among agencies	Contradictions, overlap and lack of coordination among agencies	In order to insure the proper implementation of our recommendations, Bishkek RIC team requested a specific action by the Mayor's office, which took place on January 21, 2003 in the form of the Mayor's office Administrative Decree #18p "On Administrative Procedures Simplification Measures in Bishkek Sanitary Epidemiological Station".	Based on these measures the following was achieved: <ul style="list-style-type: none"> <li>the quality of services has been improved (an instruction for working with clients is to be developed);</li> <li>coordination among agencies was improved by introducing a specific column in the log book for agencies requesting permitting documents.</li> </ul>	<b>10/15</b>
7	<i>Bishkek - Marshrutka Permits</i>	Non-transparency of the tender process	Non-transparent process of routes' distribution (selection criteria, composition of the tender commission, preliminary selection-site visits, lack of the right for appeal).	The preliminary selection of candidates through site visits (which was created with one purpose to remove undesired candidates) was taken away. Four unclear selection criteria were removed. A specific provision for a right of a tender participant to appeal against the tender commission's decision through the Supervisory Council and, then through the court was introduced	With Pragma's comments and recommendations, the current tender process is more straightforward, clear, transparent and easier to navigate through as for participants and as well as for members of the tender commission. From now on more businesses will have opportunities to participate at the tender with fewer chances for corrupt practice to be used during the tender.	<b>8/10</b>
8	<i>Bishkek - Marshrutka Permits</i>	Over regulation by the PTA and other agencies	Excessive regulation by Bishkek PTA (terms of the contract, discrimination against individual entrepreneurs, functions of the Supervisory	Bishkek Justice Department together with Pragma made it clear, that the inability of individual entrepreneurs to participate at the tender is not only discriminatory in nature, but also contradicts to the National Legislation (Law on Licensing). The above-mentioned limitation was abolished. This achievement should increase business opportunities for individual entrepreneurs and support favorable competition in the sector.	Based on Bishkek RIC team recommendations, the terms of the contract are more transparent and clear now; new obligations of Bishkek PTA are introduced; and a complete package of documents is provided along with the contract. After the adoption of recommended changes, the Supervisory Council is no longer controlling private companies; it controls the activity of Bishkek PTA and coordinates work of all the parties involved in the passenger transportation system in Bishkek. This	<b>8/10</b>



Kyrgyz Republic						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
			Council).		should improve the entire situation in the sector and should limit previously unrestricted power of Bishkek PTA.	
9	<i>Bishkek - Marshrutka Permits</i>	Duplicative inspecting agencies	Two agencies Bishkek Passenger Transportation Agency (PTA) and Bishkek Department of Transport Inspectorate have regulatory authority in the transport sector.	It is recommended that the Supervisory Council is no longer controlling private companies; it controls the activity of Bishkek PTA and coordinates work of all the parties involved in the passenger transportation system in Bishkek.	This should improve the entire situation in the sector and should limit previously unrestricted power of Bishkek PTA.	<b>8/10</b>
10	<i>Bishkek - Marshrutka Permits</i>	Short validity of franchise, license and other documents	Uncompetitive practice and excessive cost: in terms of time and money (short validity of franchise contracts awarded - only one year, allocation of financial means collected from private transporters (for a franchise) to support the recovery of municipal transport)	Pragma persuaded all the parties involved (especially Bishkek PTA and the Mayor's office), that extending the validity of the contracts is one of the most important steps in order to improve the passenger transportation services in Bishkek. Bishkek city Parliament (by its Resolution #149) has approved a provision, based on which money received from routes distribution shall be used to recover municipal transport (competitors of private companies), and in future it may reduce the number of private transporters. With Pragma's tough position, this provision was removed from the resolution. Additional support and monitoring are required in order to prevent this to happen in the future.	As a result, the contracts' validity was increased twice, and it is two years now. This is a significant improvement for entrepreneurs, which not only saves them money (every tender process is costly and risky), but also increases their profit and provides more means to invest in the sector. Overall, the adopted changes (which affect more than 3 000 marshrutka drivers and more than 700 000 inhabitants of Bishkek) will significantly improve conditions for conduction of business in the sphere of Passenger Transportation in Bishkek. Many marshrutka drivers were ready to go on strike because of the recent unfair activities of Bishkek PTA. These new changes shall decrease the tension between marshrutka drivers and the city authorities. The financial resources, which will be saved by private businesses as a result of these changes, will be very high. Only extension of the contracts awarded to two years and more transparent tender process will save several thousands USD (officially and unofficially) for every tender winner each time tender is conducted. Moreover, these improvements will increase the net profit of transport companies and marshrutka drivers. At the end, the entire sector, city administration and	<b>8/10</b>

Kyrgyz Republic						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
					passengers will benefit from these accomplishments. As a result, better motor vehicles will be used and better services will be provided to the city inhabitants. The fee for tender participation for marshrutka companies amounted to 385 Soms in 2001. Given the extension of the contract from one to two years, the savings per one marshrutka company amount to 385 Soms per year. Total savings per 34 marshrutka companies amount to 13,090 Soms (\$327.25US). The tenders for passenger transportation routes in Bishkek city have been held twice for the period from 2001 – 2005 (in 2001 and 2004); therefore, total savings for 34 transportation companies for the above period amount to 26180 Soms ( <b>\$654.5</b> ).	
11	<i>Bishkek - Registration of Legal Entities</i>	Process takes too long	Too much time required for investors (or their hired facilitators) to complete the registration process.	A new order of the Ministry of Justice #114 of August 13, 2002 “On Measure to Improve the Activity of the State Registration Department” was issued which effectively reduces the legal time frame for registration of certain types of businesses (i.e. limited liability companies) from 10 to 3 days.	As a result of the action taken, businesses are now able to register at the Ministry of Justice at least 7 working days sooner than was previously allowed by law.	N/A
12	<i>Bishkek - Registration-Individual Entrepreneurs</i>	Lack of Information	There was a lack of information about the registration process for individual entrepreneurs	The Statistics Committee, with input from the Tax Inspectorate and Social Fund, provided information including process steps, timeframes, costs, office locations, and other agency contact information. The Statistics Committee, Tax Inspectorate, Social Fund, and the Chamber of Tax Consultants are currently distributing these brochures.	As a result of the actions taken, there is greater process transparency and investors now have the information required to successfully and efficiently navigate the process.	<b>10/10</b>
13	<i>Bishkek - Registration-Individual Entrepreneurs</i>	Increase transparency	Information on the various tax regimes available to individual entrepreneurs was not readily accessible (i.e.	The Chamber of Tax Consultants, with buy-in from the city of Bishkek Tax Inspectorate, outlined the four tax regimes in which individual entrepreneurs may participate, detailing the advantages and disadvantages of each, as well as providing supplementary information on relevant normative documents.	As a result of the actions taken, individual entrepreneurs now have access to comprehensible information about the various tax regimes available to them, as well as accurate information about the different normative acts regulating each form.	<b>10/10</b>

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Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
			whether to register with the Statistics Committee or simply obtain a patent from the Tax Inspectorate).	The Statistics Committee, Tax Inspectorate, Social Fund, and the Chamber of Tax Consultants are currently distributing this information in the form of an 8-page brochure.		
14	<i>Osh - Business Registration</i>	Not enough information	General Lack of Information regarding Business Registration Procedures.	Pragma Corporation set up a detailed informational display at the Ministry of Justice in Osh Oblast. The Ministry of Justice is the initial registration point for legal entities. The Information Board outlines the required processes and documentation required to support a business registration application	As a result of the actions taken, there is greater process transparency and investors now have the information required to successfully and efficiently navigate the registration process.	15/15
15	<i>Osh - Marshrutka Permits</i>	Excessive number of permits	Excessive number of permits resulting in lost income and business	The Osh Passenger Transport Agency has cancelled its Marshrutka Route Permit. The Osh Passenger Transport Agency has cancelled issuance of a mandatory for-fee route plan.	As a result of the actions taken, instead of having to procure 3 permits in order to drive their route, Osh Marshrutka Drivers are now only responsible for one. As a result of the changes, each driver will save 15 business days annually that had been previously spent procuring required permits.	20/20
16	<i>Osh - Marshrutka Permits</i>	Excessive fees and processes of the tender process	Excessive fees and procedures in procuring Marshrutka Routes and permits. Fees are too high for most investors and result in unacceptable levels of lost income	The Osh Passenger Transport Agency has increased the franchise period for Marshrutka Route Holders from 6 months to two years. The Osh Passenger Transport Agency has initiated a structured Franchise Fee system based on the value of the routes and the size of the transport vehicle.	As a result of the action taken, investors have been relieved of the cost associated with multiple franchise and permit fees that last year totaled more than <b>\$16,000</b> for Osh City drivers.	20/20
17	<i>Osh - Marshrutka Permits</i>	Drivers are not aware of their rights	Drivers' lack of Information and knowledge regarding their rights and responsibilities on the road.	The Osh Passenger Transport Agency, with assistance from The Pragma Corporation, created informational brochures to inform drivers of their rights and obligations in regard to Marshrutka operation. The brochures highlight the Rules of the Road and the legal bases for traffic stops and official fines. They also outline the procedures for legally acquiring	As a result of the action taken, there is greater transparency in the Marshrutka process and drivers now possess information that will assist them in complying with permitting and public safety requirements and provide them with greater leverage to ensure that government representatives are in compliance with applicable regulations	20/20

Kyrgyz Republic						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
				a Marshrutka Route and provide investors with a contact number within the Osh City Government to report illegal governmental actions. The Osh Passenger Transport Agency, with assistance from The Pragma Corporation will conduct educational seminars for Marshrutka drivers beginning in September with a seminar to be conducted in the Osh Mayor's Office		
18	<i>Osh - Agricultural Tech Inspection</i>	Excessive number of inspections	Excessive number of inspections resulting in lost income and business.	The Ministry of Agriculture's National Technical Inspectorate was deprived of its right to inspect non-agricultural equipment, reducing the types of equipment it could legally inspect from 76 to only 27. Subsequently, The Ministry of Agriculture's National Technical Inspectorate was excluded from the list of State Bodies approved to conduct technical inspections, completely eliminating a state body from the inspection process.	As a result of the actions taken, the amount of inspections that an individual investor might be subjected to has been significantly reduced. Based on reports by the National Transport Inspectorate, that organization inspected in Osh Oblast, on average, 70 different businesses per month. Accordingly, approximately 840 separate businesses have seen a reduction in annual inspections. Annual costs for the technical inspection averaged 1,500 Soms. Total impact is estimated at 1,500 Soms x 840 = 1,260,000 Soms ( <b>\$31,500</b> ).	<b>24/24</b>
19	<i>Osh - Agricultural Tech Inspection</i>	Inspection fees are high	Inspection fees are too high for most investors and result in unacceptable levels of lost income.	Inspection Fees previously charged by the National Technical Inspectorate have been eliminated.	As a result of the action taken, investors have been relieved of the potential liabilities associated with inspection fees that last year generated over <b>\$24,000</b> in official payments for the National Transport Inspectorate.	<b>24/24</b>
20	<i>Osh - Agricultural Tech Inspection</i>	No information/ non-transparent process	Vital information regarding inspections procedures and investor's rights and responsibilities during inspections was not readily available	GosKomPredprinimatel'stvo with assistance from The Pragma Corporation created informational brochures to inform investors of their rights and obligations in regard to technical inspections. The brochures highlighted what constitutes legal inspections and their parameters and provide investors with a contact number within GosKomPredprinimatel'stvo to report illegal inspections.	As a result of the action taken, there is greater transparency in the inspection process and investors now possess information that will assist them in complying with inspection requirements and provide them with greater leverage to ensure that government representatives are in compliance with applicable regulations	<b>24/24</b>
21	<i>Osh - Sanitary Certification</i>	Better Information	Entrepreneurs were unsure whether to apply to the	The following recommendations were issued: 1) That the Osh oblast Prosecutor officially write a protest of resolution № 347 and request	On 2 June 2003 the Governor of Osh oblast signed a repeal of resolution № 347. The repeal should reduce the duplicative controlling functions of SES and the	<b>24/24</b>

Kyrgyz Republic						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
	<i>for Sale and Vegetable Products</i>		Veterinary Department or SES for certifications	that amendments be made to bring the resolution in compliance with current legislation.	Veterinary Departments in Osh oblast. The repeal means that in Osh oblast only SES laboratories that have been properly accredited by KyrgyzStandard will certify the safety of vegetable products. This not only reduces an investment constraint but also provides greater assurances of public health and safety. The anticipated result for entrepreneurs is that they will spend less time and money acquiring the safety certificate required to sell non-animal food products in Osh marketplaces.	
22	<b>Osh - Sanitary Certification for Sale and Vegetable Products</b>	Reduced Cost	Entrepreneurs were forced to acquire certifications from both bodies (Veterinary Department and SES) and had been subjected to fees by both bodies.	2) To recommend that the Governor bring resolution № 347 into conformity with the law “On Sanitary-Epidemiological Welfare” of 31 May 2001 and the Kyrgyz Administrative Law, which prescribes that only SES should exercise control over the testing and certification of vegetable products in Osh city and Osh oblast or to alternatively cancel resolution № 347. 3) To recommend that the Government of KR introduce appropriate changes in law "On Veterinary" to eliminate conflicts with the law “On Sanitary-Epidemiological Welfare”.		<b>24/24</b>
23	<b>Osh - Sanitary Certification for Sale and Vegetable Products</b>	Reduced Time	Entrepreneurs were forced to acquire certifications from both bodies (Veterinary Department and SES) and experienced excessive time burden.		The given resolution applies to over 5000 traders in Osh oblast markets. Daily, they had to overpay 5-50 Soms for certification of goods. Total impact is estimated at 5000 x 5 Soms x 260 days = 6,500,000 Soms ( <b>\$162,500</b> ).	<b>24/24</b>
24	<b>Bishkek - Elimination of 240 permissive documents</b>	Reduced Cost	The Register of paid and unpaid services contained a large number of permissive documents as so called “paid and unpaid services”. It was not possible	TFI recommendations were made in accordance with a new Presidential policy that states: “An entrepreneur is entitled to perform any kind of economic activity not forbidden by law, and such a performance can be limited only in cases and based on the procedures provided for by law”. This new policy restricts the Government’s ability to introduce unjustified constraints on business activities and will allow	The elimination of redundant permissive documents simplified the procedures and made starting business easier.	<b>N/A</b>

Kyrgyz Republic						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
25	<i>Bishkek - Elimination of 240 permissive documents</i>	Better Information	to differentiate between services and permissive documents. The state bodies used this uncertainty in their favor and to make businesses pay for every document indicated in the list.	for greater transparency in the legislative process.  According to TFI recommendations, under the 3 <sup>rd</sup> Matrix the Government approved four resolutions that eliminated 240 permits services and other illegal practices within 5 government agencies: - The Ministry of Health - The Ministry of Ecology and emergency situations - The Ministry of Agriculture - The State Architecture and Construction Committee -The State Forestry Service These resolutions are: # 747, 748, and 749 of November 11, 2002 and # 841 of December 10, 2002		

Kyrgyz Republic						
Constraint Reductions						
2003 – 2004						
#	City / Project	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio	
1	<i>Bishkek - Regulation of Tourism Activity</i>	An order of the State Tourism Committee that required licensing of tourism activities, certification of services and accommodations, provisions of service contracts, rules for hotels and minimum education requirements for staff	The joint recommendations with the Associations of Tour Operators and justification provided in the Regulatory Impact Analysis of this act helped to abolish this entire order.	As a result of the actions taken, heavy regulatory requirements were abolished. Possibilities for unfair competition were canceled and cost for conducting business was reduced. There 115 tour companies and 200 hotel in the country, for a total of at least 315 businesses impacted. For licensing and certification, it is estimated it would have cost 2344 Soms and required 30 days. The economic cost of licensing would have been 315 x 2344 = 738,360 Soms (\$18,459). Lost income due to operational delay would have been 315 x 30 x \$100 / day (average tourism company income) = \$945, 000. <b>Total impact is estimated to be \$963,459.</b>	<b>10/10</b>	

Kyrgyz Republic					
Constraint Reductions					
2003 – 2004					
#	City / Project	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
2	<i>Bishkek - Regulation of Tourism Activity</i>	An act required all tourism service providers to use a government-established tourism logo on all documents and correspondence, including letterheads, envelopes, business cards and brochures.	Recommendations were made to abolish this costly requirement.	Since many companies complained that this requirement is too costly, abolishment of this act is a step forward to reduce the operational cost of companies. The specific impact is difficult to estimate. There are 115 tourism companies in the country. It is estimated adding the logo to all correspondence would cost companies an additional \$5 per month in labor and material. <b>The total impact is estimated at 115 x 5 x 12 = \$6,900.</b>	<b>9/10</b>
3	<i>Bishkek – WTO Compliance (WTO)</i>	Lack of coordination and competence within and among agencies responsible for compliance with the various agreements of WTO resulting in non-compliance with many aspects membership.	Reestablish the Inter-ministerial Commission on WTO Coordination, draft new rules and procedures and assign responsibility to particular ministries for particular agreements and provisions of those agreements. The Commission should also include select members of the private sector.	Government approved TFI-drafted rules, procedures and structure for a new Inter-ministerial Commission on WTO Coordination in June 2003. The Commission has met several times, has been trained by TFI staff and has drafted an action plan to address several non-compliance issues.	N/A
4	<i>Bishkek – Law drafting procedures</i>	Law drafting procedures, particularly for regulatory acts, do not, as a rule, include cost-benefit analysis, review and comment by outside interests or proper justification for the need of such regulation. As such, many regulations are unjustified, duplicative and impose unnecessary costs on businesses.	Propose changes to the law On Normative Legal Acts to require proper analysis and justification for any proposed regulatory act, cost-benefit analysis and mandatory review and comment by the private sector. Amendments can then be made to the drafting procedures of the Government, Parliament and the President's Administration.	Parliament passed TFI-drafted amendment to the law On Normative and Legal Acts in June 2003 and the President signed them in August 2003. These require proper justification, cost-benefit analysis and mandatory publication of draft acts for review by outside interests. TFI is now working to put these requirements into practice.	N/A
5	<i>Bishkek – Technical Regulations (WTO)</i>	The present system of regulation of products and processes for health and safety is excessive and includes virtually every product produced and imported into the Republic. Furthermore, the technical norms applied and the tests performed are out-of-date and simply impose unnecessary costs on businesses while providing no added value.	The entire legislative base of technical regulation, certification, conformity assessment and accreditation must be changed to make it WTO-compliant and introduce internationally accepted approaches to technical regulation. The first step would be a modern law On the Fundamentals of Technical Regulation that recognizes technical regulations as mandatory requirements to products and processes that are minimally necessary to protect health and safety and standards as voluntary. It will also provide	A TFI-drafted law On the Fundamentals of Technical Regulations was completed and submitted to the President of the Kyrgyz Republic who has agreed to initiate the law in Parliament in late 2003. TFI will continue to follow this draft and promote its passage in Parliament.  The law was passed by Parliament in April 2004 and signed by the President in May 2004, with only minor changes to the original text.	N/A

Kyrgyz Republic					
Constraint Reductions					
2003 – 2004					
#	City / Project	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
			choices to businesses in proving compliance to these requirements.	<p>While many provisions of the law require secondary regulations to take effect, the elimination of mandatory certification has immediate impact. In 2003, 1216 certifications were issued to service businesses. The official fees charged for certificates averaged approximately \$125 (5000 Soms), with the cost depending on the size of the business. Up to 7 days could be required to get the certificate. Additionally, businesses report unofficial payments of \$100-200 or more were often required.</p> <p>Total cost savings for businesses is estimated at <math>\\$125 \times 1216 = \\$152,000</math> for certifications. Additionally, businesses should earn an additional <math>\\$75 \times 7 \times 1216 = \\$638,400</math> in revenue. Finally, up to <math>1216 \times 200 = \\$243,200</math> in unofficial payments should be avoided.</p> <p><b>Total immediate impact is estimated at \$1,033,600.</b></p>	
6	<i>Bishkek – Regulatory Reform</i>	The lack of an overall regulatory policy leads to inconsistent, duplicative and often illegal regulatory intervention into the activities of businesses. The role of the government in regulating business activity and the rules for its intervention need to be more clearly defined and rules established.	At the 3 <sup>rd</sup> Investment Summit in July 2003, the President of the KR decided a policy on Deregulation of the Economy should be prepared that would define the role of government and identify priority areas where the economy should be deregulated in order to stimulate growth and encourage investment.	TFI experts, together with those from the IRT, drafted a Concept on Deregulation of the Economy that was approved by the President on February 5, 2004. In addition to describing the principles and scope of government regulation of the economy it also identified specific areas requiring deregulation, such as registration of legal entities, licenses and permits, inspections, land registration and site development and government financing of regulatory agencies. This provides an overall framework policy in which to address further regulatory reforms and ensure the quality of future regulations.	N/A
7	<i>Bishkek – Construction and Site Development Permits</i>	The process of acquiring the right to construct or even renovate commercial space is considered to be one of the most difficult and costly for businesses in the KR. It is described as outdated, non-	Working together with the USAID Land Reform Project, TFI assisted in the development of a new procedural document for the issuance of construction and site development permits in the KR. This was originally undertaken at the city of Bishkek level but was later expanded to be a national-level effort. The reform was also	In February 2004, the government approved a new regulation on the procedure for acquiring permission to undertake construction, reconstruction and other site development intentions. The new regulation reduces the number of steps required, clearly outlines the process and the cost of obtaining the permission. The process is not optimal but represents an improvement	7/12



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		transparent, cumbersome, excessively long and highly corrupt. It is slowing development and raising costs and, in some cases, is discouraging construction renovation altogether.	included in the 3 <sup>rd</sup> Investment Matrix in order to raise awareness and push it forward.	over the earlier system and is a compromise among all the stakeholders.	
8	<i>Bishkek – Reorganization of KyrgyzStandard (WTO)</i>	KyrgyzStandard is an organization that develops regulations, tests for their compliance and also performs State surveillance of compliance in the market. This is a conflict of interest and contrary to international practice. It raises costs to businesses, deters growth and innovation in the domestic market and limits the export potential of Kyrgyz products by not offering the needed technical services to industry.	TFI recommended that KyrgyzStandard reorganize itself and eliminate all its regulatory functions and other conflicts of interest and become an Institute providing technical services to industry and government. The director of KyrgyzStandard agreed and entered into an “Agreement in Principle” with TFI that served as the basis for the development and implementation of a detailed three (3) year transition plan for the restructure of KyrgyzStandard and the Kyrgyz Center for Testing and Certification.  TFI experts then assisted KyrgyzStandard to develop a transition plan for presentation to the government.	On February 6, 2004, the President of the Kyrgyz Republic issued a Decree formally converting the State Inspectorate on Standardization and Metrology (KyrgyzStandard) into the National Institute of Standards and Metrology (NISM). The new institute is a nonprofit government institution without Executive Authority and no regulatory or enforcement functions; it will not impose or collect fines or penalties, and is assigned only the functions of standardization, metrology and accreditation.  In May 2004, the President of the Kyrgyz Republic approved the Regulation (charter) "On the National Institute of Standards and Metrology (NISM) of the Kyrgyz Republic" This regulation was developed by TFI experts and those of NISM and clearly establishes (a) the major goals, functions and activities of the Institute (b) the proposed institutional structure of the new organization, (c) human resources available and (d) source of budget funds.  The transition plan was accepted by the director of NISM and all department heads.  The above reforms will have a positive impact on trade and foreign investment as it will reduce costs to manufacturers, producers and importers by eliminating many of the mandatory certifications and inspections performed by KyrgyzStandard.	<b>23/23</b>
9	<i>Bishkek – Permit Reform</i>	According to the Constitution of the KR and Presidential decree	TFI experts and the IRT, as part of its work under the Investment Matrix, identified all	Government approved Resolution # 103 on February 25, 2004 creating the Unified List of Permits for	<b>10/10</b>

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		No. 100 of April 25, 2002, all permits restricting business activity must be based on law. Despite this, many agencies still adopt and issue permits in contravention of these rules.	permits with a basis in law and those without. Recommendations were prepared to create a Unified Register of Permits and to cancel all illegal permits and some permits that duplicated other forms of regulations, such as licenses.	Business Activity specifically articulating 102 allowable permits. By this Resolution alone, through TFI's work on permit reform, over 21 types of permits have been eliminated. The impact is difficult to quantify because the cost of these permits was often never published.	
10	<b>Bishkek – Customs Code (WTO)</b>	The present Customs Code of the KR still allows for Customs officials to require unnecessary permits and documentation and makes no provision for private sector service providers, such as customs brokers, that could lower costs, improve service and reduce corrupt practices.	TFI's main objective was to provide for the development of the Customs Code in a transparent manner offering businesses an opportunity to participate and ensure that the draft was compliant with WTO and WCO requirements. The NCC was developed in a generally transparent manner, with comments accepted from a broad spectrum of interested parties. Several expert consultations were held at which interested parties, including business groups and donors, could present their views and discuss issues with the Customs staff. TFI provided daily consultation and advice to senior administrative officials and to members of the legislative assembly on a variety of issues related to development of the Code.	The Customs Code was adopted by the Legislative Assembly of Parliament in April 2004. Nearly all of the recommendations made by TFI were accepted by the deputies.  The Code is now pending approval by the People's Assembly of Parliament which must approve it by June 13 or it automatically goes to the President for signature. TFI anticipates no obstacles to its full passage.  The new Code should facilitate trade and greatly simplify customs clearance and customs control procedures as well as reduce costs and the corruption once licensed customs brokers, freight forwarders and bonded warehouses are allowed to operate.	<b>13/13</b>
11	<b>Bishkek – Work with the General Prosecutor (PP)</b>	A variety of agency and locally promulgated normative acts that place mandatory requirements on citizens and businesses violate the laws of the Republic and the policies of the President.	The General Prosecutor's Office has the authority to investigate and issue protests and orders against agency acts and those issued locally as well as against agency malfeasance. As such, TFI and the IRT teamed up with the Prosecutor's Office in Bishkek to review agency and local administration acts for violations of law and policy. Businesses and other groups, such as the Bishkek SME Development Department under the Mayor's Office, were also invited to participate and provide specific acts for review.	As a result of this work, 93 protests and 18 orders were issued by the Prosecutor's Office to cancel agency and local acts, all of which were satisfied. Several press conferences were also held to announce the results. This has resulted in an immediate benefit to businesses throughout the country, has sent a clear signal to agencies not to issue acts contrary to law and the President's investment and regulatory reform policy and has emboldened the Prosecutor's Office to continue its work in protecting the interests of businesses. As such, the work will continue.  Monitoring indicates that for the For the period 2003-2006, <b>565</b> protests and submissions were issued contesting government regulations and actions.	<b>10/10</b>

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12	<i>Talas – Compliance Certificates (PP)</i>	Despite a mutual recognition agreement signed by the standards bodies of the Kyrgyz Republic and Kazakhstan, the local offices of these bodies in Talas, KG and Djambul, KZ do not recognize each others certificates and require traders to obtain a duplicate certificate to enter the market.	TFI held a seminar in Talas KG with members of the government and business community on both sides of the border to discuss problems and prospects for trade. A key result of the seminar was the agreement by the two standards bodies to recognize each other’s certificates of conformity, which reduced one of the key constraints identified by the participants.	Cross-border traders in both oblasts now need only obtain one compliance certificate for their goods to access the market, effectively halving their compliance cost. Annually, there are approximately 720 trade transactions between the oblasts. Duplicate certificate costs varied between 100 and 1000 Soms, with 500 Soms per certificate average. Total impact is estimated at $720 \times 500 = 360,000 / 40 = \mathbf{\$9,000}$ .	<b>8/8</b>
13	<i>Osh - Law and Order Fund (PP)</i>	The Mayor of Osh City, in Resolution No. 18-p (“On Transferring Money to the Law and Order Fund”, February 12, 2003) ordered that 104 local food service businesses were required to each pay an assessment of 330 to a the local fund.	It was determined that the Resolution was in contravention of Presidential Ukaz # 18 (“On Urgent Measures to Enforce Law and Order and Strengthen the Fight Against Law Violations” 10 Feb. 1994) that stipulated any such contributions by businesses to a “Law and Order” fund had to be voluntary, and that it contravened KR Law “On Entrepreneurs’ Rights Protection”, which prohibits state bodies from setting and collecting payments from businesses that are not foreseen by national legislation. Finally, the Mayor’s decree violated the Presidential Ukaz of 16 February 2000 (“On Measures to Improve State Regulation of Legal Entities and Individuals”), which prohibits executive bodies from setting any requirements on business not foreseen by national legislation. The issue was forwarded to the Prosecutor’s Working Group with the recommendation the resolution be repealed.	The Prosecutor’s Working Group filed a protest and the Resolution was subsequently repealed. The repeal will save 104 businesses in Osh a collective annual assessment of over 34,320 Soms ( <b>\$858</b> ).	<b>12/12</b>
14	<i>Osh – Restriction of Silk Trade (PP)</i>	The Osh Oblast Administration enacted a resolution subordinating local silkworm processors to the Osh Silkworm Breeding Factory, requiring processors to invest additional time getting authorization for	In conjunction with the local prosecutor, the project recommended the repeal of the decree as an illegal restraint and interference with private business activity. In June 2003, the Governor signed a repeal of the resolution allowing local businesses to engage in trade deal and conduct operations without supervision from the SBF.	There are 4 large silk processes in the region, and 2500 – 3000 farmers engaged in cocoon production. In 2002, 45,600 kilograms of cocoons were exported from the region. That number increased to 59,400 in 2003. The impact of the repeal is a cost savings of \$500 per trade transaction and time savings due to the removal of SBF as a supervisor body. Each silk processor	<b>4/4</b>

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		trade transactions.  Local businesses were required to pay unofficial fees up to \$500 per shipment to get the required authorization.		conducts an average of 3 transactions per month. Therefore, the total estimated impact is $4 \times 3 \times \$500 \times 12 = \$72,000$ annually.	
15	<i>Osh - Customs documentation (PP)</i>	Customs officers in Jalal-Abad required a Social fund certification of no debts on the grounds of a directive given by the Head of Customs House, but this was not foreseen in the "Instructions for customs clearance and control of goods" of 13.01 2000 #12p.	TFI raised the issue with the Jalal-Abad administration, Prosecutor's Office and Members of the Advisory Council. As a result, the prosecutor's office filed an official warning #320a-03 of 27.10.2003 in the name of the Head of Jalal-Abad Customs House against requiring documents which are not stipulated by legislation. Also, TFI met with the Heads of Customs of both Osh and Jalal-Abad and recommended they stick to the current instructions, and the latter agreed.	As a result we anticipate that every entrepreneur will save up to 150 Soms (20 Soms officially for the certificate plus unofficial payments), and 1-2 hours. Approximately 150 entrepreneurs go through the import/export procedures each month. Total impact is estimated at $150 \times 150 \times 12 = 270,000$ soms / 40 = <b>\$6,750</b> annually.	<b>16/16</b>
16	<i>Osh – Regulation of Taxis (PP)</i>	Uzgen Municipal Council promulgated a decree that banned Damas minivan drivers from transporting passengers along 2 main streets in Uzgen and stipulated other routes for their transportation. This illegal resolution affected 26 drivers.	On 25 September Uzgen rayon Prosecutor's Office filed an official protest with Uzgen administration resolution #66 of 15.09.2003. As a result, the Uzgen Mayor abrogated the illegal resolution on 11 November 2003.	26 Damas minivan drivers freely transport passengers across Uzgen city, including 2 of the most profitable routes. Drivers reported monthly lost revenue, which will now be recovered, of $\$7,255 \times 12 = \$87,060$ annually.	<b>8/8</b>
17	<i>Osh - Regulation of Tourism activity (PP)</i>	Batken oblast administration prohibits tour companies to organize tourist visits without a special permit from the Head of administration.	TFI discussed the issue on the working group meeting. As a result, the Prosecutor General recommended Batken oblast Prosecutor's office to file a protest with the Batken administration and this was done. As a result, the Batken Governor repealed the act in November 2003.	Anticipated result is that there would be no illegal restrictions to the activities of tour companies in Batken oblast. Per person fees were charged, varying from \$3 for CIS citizens and up to \$30 non-CIS citizens. The total number of tourists is estimated at 100 per year. Assuming 60% were CIS citizens, total cost savings is estimated at $(60 \times 3) + (40 \times \$30) = \$1,380$ .	<b>3/3</b>
18	<i>Osh (Uzgen) - Road Checkpoint (PP)</i>	On October 17, 2003, the local road police established a new permanent traffic checkpoint on the Osh-Bishkek road in Osh	The working group composed of representatives from Pragma, the Secretariat, and the Osh Oblast Prosecutor's Office requested the Osh Oblast Prosecutor file an official protest of local	The illegal checkpoint was removed, resulting in fewer traffic delays on the main thoroughfare connecting the Ferghana Valley with its local and international markets. Travelers and cargo carriers will no longer be	<b>6/8</b>

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		<p>Oblast that was not permitted under national legislation. The checkpoint delayed drivers up to 20 minutes per stop and operated as a means of extracting unofficial payments from travelers, particularly truck and taxi drivers. On average, cars stopped were required to pay 50 Soms and trucks up to 500 Soms.</p> <p>(Reduced time, reduced cost – 2)</p>	<p>Decree № 419r, recommending it be repealed as illegal and the checkpoint be closed. On November 26, 2003, as a result of the official protest, the Chief Police of Osh Oblast signed a repeal of Decree № 419r and the illegal checkpoint was subsequently removed and the barrier dismantled</p>	<p>stopped at this location by this post and costs of transit will be reduced. It is estimated that a total of 600 cars and trucks were stopped each day. As a result of removing the checkpoint drivers will no longer be subject to delays up to 20 minutes and payments of 50 – 500 Soms. Annual impact: <math>600 \times 50 \times 260 = 7,800,000</math> soms / 40 = <b>\$195,000</b>.</p>	
19	<i>Osh (Uzgen) - Redundant Inspection Organization (PP)</i>	<p>A locally promulgated regulation from the Mayor of Uzgen (“On establishing checkpoints of controlling bodies for consumer rights protection at the markets of Uzgen”, No. 385, June 15, 2002) giving inspection and regulatory authority in Uzgen to a private organization (“EKAAS”) that duplicated the functions of SES. Specially, the organization inspected local trade stalls for cleanliness and checked for valid certificates of compliance. 575 local businesses were impacted through fines and unofficial payments averaging 5 Soms per entrepreneur per day.</p> <p>(Reduced time, reduced cost -2)</p>	<p>In collaboration with the local prosecutor, an official protest was drafted and filed, requesting repeal of the decree as illegally giving regulatory authority to a private organization.</p>	<p>As a result of the protest, the regulation was repealed by repeal № 167 dated April 5, 2004 and the duplicative inspections stopped. As a result of the reduction in fines and incidents of unofficial payments, entrepreneurs save <b>\$17,500</b> annually (<math>5 \times 575 \times 260 / 42.5</math>).</p>	<b>5/5</b>
20	<i>Osh - Near Border Market</i>	<p>Due to poor infrastructure development and high costs of facility acquisition, there is a</p>	<p>The Ferghana Valley Cross-Border Council recommended that countries in the Ferghana Valley pursue strategies to develop near border</p>	<p>On May 22, 2004, a near border market opened 500 meters from the Uzbekistan border at Dostyk border post with the assistance of an investor from China. The</p>	<b>7/7</b>

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		scarcity of secure, concentrated consumer businesses. Most businesses that cannot afford independent facilities operate in a crowded bazaar far from the border or in street kiosks.	markets to facilitate trade, provide jumping-off points for international commerce and develop facilities for local businesses.	market is 35,000 square meters and has over 400 selling spaces. The government anticipates tenants will be mostly new businesses and will cater to both Uzbek and Kyrgyz consumers.  Businesses report average revenue of \$50 / day, with approximate net income of \$20 / day. Total economic benefit of the market is estimated at 400 x 50 x 260 = 5,200,000. Total annually generated net income is estimated at 400 x 20 x 260 = <b>\$2,080,000</b> .	
21	<i>Osh – Uzbek / Kyrgyz Beekeeper Cross-Border Transit (PP)</i>	Uzbek beekeepers are required to get Kyrgyz visas from Tashkent to say in the Kyrgyz Republic more than 5 days.  Customs procedures at the clearance phase and during border crossings are not transparent, unofficial fees are required for document clearance and when cross the border and unreasonable delays are imposed at inspection stations by customs, ecology and veterinary services.	Based on recommendations, the Ministry of Foreign Affairs agreed, with letters of invitation from the Osh Society of Beekeepers, to issue visas to Uzbek beekeepers in Osh.  Customs verified the clearance procedures with the partner associations. The information will be distributed to beekeepers by the associations. Customs agreed to prevent collections of unofficial fees for declaration processing and the Vice-Governor of Batken Oblast agreed to monitor compliance in his area. Customs agreed to impose a 10 minute limit on border cross procedures. The association consultant will monitor compliance and assist where necessary.  The government agreed that only fees to the ecology service should be paid at the border. The association consultant will help monitor.  The veterinary service agreed that fees should not be collected at posts.  The ecology service agreed that only official fees should be paid at posts.	Uzbek beekeepers will be able to get Kyrgyz visas in Osh rather than being required to travel to Tashkent or pay unofficial fees to entry the country illegally and be subject to harassment and deportation. The reforms will save each entrepreneur 2 days travel time and up to \$50. Also, harassment and unofficial fees paid to local authorities will be eliminated as beekeepers will be in the country legally. 200 beekeepers x \$50 = \$10,000.  The clearance and cross procedures will be more transparent. Beekeepers will be better informed of their rights and less subject to demands for unofficial payments. Unofficial fees paid for customs declaration processing of up to \$200 will be eliminated. 200 x 200 = \$40,000.  Border delays of up to an hour will be eliminated, allowing beekeepers to reach sites before sunrise, preventing traveling during daytime that can be harmful to bees.  Beekeepers will save up to \$10 for each crossing. Entrepreneurs will save up to \$20 in unofficial fees previously collected at veterinary posts. Entrepreneurs will save 10 – 20 Soms in previously required unofficial fees at ecology posts. 200 x 21 = \$4,200.	<b>32/32</b>

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				<p>Through the assistance of the consultant for the associations, better understanding the law, as well as the official support of the cross-border agencies, waiting times and delays for beekeepers imposed by veterinary and ecology post is expected to be reduced and in comes cases eliminated</p> <p>As of 2005, 200 beekeepers are crossing the border annually. Total impact is estimated at: <b>\$54,200</b> / year.</p>		
22	<i>Bishkek – Compliance with the Law On Licensing</i>  Date: Feb 2003 – Jul 2004	New amendments to the Law “On Licensing” set the unified licensing policy and buffered attempts to add illegal and unjustified licensing activities. However more than 50 sector-specific laws also contain licensing provisions that violate the Law. While all licensing requirements were incorporated into the Law “On Licensing”, arrangements were implemented haphazardly and new licenses adopted.	TFI recommended drafting amendments to sector-specific laws to eliminate illegal and contradictory licensing requirements for businesses and to ensure the Law “On Licensing” is the only law establishing licensing requirements and procedures.	Some 51 amendments have been drafted to cancel licenses not covered by the licensing law and to ensure consistent licensing requirements. Parliament approved and the President signed amendments to <b>38 laws</b> out of 51 originally proposed.	<b>10/10</b>	

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
1	<i>Bishkek – Amendments to the Law on Licensing for Customs Related Services</i>	The absence of ancillary services in the list of activities subject to licensing under the Law “On Licensing” impedes the development of the ancillary services market. Although the new Customs Code anticipates the existence of ancillary services (e.g., services by customs	USAID TFI drafted and recommended adoption of the Law on Supplements to the Law on Licensing legalizing the support services.	With TFI assistance, the Law on Supplements to the Law on Licensing was adopted by Parliament on June 24 and signed by the President on August 13,	Entrepreneurs will now legally be able to engage in industries supporting trade activities. According to entrepreneurs, an average service provider earns approximately 50,000 Soms per	<b>11/13</b>

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	(WTO) Date: Aug 2004	brokers, customs carriers, bonded warehouses, temporary storage warehouses and duty free shops) a necessary complementary law was previously rejected by Parliament during discussion of the Code.  (Improved transparency, reduced cost – 2)		2004 (No. 129).	month.  With 39 providers (27 brokers, 10 warehouses, 2 duty-free shops) licensed to date, it is estimated that $50,000 \times 12 \times 39 = 23,400,000$ Soms ( <b>\$585,000</b> ) is now earned legally.	
2	<b>Bishkek</b> – <i>Control Level Pricing for Customs Duties (PP, WTO)</i> Date: Jun 2004	The KR Customs Service has used a customs valuation methodology called “Control Level of Prices” (CLP) to determine duty assessments rather than using declared valuation as the primary source. Use of this methodology violates KR commitments made under the GATT.  (Reduced cost, reduced time – 2)	USAID TFI recommended the elimination of Control Level Pricing and the use of the internationally accepted valuation techniques provided in the new Customs Code.	After consultation among affected parties discussion among all parties, and analytical work by TFI experts on June 3 use of the CLP was terminated by order of the Director of Kyrgyz Customs. The valuation procedures in the new Customs Code comply with WTO provisions and use declared values as the primary source for calculations.	Customs clearance should be expedited through reduced need to consult outside sources for valuation information and increased reference to declaration value. Also, according to information from the Customs Department, collections have decreased 20% from 2003 as a result of the elimination of control level pricing. Therefore, businesses are saving:  $4,938,340 (2003) \times .2 = 987,668$ $987,668 / 42 = \mathbf{\$23,516}$	<b>11/11</b>
3	<b>Bishkek</b> - <i>Resolution on Introduction of 6 (six) New Licensed Activities</i> Date: Sep 2004	Resolution # 197 dated April 08, 2004 recommended introduction of 6 new types of licensed activities: - production and realization of chemical means; - building, repair and reconstruction of roads and road structures; - production, repair, sale, leasing of measuring devices; - geophysical, hydrogeological, mining, and drilling works, designing of mining facilities; - tobacco processing; - activity of independent appraisers.	USAID TFI recommended the Kyrgyz Government eliminate the Resolution as it was approved by the Government without justification notes, economic analysis, other procedures stipulated by the Law “On Legal Normative Acts”.	Based on recommendations provided by TFI, the Government of KR adopted Resolution # 719 dated September 27, 2004 which repealed Resolution # 197.	As the resolution prevented the imposition of new licenses, businesses will save the costs, time and interference associated with the new regulations.	<b>13/13</b>



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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		(Reduced cost, reduced time – 2)	After consultation among affected parties, lawyers, TFI experts the Government took decision on drafting new Resolution to repeal Resolution # 197.			
4	<b>Bishkek</b> – <i>Solution of Transport Problems</i>  Date: Aug 2004	A permit is required for Kyrgyz carriers to transit goods through the territory of the Republic of Kazakhstan. There is an agreement regulating road transportation between EurAsEC Members, the <i>Agreement on Formation of a Transport Union</i> , on International Road Communication, of November 24, 1998, which provides for a permit-free transportation of goods. However, it was not ratified by Kazakhstan. Also, there is an existing bilateral agreement between the Government of the KR and the Government of the RK on International Road Communication, of October 26, 1993, providing for a permit to transport goods in transit through their territories.	TFI recommended raising the transit issue at the Kyrgyz and Kazak bilateral negotiations that was focused on Kazakhstan's accession to the WTO.	In the course of the bilateral negotiations the two countries decided to solve the transit problem by making a new agreement on international road communication that would provide for permit-free transportation of goods. This agreement would be beneficial for both parties as they would not need to obtain any permit to transport goods between the two countries for transit over their territories.  The new agreement between the Government of the KR and the Government of the RK on International Road Communication was signed on December 25, 2003, which provides for permit-free transportation of goods. For implementation of this Agreement the Kyrgyz Government issued Resolution No 100	The cost of the permit for Kazak carriers was \$1000 before. The cost of the permit for Kyrgyz carriers was \$300. Now, with implementation of the bilateral agreement, they do not have to pay any fee. It is estimated that 20 shipments monthly transit each territory. Total impact is estimated at $(20 \times 12 \times 300) + (20 \times 12 \times 1000) = 72,000 + 240,000 =$ <b>\$312,000</b> annually.	<b>7/7</b>

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				(February 25, 2004). In Kazakhstan the Agreement was ratified by the Law of the RK No 554-II of May 25, 2004 and came into force on June 14, 2004.		
5	<b>Bishkek – Elimination of Customs Clearance Pre-Approval Visa (PP)</b>  Date: Nov 2004	According to Customs regulations, all traders were required to get a pre-approval from the head of the Customs House before the clearance procedures begin. A stamp on the documents indicating “Customs clearance is permitted in accordance with customs legislation” with his signature was required.  (Reduced cost / corruption – reduced time – 2)	The issue was raised through the Customs Consultative Council and recommendations were made to eliminate this requirement.	Customs agreed to eliminate the pre-approval requirement. Work is on-going through Customs Consultative Councils to effectively implement the order and verify compliance.	The elimination of a discretionary step in the process eliminates an opportunity for corruption. Also, according to businesses, the wait time varied from 1 – 5 hours, with a 2 hour average. According to the Statistics Department, 87,299 declarations were processed in 2003.  With full implementation, total time savings is expected to be at least 174,598 hours (2 x 87299) or 21,825 work days. Assuming a daily rate of \$20, this is a cost savings recovered from time lost of <b>\$436,500</b> annually.	<b>1/12</b>
6	<b>Bishkek-Special Means</b>  Date: Oct 2004	Government bodies have been able to retain revenue gained from issuing permits, certificates and other documents rather than transferring the funds to the National Budget. This system was not transparent, allowed for revenue generation outside the supervision of other bodies and created incentives to impose financial requirements on businesses.  (Increased transparency – 1)	Working with a number of partners and counterparts, TFI recommended that ministries, state committees, administrative institutions, state commissions and other executive power bodies transfer to the national	The Resolution “On Stage-by-stage Transition of Budget Institutions and Organizations to the Full Budget Financing” was adopted by the Government of Kyrgyz Republic on October 30, 2004, # 798. As a result, state bodies must bring their procedures and rules into line with this	The Resolution increases the transparency of government, by increasing the involvement of external bodies in financial oversight of activities. While it may not have an immediate impact on sanctions and fees, it removes the self-funding incentive.	<b>N/A</b>

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			budget revenues collected from issuance of various state permits, certificates, etc, as well as revenues collected due to inspections, fines and other administration sanctions. The collective recommendations were fully supported by the working group and incorporated into the final version of the resolution.	Resolution and transfer revenues collected to the national budget.		
7	<b>Bishkek</b> – <i>Amendments to the Government Rules of Selling of Precious Metals and Stones</i>  Date: Dec 2004	The Kyrgyz Government adopted “Rules of Selling of Precious Metals and Stones” # 26 on January 24, 1997 containing several provisions which regulated the procedures of issuing licenses for buying precious metals, stones and related material. However, the Law “On Licensing” requires licenses must be articulated in law, not by regulations adopted by the Government.  (Reduced cost, reduced time – 2)	USAID TFI recommended the Kyrgyz Government eliminate any licensing requirements related to buying precious metals, stones and related articles due to conflicts with the Law “On Licensing”.	Based on recommendations provided by TFI, the Government of KR adopted Resolution # 929 dated December 15, 2004 which amended the Rules eliminating any licensing requirements.	As the resolution cancelled the license, businesses will save the cost, time and interference associated with getting a license in this area.	<b>10/10</b>
8	<b>Bishkek-</b> <i>Customs Order on Collecting Debts (PP)</i>  Date: Jan 2005	The Customs Services adopted the Order #15-11/375 “On Enforcement of Instruction to Apply Measures Aimed at Ensuring Timely Collection of Customs Payments and Taxes and Paying Off Debts of External Economic Activity Entities” on June 7, 2002. The Order prohibited entities determined to have tax or duty debts from engaging in export or import transactions. However, according to	On the basis of a request from the private sector, the Working Group of the General Prosecutor’s Office identified that the given Order and Instruction were adopted contrary to the Law “On	On December 30, 2004 the General Prosecutor’s Office submitted a protest indicating the illegality of the Order. On January 19, 2005 the Revenue Commitment sustained the protest and canceled the Order.	As the order prevented trade transactions for any entity or individually determined to have a duty or tax debt, the prohibition on activity has been lifted. Also, transparency is increased as a regulation adopted without following proper procedure has been eliminated and it is expected	<b>7/10</b>

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		businesses, the Order was arbitrarily imposed and was adopted contrary to drafting procedures as it had not been circulated within the Government.  (Reduced cost, increased transparency – 2)	Normative and Legal Acts”, as the Order has not been properly circulated within the government nor registered.		that any future drafts will be circulated for comment.	
9	<b>Bishkek- Simplification of Procedures for Obtaining License for Beverage Production and Sale (PP)</b>  Date: Jan 2005	An Order of the State Inspectorate on control over production, storage and sale of certain beverage products adopted on April 9, 2003, # 44 created 3 commissions to oversee permits for beverage production. One commission conducted taste testing, one tested equipment and the third issued licenses. The process is contrary to the Law “On Licensing” and it’s implementing regulations, cost businesses unnecessary fees and excessive delays in the production.  (Reduced cost, reduced time – 2)	Based on private sector complaints, the Working Group of the General Prosecutor’s Office recommended that the Order be eliminated as it contradicted the Law “On Licensing” and Chapter 28 of the Regulation “On Licensing of Particular Entrepreneurial Activities” #260 approved by the Government on May 31, 2001.	On January 28, 2005 the General Prosecutor’s Office submitted a protest indicating the illegality of the Order. On January 28, 2005 the State Inspectorate sustained the protest and canceled the Order. The Ministry of Justice registered changes made by the Order #40 on February 22, 2005. Taste testing has been eliminated and inspections of equipment have been combined with license review under a single body.	In 2004, the 67 licensed entities produced 1,340 varieties of goods requiring secondary testing at a cost of 200 Soms each. The total annual savings is estimated at 268,000 Soms (\$6,700).  Additionally, the eliminated testing required two days to complete for each test conducted which delayed getting products to market and reduced business revenue. Assuming a daily rate of \$20 in lost sales, the elimination of the testing delay will resume in increased revenue of \$20 x 2 x 1,340 = \$53,600.  Total impact is estimated at \$6,700 + \$53,600 = <b>\$60,300</b> .	<b>11/11</b>
10	<b>Bishkek – Improvements to City Legal Drafting Procedures</b>  Date: Oct 2004	The procedures for development of normative acts at the local level are not transparent and changes in national legislation are implemented incompletely, which considerably influences business activities. Drafts are not published and public comments are usually not considered during the drafting phase resulting in burdensome, contradictory, illegal or poorly developed regulations.  (Improved transparency – 1)	Based on the Decree of the President of the Kyrgyz Republic “About the Concept of Deregulation” and changes in the Law on Normative Legal Acts, TFI offered a new edition of the procedures for creation of normative acts in	On December 31, 2004, the Mayor of Bishkek City approved the new procedures. Implementation of the changes will reduce the number and will increase the quality of normative acts adopted at the local level. This also will enable making qualitative decisions taking	Legal drafting procedures touch on interests of the whole society, including the business community. While the precise impact is difficult to measure, the improved procedures will allow for greater public participation and transparency and should reduce burdensome, illegal, contradictory and irrational regulations.	<b>8/10</b>

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			Bishkek City, which requires adherence to the legal drafting procedures, publication and obligatory public discussion prior to adoption.	into account opinions of the business community, which as a whole will positively affect realization of a normative act.		
11	<i>Bishkek – Adoption of Customs Code Implementing Regulations (WTO)</i>  Date: Dec 2004	The new Customs Code required the subsequent adoption of specific regulations to implement a number of provisions. Existing regulations were non-compliant with the new Customs Code, overly broad, redundant and burdensome.  (Reduced cost, reduced time, improved transparency – 3)	USAID TFI recommended to reduce the number of implementing regulations by combining them, where needed and possible, and repealing unnecessary ones, as well as to bring the implementing regulations in-line with the new Customs Code, WTO and revised Kyoto Convention requirements and provisions.	Compliant implementing regulations were significantly reduced and were approved by Government Resolutions No 963 in December 2004.	The adoption of the regulations will facilitate proper implementation of the Customs Code and provide greater transparency and consistency with international norms.	<b>10/10</b>
12	<i>Bishkek – Adoption of Improved Post-Entry Control Procedures</i>  Date: Dec 2004	According to the previous Customs legislation the Post Entry Control Department was able to inspect all companies in the country which have already passed customs clearance at the border. The businesses were not aware of their rights and obligations, as well as which kind of documents were required.	TFI recommended to adopt post entry control procedures in accordance with international best practice limiting inspections to only those companies which benefit from simplified procedures at clearance and to provide clear criteria for simplified procedures and	The Government adopted improved post entry control procedures by Resolution # 691 on December 28, 2004. Post entry inspections are limited to those businesses which received simplified procedures or import preferences.	In 2004, according to Customs approximately \$1,220,000 was assessed against businesses through post entry inspections. As the new procedures limit the number of businesses subject to inspections, significant savings should result and post entry interference will be reduced. Additionally, transparency is enhanced through clear articulation of requirements and rights in the new instruction. As of May 2005,	<b>14/14</b>

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		(Reduced cost, reduced time – 2)	inspections.		inspections have been significantly reduced and limited to those getting import preferences. To date, according to Customs, approximately only 5,000,000 Soms (\$120,000) have been collected. This is an annual collection rate of \$300,000 or a <b>\$920,000</b> savings for entrepreneurs.	
13	<b>Bishkek - Development of the List of Goods Eligible for Duty Exemption</b>  Date: Dec 2004	While temporary importation of some goods with an exemption for Customs duties and taxes was anticipated, the Government had not generated a specific list. As a result, businesses were unaware of which goods qualified and were subjected to arbitrary decision making by Customs.  (Increased transparency, reduced cost, reduced time – 3)	On the basis of facts raised by the private sector, TIF recommended the Government develop such a list on the basis of standards and recommended practices of the revised Kyoto Convention.	The Government accepted the recommendations and adopted the Resolution “On Approving the List of Goods Temporarily Imported (Exported) With Full Conditional Exemption from Customs Duties and Taxes”.	The new regulation improves transparency and certainty for businesses as it clearly indicates which goods are subject to the exemption. Due to a reduction in the opportunity for arbitrary decision making by the government, opportunities for unofficial payments are also reduced and with clearly defined rules, interaction with Customs should be expedited.	<b>4/8</b>
14	<b>Bishkek – Illegal Standard from the Ministry of Health Mandating Adoption of Quality Management System (PP)</b>  Date: Apr 2005	On February 9, 2005, the Ministry of Health of the Kyrgyz Republic adopted “On Approval of Standard CTO 85 -07. 0009:2005”. The regulation imposed a mandatory quality management system, including training, storage, equipment usage and record-keeping requirements for 700 private facilities. The mandatory standard was overly broad and intrusive and was adopted in contradiction of the Law “On the Fundamentals of Technical Regulation” and the Law “On Normative Legal Acts”.  (Reduced time, reduced cost – 2)	It was recommended that the mandatory standard be eliminated and the necessary provisions be adopted as regulations following proper notice and comment procedures, allowing participation of the private sector to develop the least intrusive regulations possible given legitimate public interests.	In April 2005, the General Prosecutor’s Office submitted a protest with the recommendation. The Order of the Ministry of Health of April 18, 2005, # 148 canceled the mandatory nature of the standard.	Through the process the Ministry of Health increased knowledge of changes in the area of standards and the difference between standards and other forms of permissible regulations. It is expected that the Ministry will review the provisions and move forward following proper legal drafting provisions in consultation with the private sector. According to private operators, it is conservatively estimated that it would be necessary to hire additional specialists at earn	<b>10/10</b>

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					facility to comply with the requirements at a cost of between \$100 and \$200 per month per office Total savings is estimated at <b>\$840,000</b> .	
15	<b>Bishkek</b> – <i>Elimination of Branch Office Requirement for Customs Brokers (PP)</i>  Date: Apr 2005	For the issuance of a license for brokerage services, Customs initially required applicants to open physical offices in each oblast in which it intended to offer services. This requirement violated both the Customs Code and the Law “On Licensing” which prohibits regional licenses.  In that anticipated costs exceed approximate revenues under the requirement, it is likely that either brokerages would not have opened entirely, or would have limited operations to only certain areas of the country, thereby denying many businesses access to beneficial services.  (Reduced time, reduced cost – 2)	Through the Customs Consultative Council mechanism, TFI supported entrepreneurs’ recommendations that the requirement be eliminated.	Customs agreed with businesses to eliminate the requirement and have been issuing licenses since March 2005.	As a result of the elimination of the requirement, businesses can receive a brokerage license and service clients around the country without opening remote offices. To serve the entire country, businesses would have been required to complete lengthy administrative processes to acquire facilities, register offices, hire staff and being remote operations in up to 8 additional locations before being issued a license. The start-up time savings and money savings per broker per location is estimated at 4-5 months and approximately 4,000 Soms. Additionally, businesses would encounter recurring operating expenses at the additional facilities of approximately 11,500 Soms per month per location. With 27 brokerage licenses issued to date, assuming proper full-country coverage, total start-up savings is estimated at $27 \times 8 \times 4000 = 864,000$ Soms (\$21,600) and annual operational savings is estimated at $27 \times 8 \times 11500 \times 12 = 29,808,000$ (\$745,200).  Total impact is $21,600 + 745,200 =$	<b>13/13</b>

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					<b>\$766,800.</b>	
16	<b>Bishkek – Elimination of Duplicate Oversight and Inspection Body (PP)</b>  Date: Jan 2005	Under the order of the Head of Rayon State Administration of Pervomayskiy rayon, Bishkek City #135-p of October 20, 2004 a commission was formed to inspect and regulate activities of photographers / entrepreneurs at “Ala-Too” square. However, the procedures for inspecting business entities, as well as the list of government controlling bodies are regulated by the Regulation “On Procedures to Conduct Inspections of Business Entities by Government Controlling Bodies”.  (Reduced time, reduced cost – 2)	On the basis of complaints from entrepreneurs about redundant inspections of photographers by the Department for Entrepreneurship Support of the Bishkek Mayor’s Office, on December 25, 2004 a protest was filed with the Head of Rayon State Administration to eliminate the contradictory order.	On January 5, 2005 the illegal order was canceled and the redundant inspections eliminated.	Approximately 100 entrepreneurs work as photographers at “Ala-Too” Square. Each entrepreneur was subjected to inspections at least monthly requiring approximately 2 hours each event resulting in lost revenue of 100 Soms. By eliminating the inspecting body interference in business activities and redundant government oversight is eliminated, opportunities for unofficial payments are removed, and entrepreneurs recoup approximately 120,000 Soms ( <b>\$3,000</b> ) annually.	<b>7/12</b>
17	<b>Bishkek – Elimination of Illegal Licensing Requirements (PP)</b>  Date: May 2005	On January 12, 2004, through Prekaz #11, the Ministry of Health adopted additional requirements for licensing of medical practices in violation of legal drafting procedures, the Law “On Licensing”, and Resolution #260 from May 31, 2001, which prohibits the adopting of licensing requirements by individual ministry action. The additional requirements were adopted without required notice and including provisions related to “convenient premises”, client registers, and other training and supply demands.  (Reduced time, reduced cost – 2)	On the basis of conflicts with the indicated laws, it was recommended that a protest be filed recommending the elimination of the regulation.	Based on the protest, the Ministry of Health eliminated the additional licensing requirements.	Approximately 700 private clinics are licensed in the Kyrgyz Republic, with up to 250 licensed annually. According to entrepreneurs, the additional licensing requirements, including those requiring facility renovations, would cost an average of \$1000 per office. If appropriate, following review, the Ministry may introduce some regulations, but in a manner in the future consistent with drafting requirements and through the government. Additionally, business operations will no be delayed pending compliance with unnecessary requirements. Cost savings is estimated at 250 x \$1000 = <b>\$250,000</b> annually.	<b>8/9</b>



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18	<b>Bishkek</b> – <i>Elimination of Deposit Requirement for Providers of Ancillary Services (PP)</i>  Date: Apr 2005	To obtain a license to work in the area of ancillary services Customs required a security deposit in the amount of at least 10 thousand minimum salaries (about \$25 000). As this amount would place a significant burden on companies, it would prevent many potential service providers from entering the industry.  (Reduced cost – 1)	TFI recommended that Customs should accept proof of professional insurance rather than cash deposits to allow businesses to be licensed without excessive binding on capital.	An agreement was reached between Customs and the Ministry of Finance whereas proof of insurance satisfies licensing requirements.	The total savings to entrepreneurs will be a factor of the number of eventually licensed ancillary service providers.  As of April 2006, 39 businesses have benefited (27 brokers, 2 duty-free shops, and 10 warehouses). Impact is 39 x \$25,000 = <b>\$975,000.</b>	<b>13/13</b>
19	<b>Bishkek</b> – <i>Approval of 3rd Party Testing for Certification of Customs Clearance Specialists (PP)</i>  Date: May 2005	Customs clearance specialists provide essential services to traders in facilitating trade and assisting in the clearance process. Under the Customs Code, these specialists must be certificated. Private-sector training providers had conducted training and testing of over 100 specialists, but Customs refused to recognize the tests as valid, thereby preventing them from serving the sector.  (Increased business support / reduced barriers to entry – 1)	The issue was raised in the Customs Consultative Council and Customs initially refused to recognize the qualification. With the support of TFI, private-sector representatives of the training companies petitioned Customs to reverse their position.	As a result of the advocacy effort by the providers, Customs agreed to recognize the training and the test results, thereby allowing the specialists to be certified and begin providing services.	The impact to the 100 specialists is immediate in that they will be to practice their trade. For the trading and trading community the impact is greater because the specialists provide an essential support service and the recognition of 3 <sup>rd</sup> party results will empower the private-sector to provide similar services in the future. However, the exact monetary impact cannot be calculated.	<b>75/75</b>
20	<b>Jayil</b> – <i>Improvements to Rayon Legal Drafting Procedures</i>  Date: Feb 2005	The procedures for development of normative acts at the local level are not transparent and changes in national legislation are implemented incompletely, which considerably influences business activities. Drafts are not published and public comments usually not considered during the drafting phase, thus resulting in burdensome, contradictory, illegal or poorly developed regulations.  (Improved transparency – 1)	In October 2004 recommendations for amending Reglament of Jayil State Rayon Administration were submitted to the Akim of Jayil Rayon with USAID TFI assistance.	On February 24, 2005, the Akim of Jayil rayon approved the new procedures by Resolution of Akim # 99P. Implementation of the changes will reduce the number and increase the quality of normative acts adopted at the local level. This also will enable making qualitative decisions taking into account opinions of the business community, which as a whole will	Legal drafting procedures touch on interests of the whole society, including the business community. While the precise impact is difficult to measure, the improved procedures will allow for greater public participation and transparency and should reduce burdensome, illegal, contradictory and irrational regulations	<b>6/10</b>

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				positively affect realization of a normative act.		
21	<i>Uzgen – Transport Conscription Decree (PP)</i>  Date: Oct 2004	Decree #100, dated May 20, 2004, issued by the Head of Uzgen State Administration obligated local entrepreneurs to provide transport to the local military registration and enlistment offices.  (Reduced cost – 1)	On the basis of the working group recommendation the Prosecutor submitted a protest to eliminate decree # 100 due to its violation of Article 4 of the Law “On Entrepreneurs Rights Protection” and Point 6 Of the President Decree dated February 16, 2000, “On measures on perfection of state regulation of legal persons and individual entrepreneurs.	The Deputy Head of Uzgen State Administration signed repeal #203 dated September 29, 2004 thereby eliminating the regulation.	It is estimated that each conscription would cost approximately \$100 and would directly interfere with its ability to operation through the requisition of necessary equipment.	<b>5/5</b>
22	<i>Uzgen – Decree on Mandatory Contribution to Recreation (PP)</i>  Date: Oct 2004	Decree # 146 dated July 17, 2004 issued by the Head of Uzgen State Administration obligated the heads of the rural municipalities and entrepreneurs to pay into a fund to cover the operation expenses of local social facilities.  (Reduced cost – 1)	On the basis of the working group recommendation, the Prosecutor submitted protest #10-16Д-797-04 dated September 22, 2004, as it was in violation of Article 4 of the Law “On Entrepreneurs Rights Protection” and Point 6 Of the President Decree dated February 16, 2000, “On measures on perfection of state regulation of legal persons and individual entrepreneurs.	The Deputy Head of Uzgen state Administration signed the repeal #716 dated October 4, 2004 thereby eliminating the requirement.	Seven local private companies were impacted the range of contribution from \$20 to \$140.	<b>5/5</b>

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23	<i>Uzgen – Kyrgyz Republic / Uzbekistan Border Livestock Checkpoint (PP)</i>  Date: Oct 2004	Decree # 160 dated July 29, 2004, established special road checkpoints to supervise cross-border driving of cattle by farmers from Uzbekistan. Though Uzbek farmers already pass through the militia posts while crossing the Kyrgyz border, the decree established additional checkpoints, which created additional barriers for development of trade-economic relations between the two countries. These checkpoints are not included in the list of the approved government mobile posts. The establishment of mobile posts is the prerogative of the Government of the Kyrgyz Republic.  (Reduced cost, reduced time – 2)	After studying this Decree, the working group recommended it be eliminated as it was established in violation of national legislation, which sets out the list of allowed checkpoints. A protest was filed on September 22, 2004 # 10-16д-796-04 indicating that the Decree violated Government Resolution #609 dated September 15, 1998.	As a result, the head of Uzgen State Administration signed the repeal #716 dated October 04, 2004, eliminating the checkpoint.	According to businesses and the government, approximately 56,000 animals cross the border annually with average crossings of 1,000 animals each. According to farmers, for each crossing border agents typically seize 2 sheep (each trip, 4 total) with a value of 2,000 Soms each. Based on an estimated 56 2-way border crossings during the grazing season and estimated payments of 8000 Soms each, cattle drivers will save approximately 448,000 Soms ( <b>\$11,200</b> ) annually as a result of the removal of the checkpoints.	<b>4/5</b>
24	<i>Uzgen – Mandatory Contributions to Public Fund (PP)</i>  Date: Oct 2004	Decree #45 dated March 2, 2004, issued by the Head of Uzgen State Administration obliged all private and commercial enterprises to transfer one-day's total salary for all employees to the BMDSK Public Fund.  (Reduced cost – 1)	The working group declared that this Decree was not issued in compliance with national legislation and an official protest, dated September 22, 2004 # 10-16д-799-04, was filed. This Decree violated the Article 4 of the Law “On Entrepreneurs Rights Protection” and Point 6 Of the President Decree dated February 16, 2000, “On measures on perfection of state regulation of legal persons and individual entrepreneurs.	The head of Uzgen State Administration signed the repeal #753 dated October 15, 2004, eliminating the requirement.	In the area there are 561 registered businesses with an estimated 2,742 employees. The average daily salary is 50 Soms. Estimated payments requested totaled 137,000 Soms. Although some monies were collected before the repeal, based on discussions with entrepreneurs, it is estimated that 50% of collections or 68,500 Soms ( <b>\$1,713</b> ) were avoided.	<b>5/5</b>

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25	<i>Jalal-Abad – Improvements to Oblast Legal Drafting Procedures</i>  Date: Jan 2005	The procedures for development of normative acts at the local level are not transparent and changes in national legislation are implemented incompletely, which considerably influences business activities. Drafts are not published and public comments usually not considered during the drafting phase, thus resulting in burdensome, contradictory, illegal or poorly developed regulations.  (Improved transparency – 1)	Following the adoption of changes to the Oblast reglament in Osh in October, the Governor of Jalal-Abad Oblast agreed to implement similar changes in drafting procedures in Jalal-Abad Oblast with the assistance of USAID TFI.	On January 29, 2005, the Governor of Jalal-Abad Oblast approved the new procedures. Implementation of the changes will reduce the number and increase the quality of normative acts adopted at the local level. This also will enable making qualitative decisions taking into account opinions of the business community, which as a whole will positively affect realization of a normative act.	Legal drafting procedures touch on interests of the whole society, including the business community. While the precise impact is difficult to measure, the improved procedures will allow for greater public participation and transparency and should reduce burdensome, illegal, contradictory and irrational regulations	4/7
26	<i>Jalal-Abad – Elimination of Sales Requirements for Harvested Goods (PP)</i>  Date: Dec 2004	In 2004, the head of a village council in Jalal-Abad oblast issued a number of decrees requiring local growers to sell their product to the Jalal-Abad processing plant and to contribute an undefined percentage of their revenue from the sale to the village council fund. To date, 17 growers have been impacted by the decrees.  (Increased revenue / reduced cost – 1)	Per TFI's recommendation, the Prosecutor's Working Group of Jalal-Abad Oblast reviewed the decrees and determined that they were illegal. Several appeals were filed to eliminate the illegal decrees.	All of the illegal decrees involving the sale were eliminated and the growers are now able to sell to the buyer of their choice.	According to government figures, sales revenues are estimated at \$400 per grower, but are expected to increase this year due to both market forces and increased sales options. The required payments to the Council varied from grower to grower, but are estimated to average 4% of revenue.	N/A
27	<i>Osh - Regulation of Beekeeping Activities (PP)</i>  Date: Jul 2004	During the process of exploring the situation in the beekeeping sector in Osh oblast the following problems have been identified: 1) Illegal and unreasonable fees for placement of beehives. Each village council charges different fees for land usage – the amounts range from 20 to 2,000 Soms depending on the number of beehives 2) Veterinarian certificates were only available in Osh city requiring beekeepers to travel to Osh to get documents. 3) Illegal stops at the check-points by the road	Through a working group supported by USAID TFI recommendations were developed and submitted to the Department of Ag Development of Osh Oblast Administration. It was recommended to develop a plan for regulating placement of	Osh Oblast adopted the recommendation in Resolution #54 of July 16, 2004, "On Beekeeping", calling for a working group to develop a unified plan for land use and fees by beekeepers, and allowing the certification of local veterinarians in the oblast to issue the required documents, negating the	1000 entrepreneurs engaged in beekeeping in Osh Oblast or travel to the area to conduct business.  Beekeepers will save an average of 100 Soms and one day travel time by getting certificates locally.  The estimated annual savings for beekeepers is projected to be 1000 beekeepers x 100 Soms = 100,000 Soms (\$2,500)	14/14

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		<p>police &amp; ecological agencies. Frequent stops and harassment of beekeepers at the unauthorized checkpoints established illegally by the local councils and state administrations. Beekeepers are stopped an average of 6 – 9 times during transit and spend 20 to 30 minutes and pay 20 to 50 Soms.</p> <p>(Reduced cost, reduced time – 2)</p>	<p>beekeepers and to develop a stable fees for land usage by beekeepers, that local veterinarians be empowered to issue required certificates, and that mobile posts not mentioned in the Government Decree # 609 dated September 15, 1998 “On stationary check-points” be eliminated.</p>	<p>requirement of traveling to Osh city. The Decree will allow both Osh oblast beekeepers and Uzbek beekeepers to get a veterinary certificate from a veterinary department or from an authorized specialist located at the destination point while relocating their beehives. Beekeepers will no longer be subject to excessive stops and demands for payments.</p>	<p>The savings to entrepreneurs from avoidance of road payments is projected at up to 1000 x 6 x 50 = 300,000 Soms (\$7,500).</p> <p>Total impact is estimated at \$2,500 + \$7,500 = <b>\$10,000.</b></p>	
28	<p><i>Osh – Mayor’s Decree on Inspections (PP)</i></p> <p>Date: Jul 2004</p>	<p>The Osh Mayor’s Office issued a Decree # 97 dated February 05, 2004, on Inspections aimed at collection of forecasted volumes of fines in the Osh city. For 2004 the forecasted volume of fines was estimated to more than 6,000,000 Soms. The basis for issuing this Decree was the following procedure:</p> <ol style="list-style-type: none"> <li>1) The Ministry of Finance provides a forecast for the annual budget;</li> <li>2) Based on this budget the Osh Mayor’s Office develops a forecast of the local budget for the Osh City;</li> <li>3) Then this forecast of the Osh City Mayor’s Office is sent for the approval by the Osh City Deputy Council;</li> <li>4) This forecast includes volume of taxes and fines to be collected in the upcoming fiscal year;</li> <li>5) After the approval of this budget for each year the Osh City Mayor’s Office issues a separate Decree that would ensure collection of forecasted volumes of fines in the city.</li> </ol>	<p>After the studying this Decree the Working Group has declared that this Decree was not issued in compliance with the National legislation. The Decree was conveyed to the Osh City Prosecutor who then wrote the official Protest for Repeal of this Decree – the date of the Protest is May 24, 2004. This Decree violated the Article 614 of the Code of Administrative Responsibility “the fines imposed by the state bodies are transferred to the national budget”. Also, it was recommended</p>	<p>As a result the Mayor of Osh signed the repeal #744 dated July 15, 2004 of the Decree on Inspections.</p> <p>The Osh City Prosecutor’s Office has issued a Prescription to the Consumers’ Rights Protection Body to eliminate the violations of the President’s Decree on “Additional measures to protect entrepreneurs and regulating the work of controlling bodies” – the date and number of the Prescription #11-7a-461-09 is May 24, 2004.</p> <p>On July 13, 2004, based on this Prescription the first vice-mayor of Osh met with</p>	<p>The repeal of this Decree on Inspections will reduce the number of unjustified inspections conducted by the city departments. Further monitoring will be required to determine the impact of the repeal as inspections will still continue and it is likely unofficial targets will still be given.</p> <p>As a result of the elimination of inspections by the Consumers’ Rights Protection Body, businesses will save the 164,500 Soms (<b>\$4,000</b>) slated for collection by the body and not be subject to interference from this organization.</p>	<b>10/10</b>

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		<p>This Decree led to increased number of inspections conducted by the city departments to meet the targets.</p> <p>Also, the Consumers' Rights Protection Body was conducting duplicative inspections to reach a target of 164,500 Soms annually. Although according to the law the Consumers' Rights Protection Body is not authorized to conduct any inspections.</p> <p>(Reduced cost, reduced time, improved transparency – 3)</p>	that the inspection powers of the Consumer Rights Protection body be eliminated.	the Head of the Consumers' Rights Protection Body and ordered to stop conducting any inspections without their prior strong justification or complaints from consumers.		
29	<p><i>Osh – Customs Consultative Council Established (PP)</i></p> <p>Date: Jun 2004</p>	<p>Trade and cross-border business activity is very important to business development in the Ferghana Valley. Lack of knowledge regarding trade and transit regulations often results in decreased trade, increased costs, corruption and diminished business opportunities. Historically, businesses did not have access to Customs officials to raise issues impacting their businesses or gain increased understanding of trade and transit regulations directly from the regulators.</p> <p>(Improved transparency – 1)</p>	Based on the success of similar bodies in Kazakhstan and Bishkek, USAID TFI recommended the Customs Department establish a Consultative Council in Osh, under the management of local Customs officials to increase business participation in the regulatory process, increase transparency and increase responsiveness of government business concerns.	On June 28, 2004 the first Customs Consultative Council in the Ferghana Valley was established in Osh, Kyrgyz Republic.	The precise impact of the council will be driven by the issued raised and addressed through the forum. However, the creation of the council is a large step forward in increasing transparency and accountability of government and increased citizen participation in government activities.	<b>11/11</b>
30	<p><i>Osh – Improvements to Oblast Legal Drafting Procedures</i></p> <p>Date: Oct 2004</p>	<p>The procedures for development of normative acts at the local level are not transparent and changes in national legislation are implemented incompletely, which considerably influences business activities. Drafts are not published and public comments are usually not considered during the drafting</p>	Based on the Decree of the President of the Kyrgyz Republic “About the Concept of Deregulation” and changes in the Law on Normative Legal Acts,	On October 5, 2004, the Governor of Osh province approved the new procedures. Implementation of the changes will reduce the number and will increase the quality of	Legal drafting procedures touch on interests of the whole society, including the business community. While the precise impact is difficult to measure, the improved procedures will allow for greater public participation and	<b>10/10</b>

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		phase resulting in burdensome, contradictory, illegal or poorly developed regulations.  (Improved transparency – 1)	TFI offered a new edition of the procedures for creation of normative acts in Osh Oblast, which requires adherence to the legal drafting procedures, publication and obligatory public discussion prior to adoption.	normative acts adopted at the local level. This also will enable making qualitative decisions taking into account opinions of the business community, which as a whole will positively affect realization of a normative act. According to the 5 <sup>th</sup> Investment Matrix, the procedures adopted by the Osh state administration will serve as model for other state administrations in the country.	transparency and should reduce burdensome, illegal, contradictory and irrational regulations.	
31	<i>Osh, KG / Andijan, UZ – Cross Border Customs Clinics(PP)</i>  Date: Sep 2004	Since June 2002, law clinics operated by the Association of Young Lawyers of the South have been funded by grants from the Eurasia Foundation. According to the clinic staff, many people encounter problems involving excess duties being charged, and opportunities to take advantage of favorable customs codes are limited due to a lack of understanding of customs regulations.  (Reduced cost, reduced time – 2)	TFI provided materials and consultation to consultants working directly with clients regarding customs clearance procedures, permit requirements, custom agreements between KG and UZ, and changes in customs codes to ensure people crossing the border are properly informed and proper procedures are followed.	The legal clinics provide TFI- supplied customs information to their clients, which allows them to better take advantage of beneficial customs codes and arms them with information to contest requests for excess duties and unofficial payments. Based on the success of the existing legal clinics and encouragement from the Customs Council and TFI, an additional clinic was opened in the Batken Oblast in August.	On average, 600 people per month are assisted by the legal clinics on both sides of the border. The assistance provided prevents the payment of excess duties and reduces travel delays, and bribes resulting from people being uninformed. Also, the implementation of favorable regulations is improved thereby reducing unnecessary duties and encouraging cross border trade.	<b>14/14</b>
32	<i>Osh - Elimination of Civilians Mediators at Customs Posts (PP)</i>	Customs previously utilized private citizens as “facilitators” at check points to extract unofficial payments and facilitate the informal movement of goods. At “Dostuk” Customs Post the civilians performed cargo examinations of goods being transported and	The Customs Code prohibits the presence of civilians and other persons in the customs control area. USAID TFI recommended the	After being raised at the Customs Consultative Council in Osh the Osh Customs Office instructed officers on January 4, 2005, to prohibit the presence of	Daily, approximately 100 shuttle traders move through the Customs Post between Uzbekistan and the Kyrgyz Republic. On average, 20 Soms from collected from each shuttle trader. The total annual	<b>7/7</b>

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	Date: Jan 2005	promised intermediary services for preferential treatment.  (Reduced cost, improved transparency – 2)	practice be eliminated.	civilians as facilitators in Customs Control Zones and at Customs Posts.	savings from the eliminated interference and unofficial payment solicitation is estimated to be 730,000 Soms ( <b>\$18,250</b> ) annually. Additionally, government accountability is increased.	
33	<b>Osh</b> – <i>Elimination of Illegal Checkpoint near UZ border (PP)</i>  Date: Jan 2005	In May 2004, by the local Village council established a new permanent traffic checkpoint near the border with Uzbekistan. This checkpoint is not included in the list of approved government mobile posts. The post was delaying traffic as well as extracting fees during stops.  (Reduced time, reduced cost – 2)	The working group recommended the post be eliminated as it violated national legislation setting out the list of allowed posts.	A protest was filed on January 22, 2005, # 11-9P-23-05 indicating that the Decree violated Resolution #609 from September 15, 1998. As a result of the protest, the post was removed.	Approximately 100-120 motor and animal-drawn vehicles traveled through this checkpoint daily. According to citizens, all vehicles were stopped and required to pay 10-20 Soms. Total savings is estimated at 365,000 soms (\$9,125) monthly or <b>\$109,500</b> annually.	<b>5/6</b>
34	<b>Bishkek</b> – <i>Law on Enriched Flour (WTO)</i>  Date: Jan 2005	The Parliament passed and sent to the President the Law “On Enriched Flour”, which attempted to introduce non-compliance quantitative trade restrictions on the importation of non-enriched flour in violation of WTO rules and procedures.	By request of the President, the IRT and the Information and Analytical Group under the KR President’s Advisor for Trade and Economic Issues with TFI assistance prepared comments to this Law indicating that it violates WTO procedures and national treatment principle and should not be signed.	On the basis of the comments, the President did not sign the law, returned it to Parliament for further consideration in compliance with WTO. The President in objection suggested to the Parliament to exclude the article which bans import of non-enriched flour to the Kyrgyz Republic. The Law was subsequently defeated.	Defeat of the draft prevents the adoption of trade restrictive measures as well as increases understanding of WTO requirements.	<b>N/A</b>
35	<b>Bishkek</b> – <i>Inter-Ministerial Committee Action Plan Adopted (WTO)</i>  Date: Feb 2005	Although the Kyrgyz Republic is a member of the WTO, a number of regulations are not in compliance with WTO provisions.	The Inter-Ministerial Commission, with the support of USAID TFI, prepared an action plan identifying 6 normative legal acts with are remain inconsistent	In February, based on the recommendations of the IMC, the Government adopted the action plan presented and ordered indicated ministries and agencies to bring their	Adoption of the action plan helps focus government activities on areas for improvement with WTO agreements.	<b>11/11</b>



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			with WTO provisions, with specific recommendations to cancel the offending regulations, and submitted the action plan to the Government for approval.	regulations into compliance with the action plan within 1 month. The Government and USAID TFI will monitor compliance with the order.		
36	<b>Bishkek</b> – <i>Infrastructure for Implementation of the Law “On the Fundamentals of Technical Regulation” (WTO)</i>  Date: Apr 2005	To implement the Law “On the Fundamentals of Technical Regulation” and address technical barriers to trade required under WTO provisions, it is necessary to clearly define government bodies responsible in specific areas, eliminate state supervision from the duties of the authorized body, and resolve political disputes between competing government organizations.	Through the working group and the Commission on Technical Regulation, TFI assisted in the development of a Presidential Ukaz which resolved infrastructure issues, named MEDIT as the authorized body on technical regulations, eliminated state supervision provisions, and moved NISM under the government.	On April 30, 2005, President Bakiev signed the Ukaz, resolving infrastructure issues and allowing the working group to proceed with substantive issues regarding implementation of the law.	Adoption of the Ukaz is a further step toward elimination of unnecessary product regulations and improved services for businesses.	<b>10/10</b>
37	<b>Bishkek</b> – <i>Amendments to the Government Regulation on IMC under the Government of the KR on WTO issues (WTO)</i>  Date: Aug 2004	The business community was only allowed to participate in the Inter-Ministerial Commission as observers without the ability to vote in decision-making process. As a result the Government gave little weight to recommendations and opinions of the private sector on trade policy matters discussed.	TFI drafted and recommended to adopt amendments to the Government Regulation on the IMC under the Government of the KR on WTO issues providing private sector representatives with full member status. The direct involvement of the business community will further	With TFI assistance, the Government of the KR on September 11, 2004 (No. 677) adopted amendments to the Government Regulation on Inter-Ministerial Commission under the Government of the KR providing for full private-sector membership.	Inclusion of full private-sector participation helps build dialogue, understanding, and provide entrepreneurial influence to the process.	<b>11/11</b>

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			enhance the coordination work of the IMC as it strives to effectively form commercial policy, reduce barriers to trade, enhance WTO compliance and take full advantage of WTO membership.			
38	<i>Bishkek – Amendments to the Law “On Preventive Measures with Regard to Iodine Deficit Diseases” (WTO)</i>  Date: Oct 2004	The Parliament passed and sent to the President amendments to the Law “On Preventive Measures with regard to Iodine Deficit Diseases” which attempted to introduce non-compliance quantitative trade restrictions on the importation of non-iodinated salt in violation of WTO rules and procedures.	At the request of the President through the WTO Department, TFI prepared comments to this law indicating it violated WTO procedures and should not be adopted.	On the basis of the recommendations from the WTO Department, the President did not sign the law, but returned it to Parliament for further consideration in compliance with WTO. Parliamentarian excluded the provisions that established import quotas on technical salt. The Government’s Resolution of October 30, 2004 approved the draft law that excluded introduction of measures restricting importation of non-iodinated salt to the Kyrgyz Republic. Amendments to the Law were accepted on July, 25 2005 with TFI recommendations.	Defeat of the draft prevents the adoption of trade restrictive measures as well as increases understanding of WTO requirements.	N/A

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1	<p><b>Bishkek – Elimination of Kenesh Resolution Allowing Land Seizures</b></p> <p>Date: Sep 2005</p>	<p>On July 12, 2005, the Bishkek Kenesh adopted the Regulation “On the Procedure for Breaking Tumbledown Non-aseismic Constructions in the Central Part of the City of Bishkek when Seizing (redeeming) Land Plots for the State, Municipal and Public Needs” and sent it to the city Justice Department for registration. In early August, GorJust contacted the TFI Project and asked for comments to the Regulation. The regulation would have empowered the Kenesh to seize land, including occupied buildings, and as motivated by the interests of some to take certain lands for what would have ultimately been private benefit. Under the law, the government can adopt procedures related to land confiscation, but the attempt by the city Kenesh to both adopt procedures and vest themselves with the power was clearly improper.</p> <p>(Prevention of interference in property rights – 1)</p>	<p>To respond to the request, TFI enlisted the assistance of Urban Institute, and together conducted and analysis and submitted recommendation regarding the illegality of the regulation. The regulation was motivated by the interests of a small group of people and was in direct violation of the land code.</p>	<p>Based on the joint recommendations submitted, in September, GorJust rejected the regulation and returned it to the Kenesh.</p>	<p>Private property rights are the centerpiece of a market economy. Particularly in the KR, affirmation of property rights is essential to move past endemic corruption and constant interference in business activities. The rejection of this regulation is a step in that direction. However, it is not possible to estimate the exact economic impact.</p>	<p><b>7/10</b></p>
2	<p><b>Jalal-Abad – Order creating commission to increase inspections (PP)</b></p> <p>Melis</p> <p>Date: June 2005</p>	<p>Following on the creation of an investigative group at the national level, the Jalal-Abad Governor signed an order on May 24, 2005 (#86-6) to create a redundant commission to carry out additional inspections verifying that all taxes and customs duties are collected from specific gas and oil companies with representing over 60% of the retail market through over 25 outlets in Jalal-Abad. In addition, TFI was notified that a verbal order was given by the Head of Customs in Jalal-Abad to closely scrutinize the raw material imports of certain companies. However, the local order is not in compliance with the national law and could lead to an increase in the number of unjustified inspections for the aforementioned companies and other importers</p>	<p>Following creation of the working group, its first action was a review of recent regulations and the commission was revealed. The Prosecutor’s office of Jalal-Abad wrote an official protest (# 11/5-665-05) dated June 9, 2005 to have the local order repealed.</p>	<p>As a result of the Prosecutor’s protest, the Jalal-Abad Governor signed decree #3-5/845 on August 10, 2005, which eliminated the order and the commission directing additional local inspections.</p>	<p>The affected companies are large businesses in the Kyrgyz Republic. When their operations are interrupted by unnecessary inspections, the companies incur losses as a result. During branch office inspections, all retail outlet operations are halted, resulting in supply problems to the public. In addition, it is the high season for fuel suppliers and cotton processors, so events impacting the supply of fuel will have direct impact on other local businesses in the agricultural sector. For example, on the average a gas station sells 7,000 liters of gas per</p>	<p><b>8/10</b></p>

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		as well.  <i>(Reduced cost, reduced time – 2)</i>			day at 18 Soms/liter = 126,000 Soms worth of gas. If fuel suppliers' operations are disrupted and they cannot deliver fuel to 25 gas stations in the Jalal-Abad area, the impact could be significant. Inspections could be expected to disrupt sales for up to 7 days resulting in costs of \$22,050 monthly or <b>\$264,600</b> annually.	
3	<b>Jalal-Abad – Road Checkpoint to Prevent Exportation of Goods (PP)</b>  Date: Jul 2005	To prevent the exportation of walnut trees and burls popular in furniture making via sales in bazaars in Kurgan and Suzak regions, the Jalal-Abad Oblast Administration enacted Decree #127-B on June 17, 2005, which established 4 temporary and permanent checkpoints on the main roadways in Jalal-Abad Oblast.  <i>(Reduced cost, reduced time – 2)</i>	Although special permission is required to harvest/sell walnut trees, the decree created an excessive restriction on travel and trade activities and was illegal since only the national government can establish new road checkpoints and these checkpoints were not included into the list of nationally approved checkpoints. Following complaints from the private-sector, the Prosecutor of Jalal-Abad issued an official protest (#11/9-877-05) on July 22, 2005 recommending the elimination of the checkpoints.	The protest was accepted and the Governor issued decree #196-B on August 18, 2005 to eliminate the restrictions.	Up to 150 vehicles, including 120 commercial trucks, were estimated to cross the checkpoint areas daily and according to reports, approximately 60% (72) of the trucks were searched. During the search, drivers reportedly paid an average of 20 Soms in unofficial fees, resulting in an average savings of $72 \times 20 \times 365 = 525,600$ Soms (\$13,140) monthly or <b>\$157,600</b> annually.  In addition, each vehicle subjected to a search at the checkpoint experienced an average delay of approximately 10 minutes, elimination of which resulted in a time savings of $72 \times 10 \times 365 = 262,800$ minutes (4,380 hours).	<b>8/8</b>
4	<b>Talas – Business Registration</b>	Based on complaints from local businesses, it was found that local villages in Talas Oblast were requiring small and medium enterprises	Following review by the working group, it was recommended to	In compliance with the protest, the offending resolutions were repealed,	Annually, according to local government sources, approximately 200 businesses	<b>8/10</b>

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	(PP)  Date: Sept 2005	as well as collective farms to perform redundant registration at the village level. In September, legal review revealed 11 resolutions in the Oblast requiring registration costing approximately 200 Soms per event and an extra day for processing. The requirement violates regulations on registration of businesses and collective farms.  (Reduced cost, reduced time – 2)	eliminate the requirements and protest № 11 – 5/Д – 05 of September 27, 2005 was filed.	eliminating the requirements.	register in the area annually. The total savings is expected to be 40,000 Soms (200 Soms x 200 registrations) and 200 days of additional operations with an average revenue of \$20 per day for total potential new revenue of <b>\$4,000</b> annually.	
5	<b>Issyk-Kul - Tourist Toll Fees (PP)</b>  Date: Aug 2005	Pursuant to Order # 9 of January 17, 2001 “Kyrgyzaltyn” JSC placed a toll bar near Enilchek river and levied fees for all vehicles crossing the bridge. Up to 300 tourist and private vehicles transit the site monthly, including traveling to Khan Tengri Peak. As a result tourism operators and individual drivers were charged unnecessary fees and interference in their travel.  (Reduced cost, reduced time – 2)	Based on complaints from private sector counterparts, the Prosecutor’s Office Working Group of Issyk-Kul Oblast recommended the Prosecutor’s Office of Karakol City to submit a formal protest and recommend repealing this Order.	On August 24, 2005, the Prosecutor’s Office of Karakol City submitted the protest #115. According to Order #59 of September 5, 2005 “Kyrgyzaltyn” JSC repealed the illegal order eliminating the toll site.	On average, travelers reported being required to pay 50 Soms at the site. Eliminating the site is expected to result in a savings to tourism companies and travelers of 180,000 Soms ( <b>\$4,500</b> ) annually (50 Soms x 300 travelers x 12).	<b>9/10</b>
6	<b>Issyk-Kul – State Park Fees(PP)</b>  Date: Jul 2005	On March 6, 2002, Ak-sui rayon state administration introduced charges for visiting the national park in Issyk Kul Oblast. Law requires that all fees agreed with other parties, including the antimonopoly body and State Forestry Service before levied.  (Reduced cost, reduced time – 2)	Based on a review of current legal base, the Prosecutor’s Office Working Group of Issyk-Kul identified the resolution and following analysis recommended the order be eliminated in order № 11/1 -93 / 05 of June 24, 2005.	Based on the protest, the state administration agreed to repeal the order. (Order # 79 of July 27, 2005). While it would be anticipated fees may be assessed in the future, it in expected proper procedures will be followed.	According to the local government, approximately 20 vehicles enter the park daily. While it is expected fees may be imposed in the future, resulting in little costs savings, if any, the attention focused on government procedures for the adoption of fees and requirements of following those procedures will increase transparency and accountability in the future.	<b>8/10</b>
7	<b>Osh – Decree on Mandatory Cultural Event</b>	On July 27, 2005, Osh City adopted Resolution #110 to introduce new fees to be assessed on all businesses playing music and for	Based on complaints from businesses, it was identified that the	Based on the protest, the Head of Osh City Council signed decree #02-1/224 on	Through organizers of cultural events will benefit also, the primary beneficiaries are local	<b>8/9</b>

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	<i>Fees (PP)</i>  Date: Nov 2005	organizations sponsoring cultural events. The resolution required all cafes that play music to pay a monthly fee of 300 Soms. Organizers of cultural events were required to pay 200 Soms for events as well as fees for hanging posters (1.5 Soms/day/poster) and banners (500 Soms/month).  (Reduced cost, reduced time – 2)	resolution violated laws protecting entrepreneurs' rights. On August 18, 2005, the Osh working group filed protest #11-7D-87301 to have the decree eliminated.	November 4, 2005 which eliminated the resolution.	cafes. According to the local government, there are approximately 175 cafes that play music in Osh.  Total annual savings is expected to be $175 \times 300 \times 12 = 630,000$ Soms ( <b>\$15,750</b> ).	
8	<i>Osh - Fees for Architecture services (PP)</i>  Date: Sept 2005	On November 12, 2004, Osh Architecture Department unilaterally issued the Regulation "On Introduction of New Fees for Services Rendered by the Architecture Department". According to the Regulation, fees for each land applicant increased to 1557 Soms from 1116 Soms and fees for construction and site development permits increased to 1862 Soms from 1363soms. The Resolution was adopted without government agreement and in violations of proper procedures.  (Reduced cost – 1)	Based on the analysis of the working group, protest #11-7Д997-05 on September 22, 2005 was filed recommending the elimination of the Resolution.	The protest was accepted and the government issued decree #1311/01-7 to eliminate the Resolution.	According to information from the government, approximately 325 applications are approved annually. Due to an elimination of the higher fees, average savings per application is expected to be 470 Soms.  Therefore, total annual savings are expected to be $325 \times 470 = 152,750$ Soms ( <b>\$3,818</b> ).	<b>9/10</b>
9	<i>Bishkek – Rejection of licensing and uniform taxi requirements</i>  Date: Dec 2005	The Bishkek Passenger Transportation Agency operating out of the Bishkek Mayor's Office developed a draft Resolution requiring all taxis operating in Bishkek to be a uniform color, install new taximeters and be subject to additional certification requirements. These requirements would have imposed large costs on private taxi drivers and driven many out of the business.	The Justice Department of Bishkek City requested that TFI review it and make comments and recommendations. In doing so, TFI, working with entrepreneurs in the industry, found that taxi services were already regulated within the current legislation, such as licensing of drivers and mandatory vehicle	In the end, the Resolution was not passed as originally intended, much to the relief of the Bishkek taxi drivers. Also, as a result of TFI's involvement, the Bishkek Justice Department and taxi drivers agreed to jointly oppose the future introduction of mandatory accreditation or certification of transportation services, in addition to those already in force, without a strong justification of their	There are approximately 600 dedicated taxis in Bishkek. To repaint the cars would cost businesses a total of <b>\$300,000 (600 x \$500)</b> . Additionally, getting necessary certificates would impose additional official and unofficial costs. Finally, fees assessed to build taxi stands would impose additional costs on businesses.	<b>10/10</b>

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			inspections for all vehicles, and that introducing the new Resolution would only create unnecessary and costly burdens for taxi operators, not to mention consumers, without serving a public need. In fact, the Mayor's Office failed to identify the particular problem(s) the resolution was intended to solve.	necessity.		
10	<b>Bishkek</b> – <i>List of products subject to mandatory certification and new procedures on mandatory conformity assessment (WTO)</i>  Date: Jan 2006	List of products subject to mandatory certification used to cover around 70% of all products to be assessed. It included about 5556 positions and gave very general names of products, so neither entrepreneurs nor state agencies knew how many products should be certified in reality. For the most part, the mandatory assessment of conformity of products was introduced without taking into consideration the extent of risk of potential danger and contained regulated requirements for form, fit and function.  Conformity assessment procedures applied in violation of the requirements of the new law “On the Fundamentals of Technical Regulation”. They were duplicative, complicated and non transparent. Alongside with certification there are other compulsory procedures of conformity assessment to mandatory state requirements, such as the hygienic conclusions, veterinary certificates,	TFI recommended : - to take the existing list and eliminate all products and product groups that do not have a “legitimate objective” as defined by the TBT agreement and provisions of the Kyrgyz Law “On the fundamentals of technical regulating in Kyrgyz Republic”; - to determine what products should be subject to technical regulations based on 10-digit HS codes; - to redraft the procedures for certification from a business perspective.	The Government of Kyrgyz Republic approved new List of products and new procedures by passing the Resolution # 639 dated December 30, 2005.  The list is formed only on safety prospective and represented a radical reduction from the old list. It includes only those products that have a proven effect on public health, safety or the environment and to applying the least restrictive protective measures possible. This allows for a significant reduction in the scope of regulation of products and processes in the Kyrgyz	The list of goods, by 10 digit code, was cut from approximately 5,556 to 2,089. Based on scarce data from the government, it is estimated at annually this change will eliminate the need for over 2,000 certificates covering over 2,000,000 individual products in the marketplace. Based on information provided by counterparts, it is estimated that the average cost of a certificate is 3,500 Soms for the official fee, and 1,200 Soms for unofficial payments. In addition to providing greater certainty, the economic impact of the new list is estimated to be $2000 \times 4,700 = 9,400,000 / 40 = \$235,000$ annually. Additionally, as up to 5 days are required for issuance of a certificate, up to 10,000 regulatory	<b>10/10</b>

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		phytosanitary certificates, technical examination and expertise, and others.	Quality requirements related to form, fit and function that do not have an impact on public health, safety and the environment should be considered voluntary.	<p>Republic and will have an immediate and positive impact on businesses by reducing their compliance costs.</p> <p>New procedures regulate how goods are certified and set up rules for the acceptance of certificates and marks of conformity from certification bodies outside Kyrgyz Republic. They eliminated duplication of conformity assessments provided by different government agencies and regulate products focusing on health, safety and environmental requirements. The new procedures streamline certification and eliminate the need to regulate product quality.</p>	days will be saved. Assuming a daily savings of \$30 per day, monetized times savings = 10,000 x 30 = \$300,000. Total savings is \$235,000 + \$300,000 = <b>\$535,000</b> . Since inspections will no longer cover the free goods, inspection fines, bribes and time will also be saved.	
11	<i>Bishkek – Import of goods subject to mandatory conformity assessment (WTO)</i>  Date: Jan 2006	There was no specific regulation on importing procedures in Kyrgyz Republic. Importing procedures used to be burdensome, complicated and non transparent. Customs officers arbitrarily interpreted what goods should be assessed and set up their own procedures for importing. For example, customs officers requested redundant documents for types of goods having overseas certificate of conformance and tests results. Actually the measures undertaken by the customs did not provide the safety of goods.	<p>TFI recommendations were:</p> <ul style="list-style-type: none"> <li>- Products are not in the list should be imported without any certificates and testing results.</li> <li>- To develop unified procedures on importing products subject to mandatory certification.</li> <li>- Do not allow</li> </ul>	Resolution stipulates that only products in the list shall be assessed. The rest shall be imported without any document of conformity assessment. Customs and certification bodies shall work according to unified procedures. They are not eligible to develop their own additional procedures and rules.	Provisions of Regulations touch upon interests of all businesses including traders, manufacturers, conformity assessment bodies, testing laboratories. The implementation of Resolution will reduce customs clearance terms; time and costs for all stakeholders.	<b>N/A</b>



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		Moreover customs required certificate of conformance not only for import but also for export that eventually created great trade barriers for Kyrgyz businesses.	unjustified and redundant requirements set by conformity assessment bodies and customs. - Customs is not eligible to demand certificate of conformance for export. - Products with CE mark should not be subject to mandatory certification and testing.	Customs do not longer have right to demand any certificate of conformance for export. Certificate of conformance is not required for products marked with CE. The Resolution will come into effect in three months after promulgation. It will allow business be prepared for new rules. Customs and conformity assessment bodies shall bring their documents into compliance with new Resolution. These procedures do not require re-testing, re-certification or additional costs that are not consistent with the law and the TBT/SPS agreements.		
12	<b>Bishkek</b> – <i>Recognition of conformity assessment results getting outside the Kyrgyz Republic (WTO)</i>  Date: Jan 2006	Although there was Regulation on recognition of conformity assessment results # 242 of 2002, procedures on recognition created administrative and trade barriers and placed a burden on business. This burden required business to have products re-tested or re-certified even though they have already been tested or certified in another economy. This substantially increased costs for business to enter the market. There was policy for acceptance of certificates of compliance covered under a multilateral agreement mainly between the CIS countries.	The main suggestion from TFI was “that countries shall ensure whenever possible that results of conformity assessment procedures including test reports, certificates and marks of conformity, in other countries are accepted”. Almost all of TFI recommendations were accepted by the members of the working group and the	The main attractive items of the regulation are: prohibition of unjustified requirements and testing of conformity assessment bodies and state agencies; reducing up to the minimum terms and costs of recognition for business; results of conformity assessment procedures getting from countries who are the parts of bilateral and multilateral agreements are accepted without any re-	One of the main difficulties businesses face is costly multiple testing or certification of products. As soon as the regulation is implemented the costs of businesses will be drastically reduced if a product could be tested once and the testing results be accepted in all markets.	N/A

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			final draft was sent for the Government consideration.	certification and re-testing in Kyrgyz Republic; Kyrgyz Republic manifests recognition of the results of conformity assessment from the number of countries: Iran, Turkey, Slovak Republic and products with CE mark shall not be assessed		
13	<b>Bishkek – New Reglament of the Government</b>  Date: Jan 2006	The Kyrgyz Government had not articulated a specific time for comment in the law, or implemented the law through secondary regulations at the Government level. Therefore, as a practical matter, the Government had to choose between following its internal regulations or the law when it came to the adoption of regulations. The common approach was to follow internal regulations and forego publication of drafts. Not only did the inconsistency exacerbate disregard for the rule of law, any benefits which inure from publication and comment were denied to the citizenry.	In October 2005, a working group was created to draft the new Reglament. Working closely with Government counterparts, TFI recommended provisions from the Law be included, and also that draft regulations be published for comment for 60 days, correcting an omission in the Law itself. Further, it was recommended that central website be used for all drafts so interested parties have a common source to search for information rather than relying on individual government bodies to post draft materials.	In January 2006, the Reglament was adopted, with TFI's recommendations by Resolution #1 of January 4, 2006 of the Government of the KR.	Regulations and drafting procedures touch upon interests of the entire business community of the Kyrgyz Republic. According to statistical data, 524.4 thousand businesses and 159 thousand private entrepreneurs operate in the Kyrgyz Republic (as of October 1, 2005). Introduction of the 60-day period for publication of draft regulations allows entrepreneurs to respond in due time to new normative acts and makes it possible to comply or correct regulations that impacts them with reduced time and costs.	<b>10/10</b>

Kyrgyz Republic						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
14	<p><b>Bishkek -</b> <i>Improvement of procedures for obtaining permits for placement of temporary facilities in Bishkek City</i></p> <p>Date: Jan 2006</p>	<p>The Mayor's Office of Bishkek city has not fully implemented provisions of Article 29, KR Land Code stipulating allocation of land plots in rural settlements under biddings procedures.</p> <p>The procedures for allocation of land plots for limited (temporary) use were carried out without biddings, non-transparently; businesses incurred unjustified financial costs (bribes) in the process of obtaining land plots so that to place temporary light-weighted facilities (pavilions, kiosks, summer grounds). The period for allocation of land plots varies from six months to one year. A businessman has to undergo complicated and costly mechanisms to prolong the term of lease of the land plot after expiration of that period.</p>	<p>TFI Project made the review and identified that the draft provides for a provision to cancel a leasing contract by the Mayor's Office on a unilateral basis. It was recommended amending the draft and stipulating that cancellation of leasing contract for a land plot is carried out under court proceedings.</p> <p>The Project "Land Market Development in the Kyrgyz Republic" has also supported TFI Project's recommendations, which were sent to the Justice Department of Bishkek City.</p> <p>The Justice Department of Bishkek City has fully supported USAID Project's recommendations.</p>	<p>In December 2005, Bishkek City Kenesh has adopted the Resolution "On Procedure for Granting Rights for Placing Temporary Light-weighted Facilities in Bishkek City" following the TFI recommendations.</p> <p>In January 2006 the given Resolution was registered by the Justice Department of Bishkek City and enacted.</p>	<p>The given resolution touches upon interests of businessmen of Bishkek City installing light-weight facilities. According to the data from the Mayor's Office of Bishkek City, over 300 summer cafe and 3000 pavilions and kiosks operate in the territory of Bishkek City.</p> <p>To get permit for placing a temporary facility, \$50 was required. Also, entrepreneurs reports average unofficial payments of \$130 for pavilions or small kiosks for the architecture office, state rayon administration, public unions of citizens, Mayor's Office, etc. The amount of an unofficial payment for a summer cafe was reported as averaging \$600.</p> <p>To install a summer cafe businessmen have to pay 300 x \$600= \$180,000 unofficially, and to install pavilions and kiosks would cost 3000 x \$130=\$390,000. The amount of unofficial payments totaled \$570,000 (\$180,000+\$390,000).</p> <p>Upon introduction of the new procedures, businessmen will not incur additional costs in the form of unofficial payments and save</p>	10/13

Kyrgyz Republic						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
					approximately <b>\$570,000 annually</b> .	
15	<b>Jalal-Abad</b> – <i>On limitation of business hours of private trade and services shops (PP)</i>  Date: Dec 2005	Order No 1 by Kurmanbek Agricultural Council of Suzak rayon, of January 12, 2004, established working hours for the mentioned shops from 9 am to 6 pm. This restricted businesses' work.	Based on analysis and examination of normative legal acts received by Prosecutor's Office of Jalal-Abad oblast, it was found out that the Order is interference with activities carried out by businesses and this contradicts legislation.	As a result, on September 9, 2005 the Prosecutor's Office of Jalal-Abad oblast prepared Protest No 11/9-248-05 to the Kurmanbek Agricultural Council. In October the Protest was satisfied by the Council and this Order was cancelled.	There are about 10 trade shops and 3 billiard rooms in the territory of the Kurmanbek Agricultural Council. Peak of trade and services started after 6 pm. Due to this, each business lost about \$20 in average per week. It is 13 x \$20 x 4 x 12 months = <b>\$12,480</b> annually.	<b>5/5</b>
16	<b>Bishkek</b> - <i>Legalization of Light Industry (PP)</i>  Date: Dec 2005	Russian customs officers regularly used the low official production volumes as an excuse to refuse duty-free importation of Kyrgyz manufactured goods into Russia. Being part of the shadow economy was causing problems for Kyrgyz manufacturers when they tried to export their goods to Russia and was leaving them susceptible to constant domestic harassment and collection of illegal fees by a number of inspecting agencies, such as the Tax Inspectorate and Social Fund.	TFI recommended that "LegProm" involve the highest Kyrgyz authorities in resolving the Russian import issues as Kyrgyz exporters' rights were being violated. Ministry of Industry, Trade and Tourism (MITT) with TFI's consultation drafted a Resolution to allow companies engaged in light industry to qualify for a presumptive tax (patent) within the framework of current Kyrgyz tax legislation.	As a result, the KR Government held negotiations with the Ministry of Economic Development and Industry of the Russian Federation and the Director of the Russian Federal Customs Service to officially confirm that the exported items were in fact made in the Kyrgyz Republic and were subject to duty-free import into Russia. As a result, after a 2-month delay clothing exports to Russia resumed duty-free. The Resolution # 615 was adopted by the Kyrgyz Government December 23, 2005 and the availability of the patent for tax purposes was made available to light industry, greatly	According to Ministry of Industry Trade and Tourism due to legalization of the industry the volumes of export will reach \$150 million in 2006.  An estimated 50,000 employees will pay a 150 Soms patent fee and a 38 Soms social insurance fee, contributing 7.5 million and 22.8 million Soms annually to the national budget.  Total impact is estimated at 7.5 million. Soms + 22.8 million Soms = 30.3 million. Soms ( <b>\$757,500</b> ).	<b>10/10</b>

Kyrgyz Republic						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				simplifying tax compliance, creating transparency and, effectively, legalizing the industry		
17	<b>Bishkek - Simplification of the procedure for getting permits for outdoor advertisement in Bishkek City</b>  Date: Apr 2006	The issuance of permits for placing outdoor advertisement in Bishkek City was complicated and unclear. Since procedures for permits issuing were set forth by various normative acts of the Mayor's Office, architecture bodies and "Ugut" Advertising and Information Agency the functions of these bodies were duplicated. To get a permit a businessman has to wait about 3 months. In violation of the Law "On Advertisement" the permits were given for all types of images; if an image is changed the new permit will be required.	The TFI Project in order to regulate the procedure for issuing permits for outdoor advertisement recommended the development of a uniform Regulation on Issuance of Permits for Placing the Outdoor Advertisement. The Working Group to draft this Regulation was established, involving TFI experts.	Under Mayor's Office Resolution in Bishkek City of March 10, 2006, No. 182 the Regulation on Procedure for Issuance of Permits for Placing Outdoor Advertisement in Bishkek City was approved. The Regulation sets forth a clear procedure for permits issuing, thus eliminating the duplicative functions of authorized bodies. The Regulation also removes violation of the Law On Advertisement. There is no need for a businessman to get permit if an image is changed. The permit should be given within 3 working days. The Regulation of the Mayor's Office was registered in the Bishkek Justice Department on April 11, 2006 (No. 07-1-06).	About 3000 advertising constructions are located in Bishkek City, with 960 permits issued in 2005. To get a permit a businessman spent 3 months and paid 65 USD. The new rates for permits are not approved yet, but businesses are expected to experience at least 50% cost savings through a streamlined process, reduced fees and reduced redundancy. As a result, impact is estimated at $960 \times \$30 = \$28,800$ annually.	<b>10/11</b>
18	<b>Bishkek - Acquiring Land Plots and Permits for Construction Under "One-Stop" Principle</b>	The Bishkek Mayor's Office has drafted and adopted the Resolution On Regulating Procedure for Granting the Right for Land Plots, Registration of Permits and Putting the Units into Operation under "One-Stop" Principle of April 11, 2006, No. 277. The Resolution approved seven schemes for	TFI Project as proposed by the Justice Department of Bishkek City has reviewed the Resolution. As a result, it was recommended not to	The Justice Department of Bishkek City rejected the registration of the Resolution and sent back for finalizing.	If the Resolution of the Mayor's Office had been registered, it would result in additional financial costs and time spent by the private sector during the complicated process of acquiring permits.	<b>N/A</b>

Kyrgyz Republic						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	Date: Apr 2006	issuance of permits, related to acquiring land plots and performance of construction works. Several procedures have complicated the procedure for acquiring permits. The procedures for allocation of land plots and permits for construction works were included into one procedure. New permits were envisaged which contradict Resolution of the KR Government of February 5, 2004, No. 57.	register the Mayor's Office Resolution and give back for review.			
19	<b>Bishkek -</b> <i>New draft laws "On Restriction of Smoking" and "On Protection of Citizens of the Kyrgyz Republic from Harmful Impact of Tobacco" (WTO)</i> Date: Apr 2006	Draft laws "On Restriction of Smoking" and "On Protection of Citizens of the Kyrgyz Republic from Harmful Impact of Tobacco" were developed by the deputies of the Kyrgyz Parliament. The goal of the both drafts is to develop complex actions to protect health by restricting smoking in the Kyrgyz Republic. The proposed restrictions would negatively impact farmers and producers and create technical barriers to trade as the draft was not developed in compliance with the TBT Agreement and the Kyrgyz Law "On the Fundamentals of Technical Regulation in the Kyrgyz Republic".	Upon request of the Ministry of Industry, Trade and Tourism (MITT), TFI examined the draft laws "On Restriction of Smoking" and "On Protection of Citizens of the Kyrgyz Republic from Harmful Impact of Tobacco". TFI recommended to redraft the laws according to the rules for technical regulations stipulated by the Law and to involve stakeholders in the development process.	The MITT took TFI recommendations as the basis for arguing with the Parliament of the Kyrgyz Republic. The MITT presented arguments at the Round Table held on April 19, 2006.	While the subject matter of the drafts is an appropriate area for regulation, the process by which restrictive laws are developed must be in accordance with established procedures and in consideration of international commitments. Raising the issues increased knowledge of stakeholders of the appropriate process and prevented non-conforming laws and regulations from being developed, adopted and enforced.	N/A
20	<b>Bishkek –</b> <i>Support to the Trade Policy Review of the KR (WTO)</i> Date: Apr 2006	According to the WTO procedures, developing WTO Members make an analysis of their trade policy once 6 years. The Kyrgyz Republic, being a WTO Member since 1998, will prepare a Report on Trade Policy Review. Preparation of the Government Report and the meeting of requests of the WTO Secretariat will require big efforts on the part of the WTO Department	TFI should assist the WTO Department and expert's group of the IMC to respond on WTO Questionnaire on TPR, draft Secretariat Report (chapter II and III).	The WTO TPR Questionnaire and draft Chapter II of the Secretariat Report have been prepared and sent to the WTO Secretariat.  State agencies with TFI	The TPR allows the WTO: (1) to find out how the Kyrgyz Republic is following the disciplines of , and the commitments made under, the multilateral agreements (and, where applicable, under the plurilateral Agreements); (2) to provide greater transparency and	N/A

Kyrgyz Republic						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		and IMC under the Government on WTO Issues. As this is for the first time when the trade policy review of the Kyrgyz Republic takes place, TFI's assistance is needed and requested.	The TFI performs the following work: 1) gathering and compiling information; 2) double checking accuracy and completeness of the answers prepared by the state agencies; 3) providing translation of the final version.	assistance are completing draft Chapter III of the Secretariat's Report.	understanding of the trade policy and practice of the Kyrgyz Republic.	
21	<b>Bishkek - Law of the KR On Customs Tariff of the KR (WTO)</b>  Date: Mar 2006	The Law On Customs Tariff of the KR on Imported Goods adopted every year was inconvenient. The Jogorku Kenesh reconsidered the law, including import customs duty rates on all tariff lines, every year, often adopting the new rates after the first of the year, and needlessly consuming legislative time. The Government could not independently change import duty rates as they had to be adopted by the JK. The law was also not clear on tariff preferences and it did not provide for the "direct purchase and direct supply" rule.	Develop one long-term comprehensive law On Customs Tariff of the KR to exclude all the deficiencies that existed in the previous laws. Give the Government a power to change customs duty rates independently with just notifying JK of this.	The new Law of the KR On Customs Tariff of the KR was adopted on March 29, 2006 (No 81).	The law is comprehensive by including clear rules on applying the Customs Tariff. The Customs Tariff is now stable and will change only as needed once a year. If there is a change of a rate with regard to a tariff heading, businesses will be able to anticipate changes quickly reference rates.	<b>5/9</b>
22	<b>Osh – Increase in franchise cost for passenger transportations (PP)</b>  Date: Mar 2006	The Agency for Passenger Transport of Osh City is a structural unit of the Osh Mayor's Office and should be funded from the state budget. However, the Resolution of the Osh Mayor's Office No. 47 of January 9, 2004 p. 2 set forth that starting January 1, 2004 the funding of the Agency shall be performed out of the funds received from the allocation of routes based on franchise, thus illegally. The given provision resulted in an increase in franchise cost.	Following the complaints of passenger carriers the given issue was discussed within the Prosecutor's Office Working Group. The TFI reviewed the legislation and Resolution of the GKR of No. 637, October 26, 2000. The Mayor's Resolution contradicted	Based on discussion and analysis performed the Prosecutor's Office of Osh City submitted the protest No. 11- 7Д-13112-05 of December 19, 2005 to the Osh Mayor's Office. The Protest was satisfied.  The response from the Agency of Passenger Transport No. 17 of March 13, 2006 was received	The rate was raised from a calculated amount of approximately 800 Soms per unit of transport per year to approximately 1400 Soms per unit of transport per year. The work was with the association of transporters and the prosecutor. There are approximately 1000 buses, vans, and other transport units impacted. However, the government charges multiple times per year for the same vehicle when	<b>27/27</b>

**Kyrgyz Republic**

**Constraint Reductions**

**2005 - 2006**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			the given GKR Resolution, thus it was recommended to submit the protest against the Mayor's Resolution.	informing that the franchise cost shall not be distributed to the Agency's funds and shall be forwarded as a state tax.	different drivers use it. Assuming redundant charging, minimal total savings are estimated at $600 \times 2 \times 1000 = 1,200,000$ Soms, or <b>\$30,000</b> per year. An issue still exists whereby the government is repeatedly charging for same vehicle for different drivers in the same year, even at the lower price. Work with continuing with the mayor's office to improve the franchise process to eliminate redundant changing for different drivers.	
23	<b>Karakuldja – On Joint Stock Companies (PP)</b>  Date: Feb 2006	Under Order of the State Administration of Karakuldja rayon No. 54 of April 1, 2005, the List of organizations was formed setting forth the entities, which heads should be approved by the Akim of the rayon.  The given List included three private legal joint stock entities without state share. This is illegal and unjustified intervention into the activity of private companies and contradicts the Law On Joint Stock Companies. Under the given Law the heads of JSCs are to be elected at the stockholder's meeting with no approval of the local bodies.	The Order of the State Administration of Karakuldja rayon was identified in the process of review of resolutions and decrees of Karakuldja rayon for 2005 by the POWG jointly with the TFI. As a result the given issue was submitted for consideration by the Prosecutors' Office of Karakuldja rayon.	Based on the results of the consideration of the Order, the Prosecutor's Office submitted the protest No. 1-23 of February 6, 2006 to the State Administration of Karakuldja rayon. Under decision of the State Administration of Karakuldja rayon No. 132 of February 8, 2006, three JSCs were excluded from the given List.	The elimination removes illegal interference in business operations and decision making.	<b>4/4</b>
24	<b>Osh – Free-of-charge use of private passenger transport by the local bodies (PP)</b>  Date: Apr 2006	Under the Osh Mayor's Order No. 74 of October 24, 2001, the duty chart of private "marshrutka" vans was formed to render free-of-charge services for the Agency of Passenger Transport, Osh Mayor's Office, State Motor Inspection, and Ambulance station. Free use of drivers of private "marshrutka" taxi for the needs of the above named bodies is illegal and violates the Law "On Protection of	The POWG has received the letter from the Association of Transport Carriers of Osh city No. 6 of October 12, 2005 with the request to solve the problem. As recommended by TFI,	Orders of the Osh Prosecutor's Office were submitted (No. 11-2a-241-06, 11-2a-240-06 of February 28, 2006) to the APT and the Mayor's Office to cancel the given practice.	Five working days five vans operated free-of-charge being on duty at five organizations, namely, Osh Mayor's Office, ATP, SMI, Ambulance, Committee for Transport Inspection (one van for each organization). The daily fuel consumption of one van is 6,15 USD (250 Soms),	<b>27/27</b>



**Kyrgyz Republic**

**Constraint Reductions**

**2005 - 2006**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		Consumers' Rights", as well as involves unjustified interference into the activity of private entrepreneurs.	the POWG inspected the APT, SMI and Mayor's Office to confirm the issue of mandatory duty of "marshrutka" vans on a free-of-charge basis. The Order of the Mayor's Office setting forth the duty chart was identified during the inspection and the given situation was proved during the meeting with the drivers of marshrutka taxi.	By the response No. 179/02-3-7 of March 14, 2006, the Mayor's Office canceled Order No. 74 of October 24, 2001 to involve minivans into duty service.	Therefore the economic impact is: 5 org x 5 days x \$6.15 (fuel consumption) = \$154. Total savings per month for 5 vans per org = \$616. Total savings per year = \$7,392.  Also, during the duty the entrepreneurs have lost profit amounted to \$8.62 per unit daily. (5 x 5 x 5 x \$8.62 = \$1,077.5 monthly or \$12,930 annually.  The total amount of losses and missed profit by entrepreneurs from mandatory duty is \$7,392 + \$12,930 = <b>\$20,322</b> annually.	
25	<i>Osh– Franchise for drivers (PP)</i>  Date: Apr 2006	During the inspection of the activity of the Agency for Passenger Transport (APT) within the POWG framework, it was identified that the APT issues permits for a traffic plan to carriers, giving the right for operation at a specific route for 6 months only.	The POWG with assistance from TFI made the conclusion that the given practice violates the requirements of points 1.6 and 4.16 of the Regulation On Organization of Open Tenders for Rendering Services by Passenger Transport at Routes, approved by Order No. 205 of the Ministry of Transport and Communication, of July 3, 2001.  According to the given Regulation the tender	The Osh Prosecutor's Office submitted the order to eliminate the violation of the Law to the APT (No. 11 11-2a-242-06 of February 28, 2006).  According to the APT's response No. 17, March 10, 2006 to the Prosecutor's Office, the APT shall restore the validity of the traffic plan from 6 months to 5 years in accordance with the Regulation.	The drivers of marshrutka taxi had to renew permits and traffic plans every 6 months during 5 years, or 10 times. Each time they prolonged the right to work (traffic plan) 5 – 10 USD were paid. About 1000 minivans operate in Osh City. The impact is: \$10 x 1000 vans x 2 = <b>\$20,000</b> annually.	<b>24/27</b>

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Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			winner gets the permit, confirming the right for work at the route for 5 years.			
26	<i>Osh– Inspections of economic entities (PP)</i> Date: Apr 2006	Officers of the Financial Police of Osh and Batken oblast have performed inspections of the economic activity of businessmen without writing notice to Osh Oblast and Municipal Economic Division of the Ministry of Industry, Trade, and Tourism. The inspections by the controlling bodies without notifying MITT, violates Resolution No. 194 of the KR Government of April 4, 2002 “On Performance of Inspections of Business Entities by State Controlling Bodies”.	Within the POWG framework, the reports of the Economic Division authorized to issue orders to controlling bodies for 2005 were examined to identify fulfillment of requirements of Resolution No. 194. The number of inspections was estimated based on the number of coupons for inspection. The following violations were identified: 1) incomplete filling in of coupons; 2) performance of inspections of businessmen by officers of the financial police without instructions of Osh Oblast and Municipal Economic Division, MITT. It was practiced by officers of the Financial Police regarding other	The Osh Prosecutor’s Office has submitted the instruction on elimination of violations No. 11-7-д-66-06 of March 2, 2006 to the Division of Financial Police of Osh and Batken oblast. The protest was satisfied and the meeting was held by the directors with the officers of the financial police. In addition, the order was submitted by the Prosecutor’s Office of Osh City into the Municipal Economic Division of the MITT to observe the legality in the process of issuing writing directions to controlling bodies.	During the 3 <sup>rd</sup> quarter of 2005, the controlling bodies performed 489 inspections and imposed penalties amounted to 190,000 Soms (\$4,750). The annualized savings = 4750 x 4 = <b>\$19,000</b> .	<b>14/14</b>

Kyrgyz Republic						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			entrepreneurs justifying it by response inspections.			
27	<b>Osh – Imposing administrative charges (PP)</b>  Date: Dec 2005	Based on Resolution of the State Inspection on Protection of Trade and Consumers' Rights No. 10, of September 30, 2005, Resolution of the Sanitary and Epidemiological Inspection No. 361 of September 30, 2005 on imposing administrative charges by private entrepreneurs under No. 90 of the Administrative Code, within the POWG the practice of imposing of unjustified administrative charges on business entities by officials of the Sanitary and Epidemiological Inspection and State Inspection on Protection of Trade and Consumers' Rights.  Since entrepreneurs do not appeal against the given charges the state bodies have started application of articles of the Administrative Code to strengthen their influence on businessmen and get benefits or illegal fees.	The resolutions were identified by the POWG upon examination of the normative acts of the units of the Mayor's Office of Osh city for 2005 received by the Prosecutor's Office.	As a result, the Prosecutor's Office of Osh City submitted protests to the units of the Mayor's Office No. 11-7д-1092-05, 11-7д-1246-05 which was satisfied and the charges cancelled.	The amount of resolutions on imposing administrative charges examined by the POWG was <b>\$1,000</b> for the last year.  Given the fact that over 7,000 companies and 17,000 private entrepreneurs are registered in Osh City, all of them could be potential "administrative infringers".	<b>21/21</b>
28	<b>Bishkek – Draft Law on Control (latent) Marks (WTO)</b>  Date: May 2005	Under Decree of the President of January 12, 2006, No. 67-p the draft Law "On Control (latent) Marks" was developed. The Draft Law stipulated introduction of state regulation for certain categories of goods imported into the Kyrgyz Republic and domestically produced goods. The given Draft Law violates the TRIPS Agreement and GATT 1994. The adoption of the Draft Law will significantly worsen the condition of importers and producers, complicate the procedures of importation of goods into the KR and finally, put burden on consumers.	The TFI Project as requested by the State Customs Inspection under the Government of the KR, has prepared the comments on compliance of the Draft with the WTO provisions, international practice of application of marking of goods, and fulfillment of procedures under the Reglament of the KR	The Prime-Minister's Office based on TFI recommendations prepared the negative conclusion on the Draft Law and forwarded to the President's Office. The Draft Law was posted for public discussion on websites of the KR Government ( <a href="http://www.gov.kg">www.gov.kg</a> ) and the Ministry of Industry, Trade, and Tourism ( <a href="http://www.mvtp.kg">www.mvtp.kg</a> ) on May 3, 2006. As a result of the analysis and	Adoption of the law would have imposed additional costs on businesses and increased opportunities for corruption. Delaying adoption of the law allowed allows for greater consideration of impact.	<b>N/A</b>

Kyrgyz Republic						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			Government related to discussion with the private sector and RIA assessment.	recommendations, consideration of the law has been postponed providing increased opportunities for consideration and greater involvement of all stakeholders.		
29	<i>Bishkek – Assistance with access of the Kyrgyz honey to the EU market (WTO)</i>  Date: Aug 2005	The Kyrgyz exporters of honey could not export their products to the market of the European Community member-countries for the following reasons: 1) they were not aware of specific rules regarding export of honey to the EU markets; 2) The Kyrgyz Republic, though WTO member, has not been included into the List of countries eligible to import live animals products into the territory of EU.	TFI has made the following recommendations for the Association of Beekeepers of the Kyrgyz Republic: 1) to raise the issue within the IMC framework and involve the KR Government into settling the issue of EU market access; 2) assess the quality of the Kyrgyz honey at an international laboratory.  TFI rendered assistance to the METI with fulfillment of procedures under “General Guidance for third country authorities on the procedures to be followed when importing live animals and animal products into the European Union”.	As resulted from the IMC meeting on October 2, 2003 the formal request of the KR Government has been sent to include the KR into the List of countries eligible to import live animals products into the territory of EU. In April 2004 the responses to the EU questionnaire on evaluation of the sanitary situation in the KR were sent for further EU inspection. According to Decision of the EU Commission # 2005/233/EC of March 11, 2005 on amending Decision 2004/432/EC on the approval of residue monitoring plans submitted by third countries in accordance with Council Directive 96/23/EC, the Kyrgyz Republic has been given the right to import honey into the EU countries. The Kyrgyz Republic is the fourth country of the CIS	The ability to import live animal products into the EU will increase export opportunities for farmers and producers and lower compliance costs.	<b>129/129</b>

Kyrgyz Republic						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				(Russia, Moldova, Ukraine), which was given this right. It was informed by the Government of the Kyrgyz Republic in August 2005.		
30	<b>Bishkek</b> – <i>Guide on GSP for the Kyrgyz exporters</i>  Date: Nov 2005	Despite the fact that the Kyrgyz Republic was included into the General System of Preferences of the EU, USA, and other developed countries, the Kyrgyz exporters were not aware of the trade benefits under the preferential system granted by developed countries.	TFI has recommended the Ministry of External Trade and Industry jointly with the Kyrgyz Exporters Association to develop a document on EU Preferential System. The document helped the exporters to know about rules for preferential access to EU and US markets, and use the benefits of the system for trade.	The Guide for foreign trade participants to use the General System of Preferences of the EU countries was approved by Resolution of the KR Government No. 723-p of November 10, 2004 and posted on websites of the METI, the Kyrgyz Exporters Association and the Ministry of Agriculture.	The Ministry of Industry, Trade and Tourism requested the EU Customs Services to inform on the level and coverage of products exported from the KR to the EU under the preference system.	<b>10/10</b>
31	<b>Bishkek</b> – <i>Expert Group of IMC under the Government of the KR on the WTO issues (WTO)</i>  Date: Nov 2005	Since the time of accession to the WTO, specialists of Kyrgyz ministries and agencies in charge of WTO issues have been working in isolation from each other. Such approach created certain difficulties even in the process of reviewing and commenting on laws and regulations for WTO compliance and in fulfilling many tasks with regard to trade policy.	TFI recommended unifying the specialists assigned to various ministries into an expert group coordinated by the WTO Department responsible for reviewing regulations for WTO compliance, transferring many tasks currently carried out by TFI, and creating a support mechanism for the IMC.	The Expert Group has been established by Order of MITT of the KR No 132, of September 14, 2005 and has effectively and jointly started working on WTO issues, including the TPR.	The consolidation of WTO expertise provides a valuable competency center for future support as well as a dedicated body to assume many tasks current performed by TFI.	<b>10/10</b>

Attachment C: Kazakhstan Work Plan Reports (2003 – 2006)

<b>June 1, 2003 – May 31, 2004</b>			
<b>Reduction of Investment Constraints (RIC)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 01</b>	<b>Reduce certification and visa constraints associated with tourism</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>The primary constraint still associated with tourism is mandatory certification of quality for tourist services, tour routes, tour itineraries and tour facilities such as restaurants and hotels. In addition the process for acquiring tourist visas needs to be simplified.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Partially Complete:</b> New regulations regarding simplified visa processes and voluntary certification of tourism services drafted and submitted to the Government for approval.</li> <li><b>Partially Complete:</b> New procedures implemented with participation of private sector partners.</li> <li><b>Partially Complete:</b> Positive feedback from representative sample of tour agencies and operators/affected SMEs that new procedures are being followed and previously existing constraints have been reduced.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	TFI was instrumental in the adoption of a simplified visa regime for 27 countries. The simplified regime eliminates the need for a letter of invitation from a registered Kazakh entity. Instead, one month/one entry tourist and business visas may be issued by Kazakh embassies and consulates upon receipt of a one page application form and visa fee. In most cases, the visas are issued within five business days. The result of that should be an increase in tourism and an associated growth in SMEs working in or servicing the tourism industry. TFI will monitor the implementation and impact of the new visa regulations in the new CY. TFI will also continue to work with the Kazakhstan Tourism Association to reduce constraints related to redundant licensing and certification requirements. TFI's work on this project will continue into the next contract year.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 02</b>	<b>Reduce time and cost constraints associated with statistics reporting</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>Statistics reporting is a lengthy process requiring submission of duplicate data. The reporting forms need to be streamlined and the possibility of electronically submitting statistics should be examined.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Working group formed on statistics reporting simplification.</li> <li><b>Complete:</b> Recommendations on simplification of reporting forms submitted to GOK for approval.</li> <li><b>Complete:</b> Use of streamlined reporting forms implemented with participation of private sector partners.</li> <li><b>Partially Complete:</b> Positive feedback received from a representative sample of SMEs affected that streamlined reporting forms are being used and that previously existing constraints have been reduced in terms of time spent completing and submitting required statistics reporting forms.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	TFI's recommendations to eliminate redundant information required by different forms, unify reporting dates, allow for expert assistance in preparation of the forms and for submission of the forms by electronic and paper mail were all adopted by the GOK. TFI, together with the Expert Council and the Independent Association of Entrepreneurs began monitoring the impact of the adopted recommendations in March and will continue to monitor into the new CY, but major work on this project is complete.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 03</b>	<b>Develop legal and technical infrastructure for electronic governance</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>Although Kazakhstan is ahead of Russia and other Central Asian Countries in developing its legal framework for E-governance, implementing regulations need to be developed to address interaction between SMEs and the government via the internet. Also a physical infrastructure must be developed to allow for government information to be posted online in a cost effective manner. Finally, a system in which entrepreneurs can interact with government (for example, submission of statistics forms or bids for government tenders) should be developed.</i>		

<b>Performance Indicators</b>	<p>1. <b>Complete:</b> Pilot website for the West Kazakhstan Oblast Department of SME development in Uralsk developed and online. The website will create transparency and savings for entrepreneurs, contain information about processes available on it, and link into other government agencies as new online services such as electronic submission of bids for government tenders become available.</p> <p>2. <b>Incomplete:</b> Based on the Uralsk model, a website for at least one other Oblast government developed and online.</p> <p>3. <b>Complete:</b> Working group on reform of government procurement and tender process formed with TFI participating.</p> <p>4. <b>Complete:</b> Support the formation of a business association of information technology enterprises to act as a TFI counterpart on e-governance initiatives.</p> <p>5. <b>Complete:</b> Provide commentary to GOK on draft e-commerce implementing regulations.</p>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	<p>TFI was named as a sitting member of the e-Government working group in legislative sector. This group has been tasked with providing assistance and commentary to the Government of Kazakhstan on its upcoming e-government initiatives. This appointment will allow TFI to continue to influence the legislation that will form the foundation of e-government and business to government interaction in the future. During the project year, TFI submitted commentary on nine pieces of draft legislation or rules related to ecommerce. TFI successfully supported the establishment of the first e-commerce/IT centered business association in Kazakhstan and provided technical assistance to the WKO Akimat in establishing a web portal containing relevant information for SMEs. That website is now online and will be used as a template for websites to be established in CY 04-05. TFI also successfully lobbied for new rules that allow internet-based submission of required statistics forms. This work has laid the foundation for more specific e-government initiatives that TFI will support in CY 04-05 including working to establish online business registration, submission of bids for government tenders, and the establishment of a national web portal for all business/citizen interaction with government.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 04</b>	<b>Reduce investment constraints in at least 2 Oblasts utilizing partner business associations</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<p>Since TFI has limited human and financial resources, and since the Project is of limited duration, sustainable methods for reducing investment constraints in Kazakhstan and to facilitate the reduction of those constraints in regions where TFI does not have human resources is needed. A cost-effective way to develop sustainable capacity is to partner with business associations and train them on the technical methodologies of identifying and reducing investment constraints.</p>		
<b>Performance Indicators</b>	<p>1. <b>Complete:</b> MOU's signed with partner business associations in at least five cities.</p> <p>2. <b>Complete:</b> Partner business associations in at least five cities complete training on RIC methodologies that will allow them to begin RIC activities.</p> <p>3. <b>Complete:</b> Partner business associations reduce at least one constraint in at least two partner cities.</p>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	<p>TFI signed on and trained eight business associations during the contract year. Four of those associations have reduced constraints. All of those associations are now actively engaged in processes that will reduce more constraints in the coming CY. TFI has set a goal to sign on and train ten new partner associations in the coming CY.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 05</b>	<b>Reduce time and cost required to obtain GosStandard certifications for food related businesses in Pavlodar and Ust-Kamenogorsk</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<p>The time and cost required for public catering establishments and vendors of fresh produce to obtain SES (sanitary and epidemiological) certifications has been identified as constituting an investment constraint in Pavlodar and Ust-Kamenogorsk.</p>		
<b>Performance Indicators</b>	<p>1. <b>Partially Complete:</b> New procedures reducing time and cost for obtaining SES certifications drafted and submitted to the Oblast Governments for approval.</p> <p>2. <b>Partially Complete:</b> New procedures implemented in both oblasts with participation of private sector partners.</p> <p>3. <b>Partially Complete:</b> Positive feedback received from a representative sample of SMEs affected that new procedures are being followed in both of the oblasts and that SES certifications can be obtained in less time and for less cost than previously.</p>		

<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	In Pavlodar recommendations to reduce this constraint were submitted to the Department of Economics and SME Development and to the National Center of Expertise and Certification in May 2004. TFI's recommendations to reduce this constraint in Uralsk were accepted in April 2004. During CY 04-05 TFI will lobby for the acceptance of its recommendations in Pavlodar and monitor the implementation of its recommendations in Uralsk. (TFI began work on reducing this constraint in Uralsk subsequent to final submission of this work plan, hence the discrepancy in the Objective).		
No.	Objective	Start Date	End Date
<i>KZ RIC 06</i>	<i>Reduce investment constraints related to obtaining import and export permits in Pavlodar and Ust-Kamenogorsk</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Excessive time and cost required to obtain permits to import and export products to and from Russia places unnecessary burdens on SMEs in northern Kazakhstan.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Partially Complete:</b> New procedures reducing time and cost of obtaining permits for importing and exporting goods to and from Russia drafted and submitted to the Oblast Governments in Pavlodar and Ust-Kamenogorsk for approval.</li> <li>2. <b>Partially Complete:</b> New procedures implemented in each of the Oblasts with participation of private sector partners.</li> <li>3. <b>Partially Complete:</b> Positive feedback received from a representative sample of SMEs affected that new procedures are being followed in each of the Oblasts and that obtaining permits for importing and exporting products takes less time and costs less than previously.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	In Pavlodar, the Customs Control Department, acting on TFI's recommendations, established Information and Advisory Points at State Motor Vehicle Checkpoints, the Pavlodar International Airport, the Pavlodar Rail Station, and the main Pavlodar customs checkpoint. TFI then conducted a survey of affected entrepreneurs. The results of that survey show a 16% reduction in the number of entrepreneurs reporting delays or cost increases due to a lack of information. The reported reduction in cost increases was 105,600 USD. Further development of recommendations and initiatives related to joint border posts in Pavlodar are underway and will continue into CY 04-05. In Ust-Kamenogorsk, recommendations for reducing this constraint are still being developed. In addition, a joint consultative customs council comprised of representatives from East-Kazakhstan oblast and the Russian Altai region has been established and will work to continue to identify and reduce cross-border constraints in this region.		
No.	Objective	Start Date	End Date
<i>KZ RIC 07</i>	<i>Add clarity and transparency to the tender process for government procurement of goods and services</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Current legislation regarding government tenders and procurement is non-transparent and confusing. The result is a time consuming and unnecessarily expensive procurement process.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Recommendations for amendments to current legislation to add clarity and transparency to the government procurement process submitted to GOK for consideration.</li> <li>2. <b>Complete:</b> If recommendations are accepted and amendments adopted as proposed, then new procedures implemented with participation of private sector partners.</li> <li>3. <b>Incomplete:</b> Positive feedback received from a representative sample of SMEs affected that the new procedures established by the amended legislation are being followed and that the government procurement process is less confusing and more transparent than previously. The reductions will be measured by percentage increases in the number of bids received for government tenders and also percentage increases in the number of different firms that receive government service contracts and supplying services to the government.</li> </ol>		



<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	On May 6, 2004 TFI recommendations were adopted in the GOK decree #508 “On Amendments to the Government Decree. The decree creates a unified list of required documents that must be submitted in a bid (previously differing agencies had differing requirements creating confusion among bidders), creates a uniform set of qualifying criteria to bid on tenders, and allows for no post-acceptance amendments or redactions to award protocols. It is too soon to quantify the impact, but the results of this decree will allow for more transparency in government procurements, a more level playing field for bidders and reduce undue influence or rent seeking by government officials. TFI will monitor the impact of changes in CY 04-05.		
No.	Objective	Start Date	End Date
<i>KZ RIC 08</i>	<i>Reduce time and cost required to obtain variance permits for commercial properties in Pavlodar</i>	<i>1 Oct 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Many properties in Kazakhstan are zoned as commercial or residential. Often owners of residential properties (usually first floor flats) transform those flats into commercial enterprises. The process for obtaining these permits to change the use of a property from residential to non-residential may be costly and time consuming, greatly constraining the ability of small and medium-sized enterprises to open businesses in commercially favorable areas.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> New procedures for issuance of variance permits drafted and submitted to the Pavlodar City Department of Architecture (under the Pavlodar Akim) for approval.</li> <li>2. <b>Partially Complete:</b> New procedures implemented with participation of private sector partners.</li> <li>3. <b>Partially Complete:</b> Positive feedback received from a representative sample of SMEs affected that new procedures are being followed and that obtaining variance permits costs less and requires less time than previously.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	The Department of Municipal Improvement in Pavlodar’s requirement that a certificate from the DSE “Scientific and Production Land Center” be submitted in order to obtain a variance permit is unjustified and leads to cost and time constraints. TFI drafted and submitted new procedures to the Department of Municipal Improvement that excluded the required submission of a certificate from DSE “Scientific and Production Land Center”. Submission of such certificate implies occupancy of the object located on the land plot. The Department of Municipal Improvement adopted TFI’s recommendations in May 2004. TFI will work with private sector partners to implement and monitor the impact of the new procedures during CY 04-05.		
No.	Objective	Start Date	End Date
<i>KZ RIC 09</i>	<i>Reduce the number of business licenses required by various government agencies</i>	<i>1 Jan 04</i>	<i>31 May 04</i>
<i>Description</i>	<i>Unnecessary or duplicative licensing requirements by various government agencies places unnecessary constraints on the growth of the small and medium enterprise sector in Kazakhstan. TFI will work with the Forum of Entrepreneurs and the Almaty Association of Entrepreneurs to analyze applicable licensing regulations and legislation and identify appropriate targets for reduction or removal activities.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Working group comprised of TFI and private sector partners formed.</li> <li>2. <b>Complete:</b> Analysis of licensing regulations and legislation completed.</li> <li>3. <b>Complete:</b> Initial constraints identified and targeted for reduction activities.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	TFI has started working on the specific issue of private medical practice licensing. The work on both general licensing issues and private medical practice licensing will continue into the new work plan period.		
No.	Objective	Start Date	End Date
<i>KZ RIC 10</i>	<i>Reduce time and cost constraints related to registering a small or medium-sized enterprise</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>The current system for registration of small and medium-sized enterprises is unduly costly and time consuming for the investor and requires multiple visits to various government agencies. The system results in lost opportunities for trade and increased opportunities for “rent seeking” by government officials. TFI will work with Kazakh government counterparts to advocate for a system of “one window” registration of small and medium-sized enterprises as well as setting time limits in which registration must be completed by the Kazakh government.</i>		
<i>Performance Indicators</i>	1. <b>Complete:</b> TFI analyzes and provides commentary and recommendations on the draft law On Introduction Of Amendments And Additions Into Some Legal Acts Of The Republic Of Kazakhstan On Issues Related To The State Registration Of Entities.		

	<p>2. <b>Complete:</b> TFI recommendations adopted by the Majilis and signed into law.</p> <p>3. <b>Complete:</b> Reduction in the number of days required for the registration of a SME.</p> <p>4. <b>Complete:</b> Reduction in the number of state agencies that must be visited by an entrepreneur to register a SME.</p>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	<p>In December 2003, the TFI Project reviewed the draft law “On Introduction Of Amendments And Additions Into Some Legal Acts Of The Republic Of Kazakhstan On Issues Related To The State Registration Of Legal Entities”, which contains amendments to the law “On State Registration Of Legal Entities.” At that time we determined that while the “one-window” principle championed by TFI was adequately reflected in the draft amendments, certain language created the potential that the registration period could take up to one month. To address that flaw, TFI recommended that the time period for the Ministry of Justice to complete the registration certification should correspond more to international practice, which, as in Russia, is five days. TFI also recommended adding language that would require the tax inspectorate to complete its registration process and return a taxpayer certificate to the Ministry of Justice within 3 working days. Finally, to address a flaw resulting from the fact that the draft law did not set out the process by which a newly established legal entity receives the required documents to begin business operations; TFI recommended requiring the Ministry of Justice to issue the statistics card and the taxpayer certificate simultaneously with the registration certificate. President Nazarbayev signed the final law on registration on March 18, 2004. It did establish a "one-window principle" in which legal entities only need apply to the Ministry of Justice for registration. But, the Senate's failure to adopt all of TFI's December recommendations could extend the registration period (which should be 10-12 days) 2-3 times beyond the mandated timeframe. Accordingly, we will continue to work with our counterparts to improve on the adopted legislation. First, during the 2004-2005 work plan period we will be monitoring the implementation of the new registration system to determine the actual timeframe for registration and then will work with the our private sector counterparts to promote reforms that would streamline the registration period and address any other flaws discovered through our monitoring. Second, we will be working with the Agency on Informatization and Communications and the Ministry of Justice to implement SME registration utilizing Internet based technologies.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 11</b>	<b><i>Reduce the overall number of business inspections carried out by government agencies and reduce the amount of fines levied on small and medium-sized enterprises as a result of inspections</i></b>	<b><i>1 Jun 03</i></b>	<b><i>31 May 04</i></b>
<b>Description</b>	<i>Government regulatory agencies have the ability to conduct unnecessary or unwarranted inspections of businesses resulting in lost production and profit for those businesses. The current inspections system allows for inadequate oversight of these inspections. Further, the administrative code allows unnecessarily broad discretion by inspectors in levying fines on Kazakh SMEs. TFI will work with the general prosecutor and private sector counterparts to reduce this constraint by allowing for prior review of proposed inspections by the prosecutor's office as well as allowing for the prosecutor to deny permission to conduct unwarranted inspections. Further, TFI will work with counterparts to reduce discretion by inspectors in levying fines on SMEs.</i>		
<b>Performance Indicators</b>	<p>1. <b>Complete:</b> Increase in applications to prosecutor's offices for inspection permissions by government regulatory agencies.</p> <p>2. <b>Complete:</b> Increase in denials by the prosecutor of requested inspections.</p> <p>3. <b>Complete:</b> Decrease in the number of inspections registered with the prosecutor's office.</p> <p>4. <b>Incomplete:</b> Decrease in the total amount of fines levied on SMEs in Kazakhstan (measured in Tenge).</p>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	<p>TFI was successful in the adoption of new procedures that will allow prior review of proposed inspections to reduce the overall amount of inspections and reduce unjustified inspections. Initially monitoring and statistics show an increase in applications for inspection permits, an increase in denials of those requests and a decrease in the total amount of inspections registered. However, it is too soon into the monitoring process to make a determination regarding the level of fines levied. TFI will monitor that indicator in the new CY as well as work with the Administrative Code Inter-Governmental Working Group to further reform the inspections process and lower fine levels prescribed in the Administrative Code.</p>		
<b>World Trade Organization (WTO)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ WTO 01</b>	<b><i>Assist the Government of Kazakhstan to develop intellectual property rights (IPR) legislation compliant with WTO's TRIPS Agreement and meeting minimum requirements of WIPO</i></b>	<b><i>1 Jan 04</i></b>	<b><i>31 May 04</i></b>
<b>Description</b>	<i>The GOK has expressed an interest in improving its legislative protection of intellectual property rights and in complying with TRIPS standards.</i>		

<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> TFI's comments on the GoK's work plan to develop IPR legislation submitted to the GoK.</li> <li><b>Incomplete:</b> Analysis of draft IPR legislation completed and recommendations submitted to the GOK.</li> <li><b>Incomplete:</b> TFI's recommendations on draft IPR legislation accepted by GOK.</li> <li><b>Incomplete:</b> New legislation or amendments to existing legislation necessary to comply with WTO's TRIPS Agreement adopted.</li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2003 – May 2004</b>	TFI did submit comments to the IPR Committee on its draft work plan, as requested. The Ministry of Justice, however, declined TFI's offer to participate in the working group and provide commentary on draft legislation. Instead, TFI worked with the IPR committee to organize a regional conference on IPR enforcement issues. TFI and the IPR committee have agreed to collaborate on a series of trainings on IPR enforcement for customs officials in CY 04-05.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ MAS-Q 01</b>	<b>WTO-compliant law on "Technical Regulations in the Republic of Kazakhstan" drafted and adopted</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>The establishment of an internationally recognized MAS-Q infrastructure requires a legislative base that complies with the requirements of the WTO's Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Measures and international norms. The fundamental piece of legislation required is that establishing the legal requirements in the area of Technical Regulations and creating a legal distinction between voluntary quality standards and mandatory regulations relating to health, safety, national security, etc. A WTO-compliant law on Technical Regulations creates an environment for less product regulation, eliminates overlap among government ministries and simplifies conformity assessment procedures for businesses.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Draft of new, WTO-compliant law on "Technical Regulations" completed.</li> <li><b>Incomplete:</b> Round table forum held with government and private sector counterparts to support adoption of the new TR law.</li> <li><b>Complete:</b> TFI's MAS-Q team provides lobbying support, promoting the benefits of the draft TR law to the Parliament.</li> <li><b>Partially Complete:</b> WTO-compliant draft law on "Technical Regulations" submitted to Parliament.</li> <li><b>Incomplete:</b> WTO-compliant law on "Technical Regulations" approved by Parliament.</li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2003 – May 2004</b>	A draft law on Technical Regulation that was WTO compliant was completed by the working group, this draft was revised by various government organizations, and, as a result, the draft submitted to Parliament was in our opinion no longer WTO compliant. The Government of Kazakhstan declined to sanction the forum and TFI was not able to muster the support necessary to further revise the draft law to bring it into greater WTO compliance. The draft law was submitted to the lower house of Parliament and it passed. The law is in the upper house for review and has not yet been passed. Note: we were able to get a few revisions included that are WTO compliant, additional changes, based on our recommendation are being included in the version that is being reviewed by the upper house.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ MAS-Q 02</b>	<b>Prepare implementing legislation required to carry out the main provisions of the law on Technical Regulations</b>	<b>1 Jan 04</b>	<b>31 May 04</b>
<b>Description</b>	<i>It is estimated that it will take 3 -5 months for the new law on "Technical Regulations" to be adopted by Parliament and an additional 6 months for the transition period. During this time it will be necessary to develop draft regulations to implement key provisions of the law and begin to develop specific technical regulations. Properly crafted and implemented regulations will eventually result in reduced costs to businesses and simplified customs clearance of goods.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Incomplete:</b> Technical regulations that are compliant with WTO's TBT and SPS Agreements and the mandatory "Code of Good Practice" which establishes rules for the "Preparation, Adoption and Application of Standards" developed and submitted to the GOK.</li> <li><b>Incomplete:</b> Implementing regulations adopted by GOK.</li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2003 – May 2004</b>	Since the draft law was not passed, this Objective was no longer applicable.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ MAS-Q 03</b>	<b>GosStandard's MAS-Q infrastructure and procedures reformed to create a WTO-compliant, internationally recognized, uniform national system that supports the Law on Technical Regulations</b>	<b>1 Jan 04</b>	<b>31 May 04</b>
<b>Description</b>	<i>In addition to legislative changes, the transition to an internationally recognized MAS-Q system will require certain institutional reforms, with GosStandard</i>		

	<i>being the key organization, and the development of a uniform national MAS-Q system. The reforms will produce consistency in application of technical regulations at the oblast level and uniform procedures implemented throughout the country, thus reducing complexity and costs to businesses.</i>
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>Incomplete:</b> Uniform national infrastructure for GosStandard developed, submitted to and agreed upon by GOK.</li> <li>2. <b>Incomplete:</b> Comprehensive reform plan developed and submitted to GOK.</li> <li>3. <b>Incomplete:</b> Reform plan accepted by GOK.</li> </ol>
	<b>Status &amp; Comments</b>
<b>June 2003 – May 2004</b>	TFI had signed an MOU with GosStandard to implement these reforms. GosStandard had initiated contact with TFI in order to work on this Objective. Subsequent to agreeing to work on this process, a new director of GosStandard was appointed and decided not to abide by the terms of the MOU and suspended cooperation with TFI.

### June 1, 2004 – May 31, 2005

#### Reduction of Investment Constraints (RIC)

No.	Objective	Start Date	End Date
<b>KZ RIC 01</b>	<b>Reduce constraints related to overly broad discretion to levy fines on SMEs during the course of a business inspection</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>During the previous contract year, TFI successfully reduced constraints related to excessive inspections of SMEs by state agencies. Still, a constraint remains in that the discretionary levels for fines contained in the Kazakhstan Administrative Code that may be imposed during lawful inspections remain unjustifiably high. TFI will work with Almaty Association of Entrepreneurs, the Pharmaceutical Association and the office of the general prosecutor to reduce this constraint.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Recommendations on amendments to the administrative code to reduce and better define the level of fines drafted and submitted to the government. – <b>30 November 2004</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	Recommendations to reduce discretionary fine levels were submitted to the GoK for review in September 2004. Consideration of the recommendations was tabled until the end of the summer 2005. TFI will continue to monitor progress towards adoption of our recommendations.		
No.	Objective	Start Date	End Date
<b>KZ RIC 02</b>	<b>Reduce constraints related to licensing</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Excessive and redundant licenses and sub-licenses create large barriers to SME development. Duplications are found in licensing, accreditation, and standardization. TFI will work with partner business associations and government agencies to identify, articulate and reduce these constraints.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Identify constraints created by redundant and unnecessary licensing requirements. – <b>Ongoing</b></li> <li>2. <b>COMPLETED.</b> - Recommendations on eliminating redundant or unnecessary licenses as well as reducing licensing fees are drafted and submitted to the government. – <b>Ongoing</b></li> <li>3. <b>COMPLETED.</b> - Once approved, implementation and impact of the new rules are monitored and analyzed. – <b>Ongoing</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	TFI spent the contract year working with the Inter-Governmental Commission on Licensing and the Forum of Entrepreneurs to prepare and submit recommendations on licensing reform to the GoK. As a direct result of those recommendations, 178 licenses and sub-licenses for medical services and 112 licenses and sub-licenses for construction related activities have been eliminated; licensing requirements for seven categories of business activities have been eliminated; the requirement to submit environmental opinions for 15 types of licenses has been eliminated; and the authority to issue more than 10 categories of licenses has been delegated from the national government to oblast governments, thus relieving SMEs of the requirement to travel to Astana to apply for and receive operating licenses.		
No.	Objective	Start Date	End Date
<b>KZ RIC 03</b>	<b>Implement electronic governance systems in Kazakhstan</b>	<b>1 Jun 04</b>	<b>31 May 05</b>

<b>Description</b>	<i>TFI successfully laid the foundation for E-governance during the previous contract year. Implementing regulations have been drafted and a physical infrastructure has been developed to allow for business to government and government to business interaction. TFI will now work with the GOK and private sector counterparts to implement actual systems of e-governance, including online business registration, online submission of bids for government procurements and online statistics reports. TFI will also work with local governments to establish government websites in Kazakh Oblasts and to develop a national web portal.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Draft legislation allowing for electronic procurement completed and presented to Government for approval. - <b>28 Feb 2005</b></li> <li>2. <b>PARTIALLY COMPLETE.</b> - Pilot e-procurement system launched. - <b>31 May 2005</b></li> <li>3. <b>COMPLETED.</b> - Provide commentary to GoK on draft e-commerce (and e-government) implementing regulations. - <b>31 May 2005</b></li> <li>4. <b>INCOMPLETE</b> - Support the creation of the National Government Web-Portal to become a one-stop-shop for all business and citizen interaction with the Government. - <b>31 May 2005</b></li> <li>5. <b>PARTIALLY COMPLETE.</b> - Local government websites online in at least four Oblasts. - <b>31 May 2005</b></li> <li>6. <b>INCOMPLETE</b> - Government staff and businesses trained on the use of the e-procurement system. - <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	TFI was instrumental in many advances made towards establishment of an e-government system in Kazakhstan. TFI participated in the drafting of legislation that lays the legal foundation for establishing e-procurement, as well as helped develop the technical platform on which the system will be launched. Due to changes in the leadership of the Agency on Informatization and Communication, the system was not launched as planned. TFI believes the launch will occur in the next contract year. Also due to changes in the leadership of the Agency on Informatization and Communication, the creation of the National Government Web-Portal has been officially postponed until 2006. TFI also assisted the oblast government in West Kazakhstan Oblast to launch its official website ( <a href="http://www.nit.kz/zko">www.nit.kz/zko</a> ). In addition, TFI worked closely with Akimats in Pavlodar and Ust-Kamenogorsk to improve their websites and upload information on compliance with various government processes such as construction permitting or registering land (see for example <a href="http://oskemen.kz/uk4_2_4b.htm">http://oskemen.kz/uk4_2_4b.htm</a> ).		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 04</b>	<b>Reduce investment constraints through the utilization of the TFI Partnership Program</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Since TFI has limited human and financial resources, and since the Project is of limited duration, sustainable methods are needed for reducing investment constraints in Kazakhstan and to facilitate the reduction of those constraints in regions where TFI does not have human resources. A cost-effective way to develop sustainable capacity is to partner with business associations and train them on the technical methodologies of identifying and reducing investment constraints. During the previous contract year, TFI successfully signed on 8 partner associations. Many of those associations have already successfully reduced investment constraints in their cities or Oblasts. TFI will build on this success by expanding the reach and impact of our Partner Program.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - MOU's signed with 8 partner business associations in 8 cities without TFI office representation. - <b>28 Feb 2005</b></li> <li>2. <b>COMPLETED.</b> - Partner business associations complete training on RIC methodologies that will allow them to begin RIC activities. - <b>28 Feb 2005</b></li> <li>3. <b>COMPLETED.</b> - Partner business associations reduce at least one constraint in at least six partner cities. - <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	TFI had set goals of signing eight new partners during the contract year and enabling them to reduce six constraints. By the end of the contract year, TFI had signed on a total of 35 partners in 21 cities, who were responsible for reducing 27 constraints in 9 cities. During the upcoming contract year, TFI will introduce association training of new partners that will ensure the continued recruitment and training of governmental and non-governmental entities to implement the RIC methodology and reduce constraints long after the conclusion of the TFI project.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 05</b>	<b>Reduce constraints associated with Tourism Related Services</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Mandatory quality certifications for tourist services, tour routes, tour itineraries and tour facilities such as restaurants and hotels, as well as redundant licensing requirements create unnecessary cost and time constraints for tour operators and associated businesses.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Recommendations to simplify the process of registering foreign tourists submitted to the Government for approval. - <b>31 May 2005</b></li> <li>2. <b>COMPLETED.</b> - New regulations regarding voluntary certification of tourism services drafted and submitted to the Government for approval. - <b>31 May 05</b></li> <li>3. <b>COMPLETED.</b> - Once approved, implementation and impact of the new rules are monitored and analyzed. - <b>31 May 2005</b></li> </ol>		

<b>Status &amp; Comments</b>			
<b>June 2004 – May 2005</b>	Based in recommendations developed by TFI, the Government of Kazakhstan, on April 20, 2005, issued Regulation No. 367 which repeals mandatory quality certification for tourism services and facilities in Kazakhstan. TFI has been working with the Kazakhstan Tourism Association for more than one year to lobby for this change. It will positively impact hundreds of tour operators and service providers throughout Kazakhstan. In addition, TFI submitted recommendations for repealing mandatory OVIR registration for the citizens of 27 countries that do not require letters of invitation to receive Kazakh visas. TFI will lobby for the adoption of those recommendations during the upcoming contract year.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 06</b>	<b>Fewer Entry Barriers and Increased SME participation in the Government Procurement of Goods and Services</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Current legislation regarding government tenders and procurement is non-transparent, unfair and confusing. The result is a time consuming and unnecessarily expensive procurement process. The current system also creates barriers to entry for SMEs that wish to compete in this lucrative market. TFI has already identified and reduced constraints to this process but further improvements are possible especially through the adoption of an e-procurement system.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Recommendations to reduce identified constraints related to government procurement submitted to the Government approval. – <b>31 Aug 2004</b></li> <li>2. <b>COMPLETED.</b> - Recommendation approved and adopted by GoK. – <b>30 Nov 2004</b></li> <li>3. <b>COMPLETED.</b> -Draft legislation allowing for electronic procurement completed and presented to Government for approval.- <b>28 Feb 2005</b></li> <li>4. <b>INCOMPLETE</b> - Pilot e-procurement system launched. – <b>31 May 2005</b></li> <li>5. <b>INCOMPLETE</b> - Once approved, implementation and impact of the new rules are monitored and analyzed. – <b>31 May 2005</b></li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2004 – May 2005</b>	<p>TFI recommendations led to a major restructuring of the system for government procurement of goods and services that lays the legislative groundwork for the introduction of an e-procurement system in Kazakhstan and lowers entry barriers for SMEs and increases transparency in the process. TFI's recommendations introduce the following improvements to the system of government procurement:</p> <ol style="list-style-type: none"> <li>1. The State Procurement Agency will have complete oversight over the conduct and procedure of government tenders and the decisions of tender commissions;</li> <li>2. A mechanism for appealing against the decisions of tender commissions;</li> <li>3. The creation of a state register of entities that may carry out government procurement;</li> <li>4. The establishment of a methodology for determining a "dumping price" for goods and rejecting bids based on these below market value prices;</li> <li>5. Newly established firms with no experience or public reputation will not be permitted to bid on tenders in order to reduce sham tenders from straw companies;</li> <li>6. The creation of a standard contract that provides for equitable divisions of conditions and responsibilities;</li> <li>7. Private sector experts will be permitted to sit on tender commissions;</li> <li>8. The reduction of the security for tender applications to between 1-3%;</li> <li>9. The introduction of a requirement that the tender commission publish tender announcement on the web-site of the State Procurement Agency;</li> <li>10. The introduction of a requirement that tender commissions publish tender results in mass media and provide detailed explanations for rejections of tender applications on request;</li> <li>11. The introduction of a requirement to publish all tenders in one national newspaper and online; and</li> <li>12. The introduction of information systems in government procurement in order to receive required reports, information and materials electronically and otherwise supervise the terms and delivery of the tender.</li> </ol> <p>The improvements will enable entrepreneurs and companies to engage in inherently more fair competition, make the process of government procurement more transparent and strengthen control over budget expenditures and actions of tender commissions. Monitoring was completed in February 2005. Interview respondents felt that the law was being implemented and was an improvement over the previous version. They still believed that that the process needed to become more transparent. The economic impact cannot yet be calculated as not enough official data exists. As previously mentioned in RIC 03, due to changes in the leadership of the Agency on Informatization and Communication, the creation of the National Government Web-Portal has been officially postponed until 2006. Therefore, the pilot e-procurement system was never launched and the implementation and impact of the new rules could neither be monitored nor analyzed.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>

<b>KZ RIC 07</b>	<b>Reduce Locally Imposed Constraints in Selected Oblasts</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Locally created rules, processes or procedures create constraints for SMEs in Kazakhstan's oblasts. Partner Associations to which TFI has transferred its methodology will work with local governmental counterparts to identify those constraints and then form working alliances with both private and public sector counterparts to reduce the constraints identified.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - Locally created constraints identified by TFI Partner Associations - <b>Ongoing</b></li> <li><b>COMPLETED.</b> - Working groups comprised of public and private sector counterparts formed. – <b>Ongoing</b></li> <li><b>COMPLETED.</b> - Recommendations for reducing identified constraints developed and presented to local governments. – <b>Ongoing</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	Of the 55 constraints reduced by the TFI project this project year, 44 of them were at oblast or city level. In all of those cases, TFI or its partner associations identified the constraints and formed working groups with government participation.		
<b>World Trade Organization (WTO)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ WTO 01</b>	<b>Increase IPR enforcement in Kazakhstan</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>In order to accede to the WTO, Kazakhstan must take steps to protect Intellectual Property Rights in Kazakhstan and meet the standards set by the TRIPS Agreement. To enhance business development opportunities for SMEs that deal with copyright-protected works and patented products, Kazakhstan must also achieve removal from the USTR's Special 301 Watch List. Increased enforcement, interdiction and prosecution of pirated goods and counterfeiters are needed.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - Agreement reached with IPR Committee to conduct trainings. – <b>31 Aug 2004</b></li> <li><b>COMPLETED.</b> - Site selections for trainings concluded. – <b>30 Nov 2004</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	The customs training is being jointly organized and financed by the World Customs Organization, World Intellectual Property Organization, United nations, US Patent and Trademark Office and TFI. The main training will occur in July 2005 and the four follow-on trainings will be conducted by TFI and Kazakhstan Customs this fall in Uralsk, Ust-Kamenogorsk, Pavlodar and Shymkent.		
<b>Trade Facilitation (TF)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ TF 01</b>	<b>Improved access to the TIR System for transporters, and increased utilization of the TIR System in Kazakhstan</b>	<b>1 Jun 04</b>	<b>31 Dec 04</b>
<b>Description</b>	<i>The TIR is an international convention with established rules and procedures for providing guarantees for transit shipments. The convention is the most widely used and recognized transit guarantee mechanism in Europe, the Middle East and Africa and has already been established in Central Asia with the assistance of the EU's TRASECA program. Additionally, each country in Central Asia has already acceded to the convention and the system is well established for larger transporters. Therefore, expanding its use and availability among small and medium transporters is, in TFI's opinion, the best option for the facilitation of transit trade in Central Asia.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - Completion of Study and Kazakh-specific activities identified to increase use and availability of TIR. – <b>30 Sep 2004</b></li> <li><b>COMPLETED.</b> - Based on the TIR study, an action plan will be developed and implemented to increase TIR usage in Kazakhstan. – <b>31 Dec 2004</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	TFI successfully completed a study of TIR implementation in Kazakhstan and developed specific recommendations for the government meant to increase TIR usage. TFI also worked closely with the Association of Transporters' of Kazakhstan (KazATO), which is responsible for issuing TIR Carnets for all of Kazakhstan from their office in Almaty, to assess the current status of TI usage in Kazakhstan and advocate TFI recommendations to increase TIR usage in the country. TFI's main recommendation is that KazATO should open additional offices in Kazakh cities from which TIR Carnets could be issued. TFI is now working closely with transport companies in Uralsk to lobby for the opening of a KazATO office there. TFI also received confirmation from Kazakh Customs that they continue to support the opening of additional KazATO offices in the country and want TFI to continue working in that direction. TFI will continue its lobbying efforts in the coming contract year.		

No.	Objective	Start Date	End Date
<b>KZ TF 02</b>	<b>Adoption by Customs Control Agency of a mechanism for transit (insurance) guarantee mechanism</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Regardless of the improvements made in access to the TIR System, many small agricultural producers and manufacturers, and SME traders and transporters will not be able to afford to use the TIR System because of the high cost of a vehicle that meets TIR specifications and the costs associated with membership in transporter associations. Consequently, it is critical to develop and introduce a transit facilitation mechanism that serves the interests of SMEs. TFI will serve as the coordinator and catalyst in working with the Customs Control Agency and with private sector stakeholders on development of a transit insurance guarantee mechanism, along with the detailed procedural logistics required for the system to be implemented and operate successfully.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Draft Transit Guarantee Mechanism is developed with the participation of all relevant stakeholders. – <b>30 Nov 2004</b></li> <li>2. <b>COMPLETED.</b> - Transit Guarantee Mechanism is presented to Customs. – <b>30 Nov 2004</b></li> <li>3. <b>INCOMPLETE.</b> - If mechanism adopted by Customs, assist in the development of a procedure to monitor the use of the mechanism. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	With TFI assistance, Kazakh customs and 3 local Insurance companies (Komesk-Omir, Kazcommertsbank, and KazakhInstrakh) have reached an agreement on the mechanism for insurance guarantees. Kazakh customs will begin implementation once the insurance sector has drafted its implementation logistics such as where vouchers will be sold, by whom and at what cost. During the coming contract year, TFI will continue to work with both parties to ensure that the implementation logistics are feasible and are implemented. In addition, TFI has secured World Bank funding for an insurance consultant to implement and develop a monitoring mechanism. That work will begin in late summer 2005.		
No.	Objective	Start Date	End Date
<b>KZ TF 03</b>	<b>Customs valuation of imported goods conducted in accordance with the principles of the WTO Agreement on Customs Valuation</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>The customs valuation of imported goods continues to be one of the main constraints to trade and a major irritant to traders. TFI will provide a short-term specialist to help the Customs Control Agency to develop valuation techniques that comply with WTO principles regarding the valuation of imported goods. Representatives (ideally, technical trainers) will be invited from the Tajik or Uzbek Customs administrations to participate in these sessions.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Develop a WTO-compliant draft customs valuation program. – <b>28 Feb 2005</b></li> <li>2. <b>COMPLETED.</b> - Submit program to Customs for acceptance and approval. – <b>31 May 2005</b></li> <li>3. <b>INCOMPLETE.</b> -If approved, develop a Training Program for Customs officials on new valuation program. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	A WTO compliant customs valuation program was developed and submitted to the Kazakh Customs Control Agency. That plan has not been adopted. TFI does not anticipate the valuation program moving forward due to the contractual relationship between the Kazakh government and ICS. Still, TFI will continue its lobbying efforts in the coming contract year.		
No.	Objective	Start Date	End Date
<b>KZ TF 04</b>	<b>National Risk Management Program adopted and implemented by Customs Control Agency</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>A key element to modern trade administration is the adoption of risk assessment criteria and selectivity in customs compliance verification procedures. TFI will provide a short-term specialist to help the Customs Control Agency to develop national risk management programs for the facilitation of trade and improvement of fiscal administration. Representatives will also be invited to participate from the Tajik and/or Uzbek Customs administrations. The objective is to use established risk assessment criteria to identify low-risk traders in order to provide better service and faster clearance times to such traders.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Risk criteria established and low-risk traders identified. – <b>30 Nov 2004</b></li> <li>2. <b>COMPLETED.</b> -Procedures developed, training delivered. – <b>28 Feb 2005</b></li> <li>3. <b>COMPLETED.</b> - If Customs adopts this program, clearance times for low-risk traders will be significantly reduced – <b>31 May 2005</b></li> <li>4. <b>COMPLETED.</b> - National Risk Management Program established by Customs Control Agency. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 –</b>	TFI placed a short-term consultant on Risk Management in Astana working with the Customs Working Group on Risk Management.		



<b>May 2005</b>	Together they worked to identify risk criteria and better understand the concept of risk scoring and computerized Risk Management systems. TFI then presented Kazakh Customs with recommendations for the implementation of an effective Risk Management program. Based on those recommendations the Customs Control Committee established a separate Unit for Risk Analysis and a Department for Post-Entry Control. The establishment of these entities is an important step towards effective risk management. Furthermore, TFI has been asked to work directly with the risk management unit to implement TFI's other risk management recommendations. This work will continue in the coming contract year.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ MAS-Q 01</b>	<b>WTO-compliant law on "Technical Regulations in the Republic of Kazakhstan" adopted</b>	<b>1 Jun 04</b>	<b>30 Nov 04</b>
<b>Description</b>	<i>The establishment of an internationally recognized MAS-Q infrastructure requires a technical and legislative base that complies with the requirements of the WTO's Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Measures and international norms. The fundamental piece of legislation required will establish the legal requirements for products that are subject to mandatory certification and will create a legal distinction between voluntary quality standards and mandatory regulations related to health, safety, the environment and national security. TFI was instrumental in the completion of a WTO-compliant draft law, but that draft was subsequently reworked and no longer complied with WTO requirements. This reworked draft was submitted to the lower house of Parliament and approved with some changes. TFI has since provided commentary and specific amendments to the law now pending in the upper house of Parliament (Senate). Senate passage of a WTO-compliant law is essential for MAS-Q reform as well as WTO accession.</i>		
<b>Intermediate Objectives</b>	1. <b>COMPLETED.</b> - Continue to advocate for adoption of amendments to the law in the Senate to ensure WTO compliance. – <b>30 Nov 2004</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	The RK Law "On Technical Regulation" #603-11 was passed on November 9, 2004. TFI determined that the law was not in compliance with WTO requirements and began to lobby for amendments required to bring the law into compliance. Unfortunately, the Kazakh government was and continues to be reluctant to make changes to the law. EuropeAid is now implementing a program to assist with implementation of the law. During the contract year, TFI provided EuropeAid with its assessment of the law and both organizations continue to share information. EuropeAid has assumed the main donor role of supporting this activity.		

<b>June 1, 2005 – May 31, 2006</b>			
<b>Reduction of Investment Constraints (RIC)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 01</b>	<b>Nationally and Locally Imposed Constraints Reduced in Selected Oblasts</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>National legislation and the locally created rules, processes or procedures that implement them create constraints for SMEs in Kazakhstan's oblasts. TFI consultants and existing members of the TFI partnership program will work with local government counterparts to reduce identified constraints.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Locally created constraints identified by TFI field offices and partner program members – <b>COMPLETED</b></li> <li>• Provide recommendations to reduce identified constraints to appropriate Kazakh government officials – <b>COMPLETED</b></li> <li>• When adopted, monitor implementation and impact – <b>COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>TFI and its partner associations successfully reduced constraints (40 processes) in 14 cities over the course of the year. Six of those constraints were at the national level and the remaining 34 were at the local level.</p> <p>Amendments to Kazakh Administrative Code (differentiated fines depending on the size of business); amendments to medical equipment certification regulations (reduced number of equipment items subject to certification); approval of the Law "On Private Enterprise" (contains inputs from TFI and TFI partner organization – the Forum of Entrepreneurs) are the most significant achievements at the national level.</p>		

	Local constraints cover a wide range of issues, but specific focus was given to construction and land (land titling; construction design approvals; construction commissioning; immovable property rights' registration), with 15 processes in 10 cities are directly related to such processes. TFI's partners were trained in barrier-reduction techniques and were able to successfully implement this knowledge in practice, which brought significant savings for businesses both in terms of money and in terms of time and promoted further economic growth. Details of those reductions are contained in the constraint reduction chart.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ RIC 02</b>	<b>Technical Capacity and Sustainability of Local Organizations and Institutions Implementing Constraint Reduction Programs Developed</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>TFI has expanded the scope and impact of its constraint reduction activities by supporting the development and technical capacity of local organizations and institutions as well as public/private partnerships. TFI successfully trained 34 business associations and local government bodies in the RIC methodology, supported the development of Customs Consultative Councils and is now advising the office of the General Procuracy on the establishment of working groups that will target illegal or outdated government acts for elimination. TFI will work with all of these organizations to develop their technical capacity and financial capabilities to continue to identify and reduce constraints after the conclusion of the TFI program.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Establish and conduct pilot Prosecutorial working group –<b>30 Sep 2005 - COMPLETED</b></li> <li>• Conduct baseline surveys of participants to determine effectiveness of Prosecutorial working groups in resolving issues of concern – <b>28 Feb 2006 - COMPLETED</b></li> <li>• Partner business associations provide training and mentoring to at least 8 other business associations in the RIC methodology – <b>28 Feb 2006 - COMPLETED</b></li> <li>• Business Plan to market training in the RIC methodology as a fee-based association-to-association service – <b>28 Feb 2006 – COMPLETED</b></li> <li>• At least five newly trained business associations reduce at least one constraint each – <b>31 May 2006 - COMPLETED</b></li> <li>• At least one business association in Central Asia has contracted to receive fee based RIC training. – <b>31 May 2006 - COMPLETED</b></li> <li>• Surveys of participants indicate at least 2/3 of respondents find Consultative Councils effective in resolving issues of concern - <b>31 May 2006 - COMPLETED</b></li> <li>• Follow-up surveys of participants indicate at least 2/3 of respondents find Prosecutorial working groups effective in resolving issues of concern – <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>During the year, TFI placed special emphasis on strengthening the capacity of its public and private sector partners at various levels, including rayon-level, town, city and national-level organizations. TFI was directly involved in establishing pilot Prosecutorial Working Group and Customs Consultative Councils. The Prosecutorial Working Group addressed approximately ten issues, which were successfully resolved to the satisfaction of businesses. Surveys of participants indicated continued support and positive results.</p> <p>Customs Consultative Councils also proved to be an effective, as during the past contract year the Councils reduced 5 customs barriers. Success of the Councils is further evidenced by surveys of traders, with 87% of the respondents indicating their positive attitude towards efforts of the Consultative Councils to simplify customs procedures.</p> <p>The Multiplication Program designed to support association-to-association training on the RIC Methodology completed Phase I and II. Trainings were conducted for 37 Associations in the Kyrgyz Republic, Tajikistan, &amp; Uzbekistan.</p> <p>The Tajik Agribusiness Association, a TFI partner association and a member of the Multiplication Program, with the support of TFI, held a series of seminars for 70 entrepreneurs in 12 towns and rayons of Sogd Oblast. The seminars were aimed at increasing understanding among local business of regulations in the areas of licensing; procedures for obtaining land and procedures for obtaining chemical fertilizer sales permits. Seminar participants received comprehensive information on the legal framework and will be able to successfully apply this knowledge in practice</p>		

	The TFI Partner in Uralsk, the Entrepreneurs Independent Association, signed an agreement with the Akimat of Zelenovsky region on cooperation for administrative barriers reduction. The agreement includes RIC methodology training for state employees. At the same time the Akimat assumed obligations to compensate the association for expenses incurred in organizing and conducting the trainings.		
No.	Objective	Start Date	End Date
<b>KZ RIC 03</b>	<b>Implement Electronic Governance Systems in Kazakhstan</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>During the previous two contract years, TFI successfully laid the foundation for E-governance - Implementing regulations have been drafted and a physical infrastructure has been developed to allow for business-to-government and government-to-business interaction; a pilot electronic government procurement system has been designed to allow for procurement of standardized goods such as office equipment and furniture, medical supplies, vehicles and spare parts. TFI will now work with the GOK and private sector counterparts to continue the implementation of electronic governance systems, including online business registration, online submission of statistics reports and will assist with further development of a national web portal. TFI will also assist in launching the electronic procurement system, which will increase the ability of SMEs to participate in a market that in 2003 was valued at 3.2 billion US dollars.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Project proposal on electronic submission of statistical reports by SME drafted and submitted to the Agency on Statistics for consideration - <b>28 Feb 2006 - COMPLETED</b></li> <li>• Provide commentary to GoK on draft e-commerce (and e-government) implementing regulations – <b>31 Mar 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>TFI designed a survey for SMEs in Kazakhstan to determine whether electronic submission of statistical data will allow them to reduce costs of doing business, which included respondents from West Kazakhstan Oblast, Pavlodar, Karaganda and Astana. The results of the survey show that there is a general interest by SMEs in electronic submission of statistical data. These results will be incorporated in the project proposal for the Agency on Statistics of Republic of Kazakhstan, which is currently being prepared by TFI.</p> <p>TFI conducted an analysis of proposed amendments to the Law “On Informatization” that were presented during a roundtable in April 2006. It was the opinion of TFI that the amendments were not necessary at this time. Historically, TFI provided analysis and recommendations on draft regulations to the Agency on Informatization and Communications. During this contract year, further regulations were not required.</p>		
No.	Objective	Start Date	End Date
<b>KZ RIC 04</b>	<b>Constraints Related to Permitting and Licensing Procedures Reduced</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>Excessive or redundant requirements relating to permitting and licensing procedures create considerable constraints to SME development. Duplications are found in licensing, accreditation, and standardization. The GoK has requested TFI's assistance to develop proposals to simplify permitting procedures and reduce the number of business activities subject to licensing.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Identify constraints created by excessive and redundant requirements related to permitting procedures (licensing, standardization, certification, accreditation, attestation, permitting documents) – <b>31 Aug 2005 - COMPLETED</b></li> <li>• Recommendations on eliminating redundant or unnecessary permitting procedures and documents are issued and submitted to the Government – <b>30 Nov 2005 - COMPLETED</b></li> <li>• When adopted, monitor implementation and impact – <b>31 MAY 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>During the year TFI, as part of the efforts to reduce constraints related to permitting and licensing procedures, concentrated on permitting and licensing in pharmaceutical and tourism industries and on developing draft amendments to the Law “On Licensing”. Major results include:</p> <p>Simplified registration procedures for foreigners. The Ministry of Foreign Affairs and the Ministry of Interior developed and implemented a procedure whereby foreigners, instead of going through a lengthy registration process with the migration police, now register at border crossing points</p> <p>Improved registration procedures for pharmaceuticals and medical equipment. The Ministry of Health, following proposals submitted by TFI and its partners</p>		

	(Medfarm Association and Pharmaceutical Association), reduced the list of pharmaceuticals and medical equipment items subject to mandatory registration by 120 commodity lines (down from 1000). Simplification of accreditation and licensing requirements for pharmaceutical businesses. Pre-licensing evaluation services, which previously could be purchased only at government organizations (in Almaty, for example, it was the National Evaluation Centre) can now be bought from other accredited organizations and individuals, which gives greater freedom of choice for businesses, increases competition, and reduces opportunities for corruption. TFI, jointly with the Kazakh Tourism Association, submitted recommendations to the Government to reduce consular fees and to exclude airline ticket reservation and sales from the list of activities subject to mandatory certification. These recommendations are still under consideration. TFI consultants, together with the Forum of Entrepreneurs, provided consistent support to the working group developing amendments to the Law "On Licensing". The goal is to reduce the number of activities subject to licensing (at the moment, this list includes 246 broad categories of activities).		
<b>World Trade Organization (WTO)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ WTO 01</b>	<b>Increase IPR Enforcement in Kazakhstan.</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>Training front line customs officers in the identification and seizure of pirated goods will help Kazakhstan: (a) meet the standards set by the TRIPS agreement (b) achieve removal from the Special 301 Watch List; and (c) accede to the WTO.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>Comprehensive training on identification and seizure of pirated goods by Kazakh Customs Officers completed in Almaty, Shymkent, Pavlodar, Ust-Kamenogorsk &amp; Uralsk – <b>28 Feb 2006 - COMPLETED</b></li> <li>As a result of Customs trainings, a statistical increase of at least 10% over the previous year in seizures of pirated goods and prosecution of counterfeiters – <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>TFI organized a major Conference on IPR Enforcement in Almaty, Kazakhstan on July 5-7. At the Conference, the Customs Control Committee presented newly introduced customs procedures for the enforcement of IPRs. The decision was made to conduct additional regional IPR training sessions for customs officials in Taldikorgan, Kostanai, Ust-Kamenogorsk and Atyrau. Trainings in Taldikorgan and Kostanai were completed in November and December. The trainings in Ust-Kamenogorsk and Atyrau were completed in February.</p> <p>Concrete recommendations on improving customs clearance procedures with regard to goods containing IP materials and on strengthening interaction between Customs the IPR Committee were developed. TFI developed the draft Table of Changes to the current RK Customs Code regarding IPR issues and submitted it to the Customs Committee. Upon the Committee's initiative, the draft Table of Changes was presented for public discussion during the seminars. The recommendations were included in the Single Table of Changes to the RK Customs Code which is expected to be sent to the Government for approval in Fall 2006.</p> <p>Monitoring, based on information from the Government, indicates that during the period February - May 2006 customs confiscation of counterfeit goods increased appreciably by 12%. This is an indication that trainings have been successful and front-line customs officers have an increased ability to detect counterfeit products and that protections are being increasingly enforced.</p>		
<b>Trade Facilitation (TF)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>KZ TF 01</b>	<b>Transparency Increased and Transit Times &amp; Costs Reduced for SMEs Importing, Exporting or Transiting Goods Through Kazakh Territory</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>Time frames and costs associated with importing, exporting or transiting commercial cargo through Kazakh territory is unacceptably high for most entrepreneurs. Streamlining the legal and regulatory framework for these processes, increasing the knowledge of Kazakh Customs Officers of the TIR system &amp; other transit guarantee mechanisms and educating foreign and domestic traders of the cost to market for major Kazakh transit routes will greatly lower transit costs and timeframes.</i>		
<b>Intermediate</b>	<ul style="list-style-type: none"> <li>Contingent on World Bank funding in July 2005, the Transit Insurance Guarantee Mechanism will be drafted and submitted for approval to Customs – <b>30 Sep</b></li> </ul>		

<b>Objectives</b>	<p><b>2005 - COMPLETED</b></p> <ul style="list-style-type: none"> <li>• Complete and distribute Cost to Market analysis for major Kazakh transit routes –<b>28 Feb 2006 - COMPLETED</b></li> <li>• Provide recommendations to reduce legal and regulatory constraints to transit trade in Kazakhstan to appropriate government officials –<b>28 Feb 2006 - COMPLETED</b></li> <li>• If approved for implementation by Customs, disseminate results through the ITG, CCCs, and other media – <b>30 Mar 2006 - COMPLETED</b></li> </ul>
	<b>Status &amp; Comments</b>
<b>June 2005 – May 2006</b>	<p>The Transit Corridor Analysis for Kazakhstan has been completed, including confirmation of the legal constraints, which are causing delays and increasing costs for transit to ensure that the information is accurate and remains valid.</p> <p>Significant progress was made on the mapping and analysis of the main transit corridors throughout Central Asia. The first round of mapping covered two transit routes for Kazakhstan, two transit routes for Tajikistan, one transit route for the Kyrgyz Republic. The second round of mapping included one automobile and four rail transit routes from Kazakhstan with destinations in Afghanistan, three automobile transit routes from Tajikistan to the Kyrgyz Republic, China and Afghanistan, one transit route from Uzbekistan to Russia, and additional routes from the Kyrgyz Republic to Afghanistan. The analyses have been distributed among relevant government bodies, as well as with and through associations in Kazakhstan, the Kyrgyz Republic, and Tajikistan, and to other interested domestic and international organizations.</p> <p>The Transit Insurance Bond system was recommended by TFI to Customs as one of the tools to facilitate transit through Kazakhstan. The system was supported by Customs and TFI provided additional recommendations to put the system into practice. At this time, Customs is prepared to adopt and implement the system so long as it does not conflict with Kazakh law.</p>
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>	
<b>KZ MAS-Q</b>	
<b>Description</b>	<p><i>In the previous project year, TFI participated in the drafting of the law On Technical Regulation, which was adopted by Parliament in December 2004 and came into force in May 2005. TFI also provided GosStandard of Kazakhstan with a Road Map for achieving international recognition of its conformity assessment results that focused on the technical and institutional reforms that need to be undertaken. GosStandard has since advised USAID management, that while continued support from TFI is welcome, they will determine the pace of any work and reforms, including the implementation of and any possible improvements to the law On Technical Regulations. At the same time, other donor organizations are actively involved in similar activities in Kazakhstan. In June 2005, EU/TACIS will launch a 2-year assistance project to work with GosStandard on the implementation of the law On Technical Regulation and compliance with the WTO TBT Agreement, while the International Trade Centre (ITC) will provide support on accreditation reform and the preparation of select laboratories for international accreditation in 2005-2006.</i></p> <p><i>TFI believes it can continue to provide valuable assistance to both government and the private sector in reforming MAS-Q structures, processes and procedures but will define any future objectives and tasks during the project year in response to direct requests from counterparts or by identifying gaps in other donor assistance projects once they begin.</i></p> <p><i>TFI will, however, continue to work toward implementation of the law On Technical Regulation and ensuring meaningful reductions in the scope of regulation and compliance costs to businesses posed by MAS-Q requirements, but will undertake these efforts as part of the RIC component of the Project. These activities are ongoing and are in direct response to constraints identified by our private sector counterparts, specifically Partner Associations and select working groups of the Center for Marketing and Analytical Research (CMAR)-J.E. Austin Kazakhstan Cluster Initiative.</i></p>

Attachment D: Kazakhstan Constraint Reduction Tables (2001 – 2006)

Kazakhstan						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
1	Almaty - Alcohol Licensing	Reduced cost/money, fewer approvals	A failure by two city rayons to differentiate between requirements for manufacturers and those for retailers resulted in approximately 500 applications annually being required submit a “Conclusion for Fire Department” as part of the application process. To obtain this approval, investor had to undergo unnecessary inspections, experience application delays of a minimum of 10 days, and purchase unnecessary equipment costing \$300 to \$500 per investor	The Department of Small and Medium Enterprises and Pragma Corporation recommended to the Prosecutor’s Office that the two rayon Akimats requiring manufacturer-level fire inspections and equipment for retailers should be notified of the correct interpretation of the law and additional inspections and approvals should be prohibited. The Prosecutor’s Office issued instructions to the Akims of the relevant (2) rayons to no longer require the inspection and conclusion from the Fire Department for obtaining a license. As a result, investors are no longer required to undergo the inspection or install unnecessary equipment to obtain the license, which has shortened the application process by at least 10 days.	The total savings for investors will be an estimated \$150,000 to \$250,000 for unnecessary equipment, and the recovery of 5000 total days of operational business time estimated at total increased gross sales revenue of \$250,000 in the 2 rayons. Total benefit of removal of this constraint is estimated at <b>\$400,000 to \$500,000 annually</b> .	8/9
2	Almaty - Alcohol	Better Information	In all rayons, information	In response to this constraint, The Department of Small and Medium Enterprises with assistance	There is greater transparency in the licensing process as investors are now aware of what government	8/9

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
	<i>Licensing</i>		regarding the application process is inadequate and not readily available. Instructions detailing required forms, approvals and the decision making process are not available at all the Akimats.	from The Pragma Corporation created informational brochures to inform investors of the process, and the requirements for obtaining the license for distribution to applicants via government agencies and associations.	agencies are involved and what documents are required at the outset of the application process, allowing them to better prepare and undertake their application effort. It is estimated that investors will reduce their application time and delays caused by rejection of incomplete applications an average of 10 to 15 days per applicant.  500 applications x \$50 per day x 10 days = <b>\$250,000</b>	
3	<i>Almaty - Statistics</i>	Reduced cost/time	Excessive business time wasted by entrepreneurs and their agents due to requirement of personally submitting various reports to the Department of Statistics.	It was recommended that alternative delivery methods be allowed for submitting periodic reports to the Department of Statistics. Through cooperative efforts of the public and the Department of Statistics, reports may now be submitted to the Department via regular or electronic mail.	As a result of this improvement, entrepreneurs and their agents will recover the time lost each week traveling to and waiting at the Department of Statistics. The estimated recovered benefit is 4 days per month for each business.  Money saved: 4 days x 600 Tenge (1 day wage for an accountant) x 19,039 companies x 12 months = 548,323,200 ( <b>\$4,217,871</b> ).	8/8
4	<i>Almaty - Inspections</i>	Better information, fewer approval / inspections	Some of the most frequently inspections cited as problematic by entrepreneurs was those conducted by the financial police. The financial police have refused to either register their inspections with the Prosecutor's Office or record their inspections in the	Pragma Corporation advised the Prosecutor that the financial police were not exempt from business protective regulations governing their inspection practices. As such, the financial police are required by law to both register inspections with the Prosecutor and also to record inspections in the entrepreneur's journals. Following the opinion from Pragma, the Almaty Prosecutor's Office issued a reply indicating that ALL inspecting agencies, without exceptions, were subject to the same regulatory restraints. Thereafter, the financial police issued an internal order indicating that all inspections throughout Kazakhstan were now to be recorded with the local prosecutor and recorded in investor	The stricter enforcement of the law will bring transparency to the process and will provide the entrepreneur with greater leverage to ensure that the government representatives are in compliance with the regulation. The Prosecutor's Office will now be able to monitor registrations to prevent abuse. Furthermore, anecdotal evidence from investors indicates that the requirement of recording inspections in journals is a deterrent to illegal inspections and bribe demands as inspectors have decided against carrying out excessive inspections when presented with the journal by entrepreneurs. Finally, the act of recording in journals by financial police will provide entrepreneurs with tangible evidence with which to base a complaint to the Prosecutor of illegal inspections	<b>5/6</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
			entrepreneur's journal thereby avoiding regulation by the local government agents.	journals.		
5	<i>Almaty - Construction</i>	Reduced cost	While construction itself may take 5-6 months, the approval process can take years.	Unnecessary steps should be removed from the process and specific deadlines should be imposed on specific agencies for consideration of applications and for conducting inspections.	Decree 1313 articulates specific time deadlines within government agencies for consideration of applications. Deadlines from 3 to 10 days have been imposed for agencies involved at various steps in the process. Unnecessary inspecting agencies have been removed, with only 3 inspections now required.	<b>9/10</b>
6	<i>Almaty - Construction</i>	Fewer approvals, reduced cost /money/time	There is an overlap of agency jurisdiction causing confusion for entrepreneurs, duplicative approvals, and the opportunity to extract unofficial payments. The Almaty Akim created the Department for Architectural-Construction Control, but the Committee on Construction created the regional department for Architectural-Construction Control and Licensing. The functions of both agencies are the	Pragma Corporation recommended that the Prosecutor's Office declare the Department of Architectural-Construction Control an illegal entity due to lack of a proper legal base for its existence.	Through consultation with the Prosecutor's Office, it was determined that the creation of the Department of Architectural-Construction Control by the Almaty Akim was an illegal expansion of the list of controlling bodies. However, to avoid duplicate control, the decision was made to separate the areas of control by Rayon. Builders in three Rayons go to the Department of ACC, and builders in the other three Rayons go to the Committee on Construction.	<b>9/10</b>



<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
			same and the entrepreneur must be inspected by both.			
7	<i>Almaty - Construction</i>	Better information	Not all process information is disclosed at the project development stage and application requirements are unclear resulting in application rejections, wasted resources in the construction process and delays.	The Department of Small and Medium Enterprises and Pragma Corporation recommended that application requirements and the process for approval be clearly articulated and published.	Decree 1313 lays out in specific details what documents are required for applications and the procedure for consideration of the applications.	<b>9/10</b>
8	<i>Almaty - Land Acquisition</i>	Fewer approvals	Too many approvals needed. Many of these approvals are duplicates and unnecessary.	The Department of Small and Medium Enterprises and Pragma Corporation recommended that unnecessary approvals be eliminated from the process and necessary approvals are limited to those that are required by law.	In response to the recommendation, Decree 1313 clearly articulates which government bodies have to approve land permits. It is estimated that there could be new investment by the investors amounting to \$5 million in their businesses as a direct result of reducing this constraint. Additionally, this will also reduce the opportunities for corruption.	<b>9/10</b>
9	<i>Almaty - Land Acquisition</i>	Reduced cost	Topographical surveys from only one organization are accepted - CenterGeoInform LTD. There is illegal lobbying of company interests and creation of a corrupt climate due to this monopoly.	To prevail on the Architecture Department to accept topographical surveys from any organization possessing license for such type of activity. Entrepreneur should be able to apply to any other organization, possessing a license for making topographical survey, where prices for similar services might be lower and the period of survey might be reduced.	In 2005, 1335 applications for survey were accepted. There are approximately 10 companies in Almaty that offer topographical survey services. Prices vary from 3.5 to 7 thousand KZT. Businesses are now able to apply to any topographical survey service provider and pay, on average, 5.2 thousand KZT. Savings amount to 1800 KZT (14.7 USD) per each survey.  Annual savings in Almaty will amount to 1335 x 14.7 = <b>\$19,624.</b>	<b>9/10</b>
10	<i>Almaty - Land</i>	Better information	There is not enough information	The Department of Small and Medium Enterprises and Pragma Corporation	Decree 1313 has been widely published and Pragma has participated in public forums discussion the	<b>9/10</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
	<i>Acquisition</i>		- from the beginning of the process entrepreneur does not know what the next step of the process is. This often leads to confusion, incorrect filling in of applications, lost time and business for entrepreneurs.	recommended that distribute of the description of the new process should be done in the in the mass media, at the site of Department of small business, etc and that information displays should be established at each concerned department of the land process.	changes in the acquisition procedure. Implementing regulations are underway, but it is planned that the new regulations will be made available are appropriate public contact points. It is estimated that up to \$2.5 million may be lost due to incorrect filing of applications, which directly results in these applications getting rejected, and consequently investment loss. Thus establishing easy access of the process information will help in substantially reducing this loss of investment as well as the loss to the state exchequer due to loss of tariffs.	
11	<i>Almaty - Land Acquisition</i>	Reduced time	The process takes too much time. Interviews with some entrepreneurs revealed that the process took up to 2 years.	The Department of Small and Medium Enterprises and Pragma Corporation recommended that standardized processing times at each department should be instituted and this information should be made easily available.	In response to this recommendation, Decree 1313 clearly articulates how long government bodies have to consider applications. In most cases, the time of consideration is limited to either 3 or 10 days. The next result should reduce processing times by 18 months.  In 2005, 1335 applications were received. The process is reduced by 360 working days. Given that one saved working day is \$15, total savings amount to 1335 x 360 = <b>\$7,209,000</b> .	<b>9/10</b>
12	<i>Almaty - Tourism</i>	Fewer approvals	Registration and making entrance visas for foreign tourists took about 5 days including the registration at the Ministry of Internal Affairs.	It is recommended to the Ministry of Internal Affairs to consider the issue of the simplification of the process of visas registration of foreign citizens from safe countries and its cost.	As a result, an Order on the Simplification of Visa Procedures for 54 Countries was signed on March 5, 2003 between the Ministry of Internal Affairs and the Ministry of Foreign Affairs in agreement of the Committee of National Security. The registration of tourists is made now within 1-2 days. Tourists do not need the permission from the bodies of internal affairs. The cost of a single entrance visa is 20-40 USD, double one (no more then 60 days) - 30-60 USD. These simplifications allow attracting more tourists and save time at the registration.  Every tourist spends an average of \$1000 in the	<b>11/12</b>

Kazakhstan						
Constraint Reductions						
2001 – 2003						
#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
					country during one visit. 23748 tourists from 54 countries visited Kazakhstan. This number is higher by 3766 people than the number for 2004. Additional revenue from increased tourism inflow is $\$1000 \times 3766 = \mathbf{\$3,766,000}$ .	
13	<i>Almaty - Tourism</i>	Reduced cost/time	The cost of a general license to perform tourist activities was about 50,000 KzT in 2002 depending on the type of tourist services.	It is recommended to the Agency on Tourism and Sport to reduce the cost of general license, because tourist companies have additional expenses while filing documents during license application.	As a result, the cost of a general license to perform tourist activities is reduced to 10 monthly-calculated indexes, i.e. 8,250 KzT in 2003. The cost savings per business is $50,000 - 8,250 = 41,750$ .  There are 233 businesses impacted. Total savings is:  $41,750 \times 233 = 9,727,750$ KzT ( <b>\$74,829</b> ).	<b>11/12</b>
14	<i>Atyrau - Billboard License</i>	Reduced Time	<i>Obtaining a billboard permit requires too many approvals and is thus overly time-consuming.</i>	The entrepreneur now needs approval from 4 different government bodies after submitting the application to the City Akim. Previously 13 approvals were required from 13 different organizations. Approvals are needed for placement of the advertisement. This process took approximately 42 working days.	As a result of the actions taken, 9 approvals were removed from the process, reducing the timeframe 37 days. Obtaining a billboard permit now takes approximately 5 days.  Given that the average annual number of applications is 300, economic effect will amount to: $300 \times \$30$ (average daily profit) $\times 37$ (reduction in days) = <b>\$333,000</b> .	<b>8/10</b>
15	<i>Atyrau - Billboard License</i>	Lower Cost	The costs associated with the process are excessive and hinder the growth of business activity.	Businesses are no longer required to purchase a scheme of the location from the State Enterprise “Center for Master Planning”, thereby saving 13000 KzT.	As a result of the actions taken, businesses save 13,000 KzT.  Given that the average annual number of applications is 300, economic effect will amount to: $300 \times \$10$ (13 000 KZT) = <b>\$3,000</b> .	<b>8/10</b>
16	<i>Atyrau - Billboard License</i>	Better Information	Vital information related to the process is not available for investors who wish to obtain a billboard permit.	A standard application form, stating required documents to be submitted, is now being issued to the investor, thereby reducing the amount of informational mistakes and incorrect document submission.	As a result of actions taken, entrepreneurs now have the information to navigate the process successfully, there is greater process transparency, and a monitoring and evaluation system has been established for purposes of continual process improvement.	<b>8/10</b>

## Kazakhstan

### Constraint Reductions

**2001 – 2003**

#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
17	<i>Atyrau - Land Acquisition</i>	Reduced Time	The process for acquiring property rights for land is overly time-consuming and requires investors to take several unnecessary steps. Land Applications were previously accepted at three places: the City Akimat, State enterprise “Center for Master Planning” and the Oblast Architectural Department. This resulted in disorganization and the loss of applications.	<ul style="list-style-type: none"> <li>• Applications are only accepted at the City Akimat who has sole responsibility for distributing the application to the other two organizations. This saves the investor an average of five days.</li> <li>• The State Enterprise “Center for Master Planning” now issues the Inspection Act for Selection of Land Area within 30 days, and the Oblast Committee on Land Resources creates Land Survey Projects within 30 days. Previously, these steps combined could take from 90 to 180 days.</li> <li>• The requirement to submit a draft of the proposed building to the City Akimat was eliminated, saving the investor approximately 10 days.</li> </ul>	<p>By implementing these recommendations, a number of departments and documents have been eliminated from the process. As a result, the overall process timeframe has been reduced from an average of 135 days to 45 days.</p> <p>Economic impact from reduction in process timeframe will amount to: 90 (days) x \$30 (average daily profit) x 1683 (applications per year) = <b>\$4,544,100</b>.</p>	<b>8/10</b>
18	<i>Atyrau - Land Acquisition</i>	Lower Cost	The costs associated with the process are too high.	<ul style="list-style-type: none"> <li>• The requirement to include a draft of the proposed building in the Land Application was eliminated, reducing the cost anywhere from 16,000 KzT to 100,000 KzT, depending on the detail of the draft.</li> <li>• The requirement to submit the Land Application to “GKP”, a state enterprise responsible for city planning, was eliminated and transferred to the City Department of Architecture. The fee for processing this application is covered in the city budget; therefore the investor does not pay for this service and saves 11,200 KzT.</li> </ul>	<p>By implementing these recommendations, investors’ expenses have been reduced anywhere from 27,200 – 11,200 KzT.</p> <p>Economic effect from cost reductions/savings will amount to: \$86 (11,200 KzT) x 1683 (applications per year) = <b>\$144,738</b>.</p>	<b>8/10</b>
19	<i>Atyrau - Land</i>	Better	Vital Information	<ul style="list-style-type: none"> <li>• A standard application form, stating the</li> </ul>	As a result of the actions taken, there is greater process	<b>8/10</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
	<i>Acquisition</i>	Information	regarding the process is not readily available for investors wishing to acquire property rights for land.	required documents to be submitted has been introduced, thereby reducing the amount of informational mistakes and incorrect document submissions. <ul style="list-style-type: none"> <li>A comprehensive informational display has been set up at the City Architecture Department, which contains handouts explaining the necessary steps for preparing the documents required to acquire property rights for land.</li> </ul>	transparency, investors now have the information to successfully and efficiently navigate the process, and a monitoring and evaluation system has been established for purposes of continual process improvement.	
20	<i>Atyrau - Tax Mode</i>	Better Information	Registering for the simplified tax mode was confusing for entrepreneurs	Brochures and an information desk were erected in the office of the tax committee.	Business community is now aware of the advantages of registering under the new tax mode and now over 3400 businesses have registered.	<b>9/12</b>
21	<i>Uralsk - Remodeling Process</i>	Reduced Steps	The process is overly time-consuming and requires investor to take several unnecessary steps.	<ul style="list-style-type: none"> <li>Two standard application forms, for obtaining the right to remodel and putting the object into use, which state the required documents to be submitted, are now being issued to investors, thereby reducing the amount of informational mistakes and incorrect document submissions</li> <li>Site inspection appointments are now set immediately upon the submission of the remodeling application</li> <li>The Remodeling Conclusion is now issued through the Department of Infrastructure and Construction, thereby eliminating the review and approval of the remodeling application by the Head City Architect, who now only reviews and approves the Remodeling Conclusion</li> <li>Timeframes for issuing approvals after the Remodeling Conclusion has been obtained have been set for no more than five days for each of the four organizations involved</li> <li>Investors must now submit the new technical passport for the remodeled object with the</li> </ul>	<p>As a result of the actions taken, the overall process timeframe has been reduced by an average of 38 days, and 13 steps have been eliminated from the process. Furthermore, based on the actions mentioned above, eight approvals have been removed from the process. As well, a new Act of Acceptance of the Object into Use is now being used, which dramatically reforms the process.</p> <p>Economic effects from reduction in process timeframe will amount to: 38 (days) x \$50 (average profit) x 130 (applications per year) = <b>\$247,000</b>.</p>	<b>9/10</b>

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				<p>application for putting the object into use, instead of submitting it later in the process</p> <ul style="list-style-type: none"> <li>A new Act of Acceptance of the Object into Use has been adopted, thereby bringing the process in compliance with Article 76 of the Law “On Architecture, City Planning, and Construction.” The adoption of the new Act eliminates the State Acceptance Commission and the Decision of the City Akim from the process and allows the Department of Infrastructure and Construction to control the Act, which now serves as the one overriding process document</li> <li>Timeframes for issuing approvals on the Act of Acceptance of the Object into Use have been set for no more than five days for each of the five organization involved</li> </ul>		
22	<i>Uralsk - Remodeling Process</i>	Reduced Cost	The costs associated with the process are excessive.	<ul style="list-style-type: none"> <li>The Remodeling Conclusion is now issued through the Department of Infrastructure and Construction free-of-charge, saving each investor 3000 KzT (US \$20)</li> <li>The Act of Putting the Object into Use is now issued through the Department of Infrastructure and Construction free-of-charge, saving each investor 3100 KzT (US \$20)</li> </ul>	<p>The overall costs associated with the process have been reduced by 6100 KzT (US \$40) per investor, which was accomplished by allowing the Department of Infrastructure and Construction to administer the entire Remodeling Process, thereby eliminating the costs associated with the administration of the process through the State Enterprise “Turgen Uyi.” As well, two steps have been eliminated from the process, and the overall process timeframe has been reduced by an average of one day.</p> <p>Economic effects from cost reduction/savings will amount to:            \$20 savings per person x 130 remodeling applications per year + \$20 savings per person x 127 recommissioning applications per year = <b>\$5,140.</b></p>	<b>9/10</b>
23	<i>Uralsk - Remodeling Process</i>	Better information	Vital information regarding the process is not readily available to	<ul style="list-style-type: none"> <li>A comprehensive process informational display was created by the Department of Infrastructure and Construction and The Pragma Corporation, which provides investors with a</li> </ul>	As a result of the actions taken, there is greater process transparency, investors now have the information required to successfully and efficiently navigate the process, and a monitoring and evaluation system has	<b>9/10</b>

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			investors wishing to remodel objects.	<p>step-by-step description of the process, a process flowchart, a list of required documents, associated timeframes and costs, examples of pertinent documents, a list of project makers and architectural and construction organizations, and contact and appointment scheduling information for those organizations issuing approvals after the Remodeling Conclusion has been issued and on the Act of Acceptance of the Object into Use</p> <ul style="list-style-type: none"> <li>• Process brochures were created by the Department of Infrastructure and Construction and The Pragma Corporation to guide investors through the remodeling process in a step-by-step manner, while answering questions regarding required documents, costs, and associated timeframes</li> <li>• Informational handouts were created by the Department of Infrastructure and Construction and The Pragma Corporation to provide investors with the necessary contact and appointment scheduling information, and the documents required for each of the organizations issuing approvals after the Remodeling Conclusion is issued and on the Act of Acceptance of the Object into Use, as well, information on the criteria and regulations of “Goroformlenye” have been included, which must be taken into account during the remodeling of the object</li> <li>• Process brochures were created by the Department of Infrastructure and Construction and The Pragma Corporation to guide investors in a step-by-step manner through the process of putting the remodeled object into use, while answering questions regarding required documents, costs, and associated timeframes</li> <li>• Remodeling consultations through the</li> </ul>	been established for purposes of continual process improvement.	

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				Department of Infrastructure and Construction are now offered everyday <ul style="list-style-type: none"> <li>• Brochures were created by the Department of Infrastructure and Construction and The Pragma Corporation to inform investors about the consequences of illegal remodeling.</li> <li>• The City Department of Small Business has been designated by the City Akimat Commission for monitoring the process, collecting information on process complaints and violations, and gathering feedback from investors on how to improve the process</li> </ul>		
24	<i>Uralsk - State Registration of Legal Entities</i>	Reduced Steps	The process is overly time consuming and involves too many unnecessary steps.	<ul style="list-style-type: none"> <li>• The LLP charter is now accepted at the Tax Committee in one language whereas previously it was required to submit it in both Kazakh and Russian. This saves the investor approximately one day.</li> <li>• Maximum timeframe for registration at the Statistical Department was reduced from seven to two days.</li> <li>• The Tax Committee now issues a registration notification before the investor opens a bank account in order to avoid a return visit to obtain the document, which is required by the bank. This saves an average of one day.</li> </ul>	As a result of the actions taken, the overall timeframe of the process has been reduced an average of 7 working days.  Given that the average annual number of applications is 450, the economic effect from reduction in process timeframe will amount to: 450 x \$50 (average daily profit) x 7 (reduction in days) = <b>\$1,575,000</b> .	<b>10/12</b>
25	<i>Uralsk - State Registration of Legal Entities</i>	Reduced Cost	The costs associated with the process are excessive.	<ul style="list-style-type: none"> <li>• Standard charter application forms, previously printed and sold by state enterprise “RGP”, are now distributed by the Justice Department free of charge. This saves the investor 100 KzT.</li> <li>• Standard charter applications submitted to the Justice Department are now accepted in one language whereas previously it was required to submit it in both Kazakh and Russian. This saves the investor 100 KzT.</li> <li>• The LLP charter submitted to the Tax</li> </ul>	As a result of the actions taken, the costs associated with the process have been reduced 2200 KzT.  Economic effect from cost reduction will amount to: \$17 (KzT 2200) x 450 (average annual number of applications) = <b>\$7,650</b> .	<b>10/12</b>



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				Committee is required in only one language. This saves the investor 2000 KzT in copying and notarization costs.		
26	<i>Uralsk - State Registration of Legal Entities</i>	Better Information	Vital information regarding the process is not readily available or easily accessed for investors registering an LLP.	<ul style="list-style-type: none"> <li>An informational display was created with a list of required documents and government departments including contact information, office hours, registration timeframes at each department, and the criteria for rejection of applications.</li> <li>Representatives from the Justice Department, Statistical Department, Tax Committee, and The Pragma Corporation created process brochures to guide investors through the process in a step by step manner, while answering questions regarding required documents, costs, and associated timeframes.</li> <li>The Pragma Corporation created information packets containing an example of a standard LLP charter, the names and contact information for firms who provide legal services, a list of prescribed business activities, and licensing requirements for particular business activities. These folders are available at the Justice Department where investors start the process.</li> <li>The Department of Justice now provides information on existing names of LLPs, which are not eligible for registering businesses. Previously, businesses could waste time, money and effort by unknowingly registering their business under a name that was already taken, only to learn that they must repeat the entire registration process.</li> <li>The Justice Department, Statistical Department, and the Tax Committee along with The Pragma Corporation created a monitoring plan that will collect information on process complaints and violations as well as gather</li> </ul>	As a result of actions taken, there is greater process transparency, investors now have the information required to successfully and efficiently navigate the process, and a monitoring and evaluation system has been established for purposes of continual process improvement.	<b>10/12</b>

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<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
				feedback from investors who have recently completed the process on possible improvements.		
27	<i>Uralsk - Land Property Rights</i>	Reduced Steps	The process for acquiring land is overly time-consuming and requires investor to take several unnecessary steps	<p>A standard application form, stating the required documents to be submitted, is now being issued to investors, thereby reducing the amount of informational mistakes and incorrect document submissions</p> <p>Land projects created by the Center for Land Projects are now completed within 11 to 15 working days, thereby reducing the overall timeframes for obtaining property rights to less than three months, which is in accordance with the Law of the Republic of Kazakhstan “On Land,” #152-2, January 24, 2001.</p>	<p>As a result of the actions taken, the overall process timeframe has been reduced by an average of 32 days, and one step has been eliminated from the process. As well, based on the actions mentioned above, one approval has been removed from the process, and the process now operates in accordance with the three-month timeframe stated in the Law “On Land.”</p> <p>Given that the average annual number of applications is 450, the economic effect from reduction in process timeframe will amount to: 450 x \$50 (average daily profit) x 32 (reduction in days) = <b>\$720,000</b>.</p>	<b>9/10</b>
28	<i>Uralsk - Land Property Rights</i>	Reduced Approvals	Investors are required to obtain an excessive number of approvals for acquiring property rights for land.	Those investors constructing new objects are no longer required to submit an application for acquiring property rights for land, but instead the investor’s land acquisition application will be forwarded to the Department of Agriculture and Land Relations, thereby eliminating the approval of the City Akim.	<p>This action has eliminated one approval from the process for those investors seeking to obtain property rights for land for the purposes of constructing new objects, thereby reducing the overall process timeframe by an average of three days, and removing two steps from the process.</p> <p>Given that the average annual number of applications is 450, the economic effect from removal of one of the process steps will amount to: 450 x \$50 (average daily profit) x 3 (reduction in days) = <b>\$67,500</b>.</p>	<b>9/10</b>
29	<i>Uralsk - Land Property Rights</i>	Reduced Cost	The costs associated with the process are hindering the growth and development of small business.	<p>State Enterprise “Turgen Uyi” is now an official alternative to the Center for Land Projects for creating small land projects, which was concluded through an agreement with the Center, and on average creates land projects for 6000 KzT (US \$40) less than the Center, thereby saving those investors creating small land projects an average of 6000 KzT (US \$40)</p> <p>A system, utilizing the Department of Small Business, now allows small businesses to obtain</p>	As a result of the actions taken, those investors required to create small land projects in order to acquire property rights for land can now obtain those land projects through “Turgen Uyi,” thereby saving investors an average of 6000 KzT (US \$40). As well, the process of acquiring property rights for land now allows small business engaged in production and manufacturing activities to take advantage of a three year payment deferral for land as outlined in the Law “On Support of Small Business,” and gives full	<b>9/10</b>

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				<p>the Assets and Activities Form from the Tax Committee, which is required from those small businesses engaged in production and manufacturing activities that wish to take advantage of the three year land payment deferral as stated in the Law “On Support of Small Business;” earlier small businesses wishing to take advantage of this law could not obtain the required form, and therefore could not receive land under the terms outlined in the law, which not only violated the law, but slowed the growth and development of small business</p> <p>An interim rental agreement, giving temporary property rights to the land holder, is now being issued along with the purchasing agreement in cases where land is being purchased on the basis of installments or payments are deferred for small businesses, for which the State Act, and subsequently the permanent property rights, will not be issued until 100% payment has been made for the land; this change gives investors the rights associated with owning property during the payment period, as stated in the Law “On Land,” thereby allowing investors to use, make changes to, and further construct or remodel objects on the land, as well as use the land as collateral</p> <p>Comparative information about the costs associated with owning and renting land is now provided during the consultation with the Department of Agriculture and Land Relations, thereby allowing investors to compare costs and better decide on whether to rent or purchase land</p>	<p>property rights, except the right to sell the land, to those investors paying for land in installments, thereby allowing investors to use and make further changes to the land, as well as use the land as collateral to stimulate investment.</p> <p>Given that 40 % of the applicants applied to alternative organizations, economic effect will amount to 180 x \$40 (savings per investor) = \$7,200.</p>	
30	<i>Uralsk - Land Property Rights</i>	Better Information	Vital information regarding the process is not readily available to	<i>A comprehensive process informational display was created by the Department of Agriculture and Land Relations and The Pragma Corporation, which provides investors with a</i>	As a result of the actions taken, there is greater process transparency, investors now have the information required to successfully and efficiently navigate the process, and a monitoring and evaluation system has	<b>9/10</b>

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			investors wishing to acquire property rights for land	<p><i>step-by-step description of the process, a process flowchart, a list of required documents, associated timeframes and costs, examples of pertinent documents, information on the creation of land projects, as well as information on individual construction</i></p> <p>Process brochures were created by the Department of Agriculture and Land Relations and The Pragma Corporation to guide investors through the process in a step-by-step manner, while answering questions regarding required documents, costs, and associated timeframes</p> <p>The City Department of Small Business has been designated by the City Akimat Commission for monitoring the process, collecting information on process complaints and violation, and gathering feedback from investors on how to improve the process</p>	been established for purposes of continual process improvement	
31	<i>Uralsk - Land Acquisition for New Construction</i>	Reduced Steps	The process for acquiring land is overly time-consuming and requires investor to take several unnecessary steps	<p>The following actions were taken:</p> <ul style="list-style-type: none"> <li>• Availability checks on land are now conducted only by the Department of Infrastructure and Construction</li> <li>• A standard application form, with a list of required documents to be submitted, is now being issued to investors, thereby reducing the amount of informational mistakes and incorrect document submissions</li> <li>• Timeframes for approving or rejecting applications for acquiring land have been set at five days</li> <li>• Timeframes for conducting land parcel inspections have been set at three days following the approval of the application and drawing</li> <li>• The Act of Land Selection is now issued immediately following the inspection of the land parcel</li> </ul>	<p>As a result of the actions taken, the overall process timeframe has been reduced by an average of 64 days, and ten steps have been eliminated from the process. As well, based on the action mentioned above, four approvals have been removed from the process.</p> <p>Given that the average annual number of applications is 425, the economic effect from reduction of the process timeframe will amount to: 425 x \$50 (average daily profit) x 64 (reduction in days) = <b>\$1,360,000</b>.</p>	<b>9/10</b>

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				<ul style="list-style-type: none"> <li>Timeframes for the eleven organizations issuing approvals on the Act of Land Selection have been set at three day</li> <li>Inspection schedules for the City Sanitation Service, Oblast Firefighting Service, and the Oblast Administration of Ecology are now coordinated to better facilitate the investor in obtaining the approvals</li> <li>“Turgen Uyi” now offers a payable service for obtaining the necessary approvals on the Act of Land Selection</li> <li>The Decision of the City Akim has been eliminated, thereby allowing the Act of Land Selection to serve as the overriding process document, and removing an entire process section and major document</li> </ul>		
32	<i>Uralsk - Land Acquisition for New Construction</i>	Reduced Approvals	Investors are required to obtain an excessive number of approvals for acquiring land.	<p>All documents are now submitted with the application, instead of being submitted at different times for individual reviews and approvals</p> <p>The approvals of the Oblast Administration of Infrastructure and Construction and the Project Organization have been eliminated from the Act of Land Selection, and a new Act of Land Selection is now being used</p> <p>The review and approval of the Master Plan Center has been eliminated</p>	<p>As a result of the actions taken, four approvals have been eliminated from the process, thereby reducing the overall process timeframe by an average of eight days, and removing two steps from the process. As well, the Department of Infrastructure and Construction now has the necessary zoning and city planning information to provide investors with conclusive decisions regarding the usage of land.</p> <p>Given that the average annual number of applications is 425, the economic effect from removal of four approvals from the process timeframe will amount to: 425 x \$50 (average daily profit) x 8 (reduction in days) = <b>\$170,000</b>.</p>	<b>9/10</b>
33	<i>Uralsk - Land Acquisition for New Construction</i>	Better Information	Vital information regarding the process is not readily available to investors wishing to acquire land	<p>The following actions were taken.</p> <ul style="list-style-type: none"> <li>A comprehensive process informational display was created by the Department of Infrastructure and Construction and The Pragma Corporation, which provides investors with a step-by-step description of the process, a process</li> </ul>	<p>As a result of the actions taken, there is greater process transparency, investors now have the information required to successfully and efficiently navigate the process, and a monitoring and evaluation system has been established to for purposes of continual process improvement.</p>	<b>9/10</b>

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				<p>flowchart, a list of required documents, associated timeframes and costs, examples of pertinent documents, a list of governmental and private sector project makers and architectural organizations, and contact and scheduling information for those organizations issuing approvals on the Act of Land Selection</p> <ul style="list-style-type: none"> <li>• Process brochures were created by the Department of Infrastructure and Construction and The Pragma Corporation to guide investors through the process in a step-by-step manner, while answering question regarding required documents, costs, and associated timeframes</li> <li>• Informational handouts were created by the Department of Infrastructure and Construction and The Pragma Corporation to provide investors with the necessary contact and scheduling information for each of the organizations issuing approvals on the Act of Land Selection.</li> <li>• The City Department of Small Business has been designated by the City Akimat Commission for monitoring the process, collecting information on process complaints and violation, and gathering feedback from investors on how to improve the process</li> </ul>		
34	<i>Uralsk - Land Acquisition for New Construction</i>	Reduced Risk	The interest of investors regarding specific land parcels being applied for is not protected during the process of acquiring land	A two-month reservation period for land parcels, has been set from the day the investor receives the Act of Land Selection	As a result of the actions taken, the interests of investors in specific land parcels is now protected from the desires of other investors for the same land parcel for a period of two months, which will allow serious investors to collect the necessary approvals on the Act of Land Selection in a sufficient amount of time, and officially register the Act with the City Akimat.	<b>9/10</b>
35	<i>Uralsk - Alcohol License</i>	Reduced Time	The process for acquiring the license is overly	<p><i>The following actions were taken.</i></p> <ul style="list-style-type: none"> <li>• Timeframes for issuing the license to large and medium-sized business are reduced from</li> </ul>	As a result of the actions taken, the overall timeframe of the licensing process for large and medium-sized businesses has been reduced, on average, by 36	<b>7/9</b>

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			time-consuming for investors.	one month to ten days <ul style="list-style-type: none"> <li>City Sanitation and Epidemiological Service is now required to conduct site inspections within three days</li> <li>City Department of Trade is now required to conduct site inspections within three days</li> <li>City Department of Small Business now internally registers the licensing applications through the Consular's Office</li> <li>The Deputy City Akim's review of the licensing application is eliminated</li> </ul>	working days, while the timeframe for small businesses has been reduced by 16 working days on average; as well two steps have been removed from the process.  Given that the average annual number of applications is 450, the economic effect from reduction in process timeframe will amount to: 450 x \$50 (average daily profit) x 16 (reduction in days, assuming that all applicants are small businesses) = <b>\$360,000</b> .	
36	<i>Uralsk - Alcohol License</i>	Reduced Approvals	Investors are required to obtain an excessive number of approvals based on site inspections.	<i>The following actions were taken.</i> <ul style="list-style-type: none"> <li>The Oblast Firefighting Service has been eliminated from the process through a Decree of the City Akim</li> <li>The GosStandard's State Supervision Body has been eliminated from the process through a Decree of the City Akim</li> <li>A new Act of Site Inspection was created by the City Department of Small Business, which includes a site inspection checklist for purpose of transparency</li> </ul>	As a result of the actions taken, two approvals and two inspections have been eliminated from the process, thereby reducing the overall process timeframe by an average of 20 working days, and removing two steps from the process. Furthermore, the Act of Site Inspection has been revised to include a checklist for purposes of transparency.  Given that the average annual number of applications is 450, the economic effect from reduction in process timeframe will amount to: 450 x \$50 (average daily profit) x 20 (reduction in days) = <b>\$45,000</b> .	<b>7/9</b>
37	<i>Uralsk - Alcohol License</i>	Better Information	Vital information regarding the process is not readily available to investors wishing to acquire the license.	<i>The following actions were taken.</i> <ul style="list-style-type: none"> <li>General process brochures were created by the City Department of Small Business and The Pragma Corporation to guide investors through the process in a step-by-step manner, while answering question regarding required documents, costs, and associated timeframes</li> <li>Site qualification brochures were created by the City Department of Small Business and The Pragma Corporation, which list the requirements that the investor's site must meet, and states the reasons government can use for rejecting the licensing application</li> </ul>	As a result of the actions taken, there is greater process transparency and investors now have the information required to successfully and efficiently navigate the process.	<b>7/9</b>

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#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
				<ul style="list-style-type: none"> <li>An comprehensive process informational display was created by the City Department of Small Business and The Pragma Corporation, which provides investors with a step-by-step description of the process, process flowcharts, a list of required documents, associated timeframes and costs, site qualification requirements, reasons for possible application rejection, and examples of necessary documents</li> <li>City Department of Small Business has been designated by the City Akim as the one contact point for investors wishing to obtain process information and assistance in acquiring the license</li> </ul>		
38	<i>Uralsk - State Registration of Individual Entrepreneurs</i>	Reduced time	The process of registration takes too much time.	<ul style="list-style-type: none"> <li>The requirement to submit address certificate both during the confirmation of RNN and filing documents to get the certificate of individual entrepreneur registration was abolished. It is enough now to submit a copy and original of House Register</li> <li>During getting a patent for international transportation of goods and passengers getting the approval in the Department of Environment Protection is not necessary. Calculations of the current fees for environment pollution are made at one place in Frunze 37</li> <li>The Department of Transport Control reviews the application of small business entities to get the license for international transportation of goods and baggage with the presence of all necessary documents within 5 days.</li> </ul>	<p>As a result, the total time of the registration process was reduced by 1-2 days. The process of getting the address certificate in Oblast Address Bureau was eliminated.</p> <p>For entrepreneurs, who get a patent for international transportation of goods and passengers the time saving made 20 days.</p> <p>Given that the average annual number of applications is 1200, the economic effect from reduction in process timeframe will amount to: 1200 x \$50 (average daily profit) x 20 (reduction in days) = <b>\$1,200,000</b>.</p>	<b>8/10</b>
39	<i>Uralsk - State Registration of Individual</i>	Better Information	The lack of centralized information about	<ul style="list-style-type: none"> <li>The applicant at his first visit is provided with the list of all necessary documents in registration of a private entrepreneur, address of</li> </ul>	As a result of taken actions full information about registration of entrepreneurs is provided and the transparency of the state registration process is	<b>8/10</b>



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	<i>Entrepreneurs</i>		the process of registration for private entrepreneurs.	<p>organizations, and their schedule and contact telephone numbers.</p> <ul style="list-style-type: none"> <li>▪ There has been drafted a Booklet “Registration of Private Entrepreneurs” that describes the registration process, parcel of documents.</li> <li>▪ There has been drafted a Booklet “Registration of Documents by Special Tax Regime”, that describes regimes set by the tax legislation, that an entrepreneur can choose from once the state registration is passed.</li> </ul>	improved.	
40	<b>Pavlodar - Business Registration</b>	Reduced Time	The process of registration almost always exceeds the 10-day requirement mandated by law, subjecting the investor to fines	<p>The Ministry of Justice reduced the timeframe in which it forwards investor information to the Statistics Department from 10 days to 2 days. · The Ministry of Justice now forwards investor information directly to the Statistics Department (the investor was previously required to transmit). · The Statistics Department dedicated an additional computer for receipt of Ministry of Justice investor information by email rather than standard mail. · The Statistics Department created an additional statistics card for the Tax Committee, relieving the investor of the time and expense of creating a notarized copy.</p>	<p>As a result of these reforms, the time for business registration has been reduced by an average of nine working days (from an average of 17 days to 8 days) and is now within the ten-day statutory period, eliminating fines for entrepreneurs as high as 16,000 KzT (approximately \$106 USD). Furthermore, the government has assumed the responsibility to share common registration information among its different agencies rather than placing that burden on the potential investor.</p> <p>Savings amounted to \$106 x 720 registrations per year = <b>\$76,320</b> per year.</p>	<b>10/12</b>
41	<b>Pavlodar - Business Registration</b>	Better Information	Many investors resort to the use of legal firms to facilitate the registration process, incurring fees as high as 28,000 KzT (approximately \$186 USD).	<p>Two informational brochures that provide detailed information on the business registration process (for individuals and legal entities) including required costs, timeframes, documentation and other necessary information. The brochures are being distributed by business associations, the EDC, and at governmental offices. Informational seminars for potential investors on the business registration process. Informational displays detailing the process are posted at the Ministry of Justice and the Statistics Department.</p>	<p>A more knowledgeable investor that can efficiently register his/her company at a lower cost. The Pavlodar Oblast is now a more investor friendly location for potential investors.</p>	<b>10/12</b>
42	<b>Pavlodar -</b>	Reduced	Absence of zoning	Zoning of 70 select land sites was conducted.	The government's shift from a reactive to a proactive	<b>8/9</b>

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**2001 – 2003**

#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
	<i>Land Site Selection and State Registration 1</i>	Time	causes the process to take up to 12 months and requires a significant investment in site inspection and surveying fees in order to determine whether a desired site is available for purchase.	The oblast Akim announced the availability of this land sites to the investor community, and a special commission was established to oversee the distribution of these sites.	distribution of land has reduced the entire process of registering land by an average of 6 months. It is estimated that up to 70 entrepreneurs per year are impacted.	
43	<i>Pavlodar - Land Site Selection and State Registration 1</i>	Better Information	Availability of sites was not known.	All sites were published in local publications as available for purchase.	Zoning of the land presents several benefits to the City of Pavlodar including quicker development of the land, better urban planning activities including the targeting of certain sites for commercial or industrial development, and a stronger demand for commercial and industrial property.	<b>8/9</b>
44	<i>Pavlodar - Land Site Selection and State Registration 2</i>	Reduced Time	Investors do not know the process or the progress of the documents.	Implement a one-stop-shop system on registration of rights for land sites	This recommendation reduces the process by 8 days.	<b>8/9</b>
45	<i>Pavlodar - Land Site Selection and State Registration 2</i>	Reduced Cost	The Pavlodar subsidiary of the National Scientific Center for Land Use and Resources charges a large fee before the investor knows whether the land he is applying for is available.	The Pavlodar subsidiary of the National Scientific Center for Land Use and Resources cut prices for its services by \$64 per application	Impact is estimated at \$64 savings per entrepreneurs x 3,600 entrepreneurs = <b>\$230,400</b> .	<b>8/9</b>
46	<i>Pavlodar - Land Site Selection and State</i>	Better Information	Investors lack knowledge of the documents required by each state body,	Listed the documents necessary for land acquisition.	The process was reduced by 2 days for each investor. It is estimated that 3,600 entrepreneurs are impacted.	<b>8/9</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
	<i>Registration 2</i>		the design of the process and often the result			
47	<b>Pavlodar - Certification for Public Catering Establishments</b>	Reduced Time	There is lack of information of what documents are necessary to complete and the requirements.	Publication of a brochure has allowed these entrepreneurs to be informed of the process and necessary requirements.	On average an investor will save 12 days in obtaining a certification.  More than 600 businesses apply for public catering certificate. Adding time savings, transport cost savings, document copying savings results in total savings of \$1,006 savings per investor, or <b>\$603,416</b> per year.	<b>7/8</b>
48	<b>Pavlodar - Certification for Public Catering Establishments</b>	Better Information	Information about the National Center of Expertise's free consultation services causes confusion among investors when they are later charged for selecting certification path.	The Pavlodar subsidiary of National Center of Expertise and Certification informs investors that they will be charged for selecting the path of certification	The investor can estimate more accurately the financial expenditures required for the process.	<b>7/8</b>
49	<b>Pavlodar - Sanitation Permit for Catering Establishments</b>	Reduced Time	The information is lacking on the specific state bodies involved in the process.	Publicity in the mass media	Three days are saved by each entrepreneur.  This problem affects more than 600 businesses per year. Adding all savings (time, transport, copying), total amount of savings will amount to approximately \$86 per entrepreneur, or a grand total of <b>\$51,600</b> .	<b>9/11</b>
50	<b>Pavlodar - Sanitation Permit for Catering Establishments</b>	Better Information	Over 40% of entrepreneurs begin their operation without knowing that they need a sanitation permit in addition to a certificate	Publication of a brochure has allowed these entrepreneurs to be informed of the process and necessary requirements.	The conformance rate of entrepreneurs has increased.	<b>9/11</b>
51	<b>Pavlodar -</b>	Reduced	Information about	The information is made available to all	On average an investor will save 4 days in obtaining a	<b>8/8</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
	<i>Pharmaceutical Licenses</i>	Time	the flow of the process is not readily available causing the investor to spend extra time searching.	business owners at the start of the process.	license.  468 investors were affected during the year. Savings amounted to \$11.7 per investor, or <b>\$5,467</b> in total.	
52	<i>Pavlodar - Pharmaceutical Licenses</i>	Reduced Cost	Each pharmacy must maintain a set of required documents on site.	Inform the investor that he has a choice of purchasing the package from the Department of Pharmaceutical Control or that a copy is also acceptable.	The investor saves money because copying costs are 1/10 of the cost of purchasing the information packages.  468 investors were affected during the year. Savings amounted to \$9 per investor, or <b>\$4,212</b> in total	<b>8/8</b>
53	<i>Pavlodar - Pharmaceutical Licenses</i>	Better Information	Information related to the necessary documents is difficult to obtain.	An informational display board has been placed in the lobby of the Pavlodar Department of Pharmaceutical Control	Investor has information on the documents necessary and how to complete them correctly.	<b>8/8</b>
54	<i>Pavlodar - Alcohol License</i>	Reduced Time	Investors have difficulty locating the different government bodies necessary for approval.	A map and contact information is available for each investor at the start of the process eliminating confusion.	As a result businesses on average save 5 days in the process.  480 businesses were affected during the year. Savings amounted to \$123.9 per person, or <b>\$59,458</b> in total.	<b>7/8</b>
55	<i>Pavlodar - Alcohol License</i>	Better Information	Vital information related to the necessary documents is not available for investors who wish to obtain an alcohol license.	An information board has been erected in the lobby of the Oblast Department of Industry and Trade.	As a result the investors have the necessary information about the process making it more transparent.	<b>7/8</b>
56	<i>Pavlodar - Billboard License</i>	Better Information	Vital information related to the process is not available for investors who wish to obtain a	An information board has been erected in the lobby of the Oblast Department of Architecture	As a result the investors have the necessary information about the process making it more transparent and helps avoid repeated manufacturing of billboard cloths.	<b>7/9</b>

## Kazakhstan

### Constraint Reductions

**2001 – 2003**

#	City / Project	Constraint	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
			billboard permit.			
57	<i>Ust-Kamenogorsk - Certification of Foodstuffs</i>	Reduced Steps	Process includes 13 to 21 steps depending on the type of process.	The state phytosanitarium inspects cargo and waives mandatory inspection of uncontaminated shipments.	As a result eight steps were removed from the process.	<b>7/7</b>
58	<i>Ust-Kamenogorsk - Certification of Foodstuffs</i>	Reduced Time	Process is too long	Minister of agriculture has approved state standards of inspection shortening or eliminating quarantine and obligatory laboratory examination of certain products.	As a result of the combined recommendations the process has been reduced from 90 days to 7 days.  This problem affects 470 businesses on average. Economic effect amounts to: 470 businesses x 83 days saved x \$25 (average cost of 1 business day) = <b>\$975,250</b> per year.	<b>7/7</b>
59	<i>Ust-Kamenogorsk - Certification of Foodstuffs</i>	Reduced Cost	Process is expensive	Polycertico has reduced prices for its services and the National Center of expertise and certification has eliminated their charges.	As a result, an investor now saves \$80-\$100 per shipment.  The problem affects, on average, 470 businesses per year; hence, the economic effect is: 470 x \$80 = <b>\$37,600</b> per year.	<b>7/7</b>
60	<i>Ust-Kamenogorsk - Certification of Foodstuffs</i>	Better Information	Vital information about the process is difficult to locate.	Information about the process is placed on the City Akim's website.	As a result businessmen can freely view process map, the list of necessary documents, the contact information and operating times of organizations involved.	<b>7/7</b>
61	<i>Ust-Kamenogorsk - Alcohol License</i>	Reduced Approvals	Many unnecessary approvals are required.	Remove fire protection and department of architecture and construction approvals. Remove visiting committee approval and requirement of list of goods to be sold.	As a result process was shortened by approximately 48 days. Total impact is estimated at cost savings of \$1,200 x 248 entrepreneurs for a total impact of <b>\$297,600</b> .	<b>7/8</b>
62	<i>Ust-Kamenogorsk - Alcohol License</i>	Reduced Time	Process takes about 60 days to get a license for sale of alcohol.	Increase available time for all organizations involved in the process. Coordinate all working schedules. Make a specialist available to guide investors through the process.	As a result of optimizing the working schedule, the period for obtaining license has decreased by 5 days. Total savings is estimated at \$276 per entrepreneur x 248 entrepreneurs = <b>\$68,448</b> .	<b>7/8</b>
63	<i>Ust-Kamenogorsk - Alcohol License</i>	Reduced Cost	In addition to purchasing an alcohol license, a General Trade License must be purchased as well.	General Trade License is no longer required for an alcohol license.	Each investor saves \$30. 248 entrepreneurs are impacted for a total impact of \$30 x 248 = <b>\$7,440</b> .	<b>7/8</b>
64	<i>Ust-</i>	Better	The process is	A system for obtaining the license has been	Entrepreneurs obtained a clear path of action.	<b>7/8</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
	<i>Kamenogorsk - Alcohol License</i>	Information	confusing to entrepreneurs especially the sequence of steps and the requirements.	published and is given to each entrepreneur.		
65	<i>Ust-Kamenogorsk - General Trade License</i>	Reduced Time	The process takes 20-30 days to obtain approvals, schedule a site visit and prepare certificate.	Optimize working schedule of government organizations and abolish mandatory oral consultations.	Period for obtaining the passport was reduced by 15 days, but subsequently the entire process was eliminated by decree of the Akim who explained the goal of the general trade license was achieved and it could be abolished thus saving entrepreneurs the entire 20-30 days. Cost savings is estimated at \$500 per entrepreneurs, impacting 5,600 entrepreneurs, for a total impact of $500 \times 5,600 = \mathbf{\$2,800,000}$ .	<b>8/10</b>
66	<i>Ust-Kamenogorsk - General Trade License</i>	Reduced Cost	Process fees are charged.	Reduce fees.	The entire process was eliminated by decree of the Akim who explained the goal of the general trade license was achieved and it could be abolished thus saving entrepreneurs the \$25-\$35 fees. Up to 5,600 entrepreneurs are impacted each year for a total impact of $5,600 \times 25 = \mathbf{\$140,000}$ .	<b>8/10</b>
67	<i>Ust-Kamenogorsk - General Trade License</i>	Better Information	Lack of information regarding the process	The department of industry and trade has developed, approved and published a list of all necessary documents.	There is a clear written process.	<b>8/10</b>
68	<i>Ust-Kamenogorsk - Land Acquisition</i>	Reduced Steps	There are too many steps in the process including the necessity of applying several times to the same organizations. Previously, applications were only accepted in the Akimat, then sent to Architecture Administration for	To shorten the number of steps, the Architecture Administration now directly accepts applications for renovations, and the Committee on Land Issues and Land Use now directly receive applications for new constructions.	As a result, the time for coordination and getting approval of a project has been reduced by 10-12 days.  The process affects, on average 1350 businesses per year. The economic impact from reduction in process timeframe is: $1350 \text{ businesses} \times 10 \text{ (reduction in days)} \times 25 \text{ (average cost of 1 business day)} = \mathbf{\$337,500}$ per year.	<b>6/7</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2001 – 2003</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Results / Impact</b>	<b>Monitoring Ratio</b>
			further partition and processing, and then returned again to the Akimat.			
69	<i>Ust-Kamenogorsk - Land Acquisition</i>	Reduced Time	The process is too long because there is a lot of wasted time preparing numerous documents, locating the correct office, and waiting for the appropriate office staff to be available among other delays.	In order to reduce these holdups the offices of the Architecture Administration and the Committee on Land Issues and Land Use increased available office time.	As a result of this recommendation, the time for getting approval of a project was reduced by 5 days.  The process affects, on average 1350 businesses per year; hence the economic effect from reduction in process timeframe is: 1350 businesses x 5 (reduction in days) x 25 (average cost of 1 business day) = <b>\$168,750</b> per year.	<b>6/7</b>
70	<i>Ust-Kamenogorsk - Land Acquisition</i>	Better Information	There was a lack of information regarding the process because there were no clear written instructions on how to proceed thorough the organizations involved in the process nor their requirements.	A list of licensed organizations was created and provided to interested entrepreneurs by the Architecture Administration.	The entrepreneur saves time and money searching for suitable organizations and verifying their license.	<b>6/7</b>
71	<i>Ust-Kamenogorsk - Potential Process Definition and Verification</i>	Better Information	The more than 4000 entrepreneurs in Ust have difficulty in locating primary information about many government processes.	The process maps for 42 separate processes have been placed on the City Akim's website.	As a result, 500 hits per month show that entrepreneurs now want to see the specified steps, the necessary documents, the contact information and working hours of all of the participating organizations.	<b>9/9</b>

## Kazakhstan

### Constraint Reductions

2003 - 2004

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
1	<p><b>Pavlodar – Permits for outdoor advertising</b></p> <p>Date: Jul 2003</p>	Lack of information and transparency in the process of obtaining outdoor advertising permits leads to unnecessary costs and time delays.	Place an information stand was prepared and placed at the Oblast Department of Architecture and Town Planning.	An information stand was prepared and placed at the Oblast Department of Architecture and Town Planning.	As a result of recommendation, the investor will avoid re-making of the advertising board that takes 14 days (as per data from 3 advertising agencies) - (The cost of making advertising board is \$296 * 480 investors (as per data from Advertising Subdivision of the Department of Architecture) = \$142080. 2. Information about the process will allow entrepreneurs to prepare in advance necessary documents in quantity and in consecution that will ensure minimum time for obtaining “Permit” to place advertising board. It will reduce the process time by 1 day that will save for 480 investors the amount of \$960. (480 investors * \$20 of the average daily profit (as per questioning of 50 entrepreneurs) = \$960. The total saving as a result of this recommendation is <b>\$143, 040.</b>	<b>8/10</b>
2	<p><b>Almaty -Land Acquisition</b></p> <p>Date: July 2003</p>	The process contained unnecessary and redundant steps. Unnecessarily long processing times by government agencies led to delays. Topographical surveys from only one organization are accepted CenterGeoInform LTD. This leads to hire prices for the surveys and long waiting periods. Corruption is heightened due to this illegal monopoly. There is not enough information about this	Eliminate unnecessary or redundant steps Mandate standardized processing times at each department. To prevail on the Architecture Department to accept topographical surveys from any organization possessing license for such type of activity. The new process should be described in the	The Akim of Almaty has signed the Resolution 4/386 “On Interaction of Government Bodies in Registration of the Rights for Land Sites in Almaty”. This resolution reduced the number of process steps from 27 to 8. The resolution also lowered the mandated processing time from up to one year to 47 days. The recommendations were accepted	It is estimated that there could be new investment by the investors amounting to <b>\$5 million</b> in their businesses as a direct result of reducing this constraint. Additionally, this will also reduce the opportunities for corruption. It is estimated that <b>up to \$6.5 million/year</b> may be lost in business due to the current process. Thus, shortening the process is likely to result in new investment of \$6.5 million each year. Number of people affected: 1000	<b>9/11</b>



Kazakhstan						
Constraint Reductions						
2003 - 2004						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		complex process, leading to mistakes, time delays and lost income from delayed business starts.	mass media and informational boards should be installed at the Almaty SME Department and at each concerned department of the land process.	by decree of the Akimat and now surveys from duly licensed organizations are accepted. The new rules were added to the law database "URINFO". The new rules were published in the mass media. The new rules were distributed to businesses through business associations.	entrepreneurs; 4 companies Time saved: up to 5 days <b>Money saved: 31320000 Tenge</b> (USD 213,934) It is estimated that up to <b>\$2.5 million</b> may be lost due to incorrect filing of applications, which directly results in these applications getting rejected, and consequently investment loss. Thus establishing easy access of the process information will help in substantially reducing this loss of investment as well as the loss to the state exchequer due to loss of tariffs.	
3	<i>Almaty – Variance permit to change permitted use of commercial purposes</i>  Date: Jul 2003	The process for acquiring a permit to change the permitted use of a commercial property was unduly expensive and time consuming.	Reduce redundant steps and mandate standardized processing times at each department.	TFI's recommendations were adopted by resolution of the Almaty Akim. The resolution reduced the total number of steps to complete the process from up to 27 to 8. The resolution also reduced the time for considering applications from up to two years to only 47 days.	Days saved: $(2*250-47)=453$ (15.1 months) Number of entrepreneurs affected: $1000\ 453*1000$ entrepreneurs*5544(average income) = KZT 2511432000 or <b>USD 17,154,590</b>	<b>8/8</b>
4	<i>Almaty – Acquisition of Construction Permits</i>  Date: Jul 2003	The process contained unnecessary and redundant steps. Unnecessarily long processing times by government agencies led to delays.	Reduce redundant steps and mandate standardized processing times at each department.	TFI's recommendations were adopted by resolution of the Almaty Akim. The resolution reduced the total number of steps to complete the process from between 20 and 27 to 8. The resolution also reduced the time for considering applications from up to three years to only 54 days.	Time saved $(3*250-54)=696$ days Number of people affected =1541 entrepreneurs, $696 \times 1,541 \times 5544$ (avg inc)=KZT 5,946,139,584 or <b>\$40,615,707</b>	<b>6/7</b>
5	<i>Almaty – Pharmaceutical Licenses</i>	Centralized location (Astana) for issuing licenses and unnecessarily long processing times by government agencies led to	Delegate the authority to issue licenses to regional authorities.	The recommendation was adopted by order of the Ministry of Health on July 4, 2003. Regional departments of the	Between September 1, 2003 and July 1, 2004, 468 licenses were issued at the local level. Surveys of affected entrepreneurs showed that the new rules	<b>9/10</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2003 - 2004</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
	Date: July 2003	unjustified delays and costs.		Pharmacy, Pharmaceutical and Medical industry Committee.	saved them approximately 1.5 months and 40, 000 Tenge ( <b>\$273</b> ) in receiving the license. Time saved: 45 days Money saved: 468 licenses*\$273= <b>\$127,764</b>	
6	<i>Almaty – Statistics</i>  Date: Jul 2003	Excessive business time wasted by entrepreneurs and their agents due to requirement of personally submitting various reports to the Department of Statistics.	Allow periodic reports to be submitted electronic or regular mail.	Through cooperative efforts TFI and the Department of Statistics, reports may now be submitted to the Department via regular or electronic mail.	As a result of this improvement, entrepreneurs and their agents will recover the time lost each week traveling to and waiting at the Department of Statistics.	<b>11/12</b>
7	<i>Almaty – Statistics</i>  Date: Sep 2003	Excessive business time wasted by entrepreneurs and their agents due to requirement of personally submitting various reports to the Department of Statistics. Excessive time and money spent by SME's in compiling and submitting statistics reports. Some forms were duplicative. The forms did not contain instructions for proper completion, leading to delays due to reporting errors. Further, there was no set procedure for correcting those errors or submitting amendments in a simple and time efficient manner. Also, varying deadlines for varying forms led to confusion and excessive time spent complying with reporting requirements. Finally, only entrepreneurs, as opposed to hired professionals, were permitted to complete the forms, leading to excessive mistakes and the submission of inaccurate information.	Attach detailed instructions to each statistics reporting form; Set a single filing deadline for all required forms; Develop a form for submitting amendments to forms containing incorrect data (similar to the tax amendment forms currently in use); Review certain forms and delete superfluous information requests; and allow the entrepreneurs to use the services of the other companies to prepare and submit required forms on their behalf.	Instructions are now provided to entrepreneurs upon request and to all newly established legal entities. The information describes the procedure for properly completing the required statistical forms, including the types of reports to be submitted and the deadlines for submission. Unified submission dates were established. A system to amend mistakes in submitted form (without penalty) was adopted. Redundant data requirements from the form I-Invest and the form ИПФ were eliminated. Contingent upon a certification by a business, statistical documents may be prepared and submitted on behalf of that business by accountants or other outside experts hired by that business to complete the forms.	By June 2004, there are 19,039 operating SME's in Almaty. Businesses reported that it took 17 days of work by an accountant to comply with statistics requirements annually. Following changes, businesses report it now requires 5 days, a savings of 12 days. The average daily salary for an accountant is 600 Tenge.  Total estimated impact is:  12 days x 600 Tenge x 19,039 companies = 137,080,800 Tenge ( <b>\$993,339</b> ).	<b>9/9</b>

## Kazakhstan

### Constraint Reductions

**2003 - 2004**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
8	<i>Uralsk – SES documentary requirements during new construction</i>  Date: Oct 2003	1) There was not enough information about the stages of the process for registering the documents in SES bodies. 2) Process consisted of too many steps, which took too much time for the entrepreneurs to obtain the permission. The time frame for each step in the process, as well as the period for consideration of the applications and time for making the decision in respect of them was not clearly defined.	Install a detailed information stand in the SES bodies showing the process by steps. Develop standard application forms. Set concrete time frames for inspecting the object, consideration of the application and issuing of the decision in respect of it.	1) As a result of the recommendations the scheme of the process was worked out and distributed to the organizations and rayon Akimats. An informational stand was set up in the Department of State Sanitary Control and city SES. The list with all necessary details, such as the phone numbers, work hours, etc. was prepared. Currently the information on all processes is available in the regional SES and the Department of business support and development on West-Kazakhstan Oblast. The process was reduced on 5 working days, the process became more transparent. 2) As a result of the actions taken the total time of the process was reduced on 10 working days on average.	1) The possibility to get information about the process without getting SES bodies involved will allow to save 5 days (lost profit - \$50*5 days=\$250, taking into account the number of requests per annum on average, \$250*2120= <b>USD 530 000</b> ). The transparency of the process was reached and the applicant has access to the information for the successful completion of the process. 2) the established specific terms for inspection of an object , review of applications and issue of decisions with regard to all applications will allow to shorten the process by 10 days (loss of profit - \$50*10 days=\$500, taking into account the number of application per annum on average = 500*2120= <b>\$1.1 million.</b> ) Total benefit from removed constraints is <b>USD 1,630,000</b>	<b>10/12</b>
9	<i>Almaty – Inspections</i>  Date: Dec 2003	Illegal, frequent and unnecessary inspections created unjustified cost burdens for businesses.	Give the Legal Statistics Committee the right to deny the registration of an inspection request (lack of registration prevents the inspection from being legally executed.).	On December 19, 2003 the RK President signed the Law of the Republic of Kazakhstan “On state legal statistics and special record-keeping” №510-11. This law will require state control authorities to submit an inspection notice to the prosecutor's office. The prosecutor then has the authority to review the request for validity and require necessary documents from the applying	1) The economic effect from removal of the constraint related to illegal inspections will comprise <b>USD 125,194</b> . Number of people affected: 36,043 Time saved: 168 days p/a Money saved: KZT 18 165 672 ( <b>USD 131636</b> ) 2) The economic effect from removal of the constraint related to frequent and unnecessary inspections will equal <b>USD 39,771</b> . Number of people affected: 321 Time saved: 18 days p/a Money saved: KZT 5 770 800 ( <b>USD 39,771</b> ) The total economic	<b>7/8</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2003 - 2004</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
				authority, including a written explanation of the reason for the proposed inspection. The prosecutor then recommends to the Committee on Statistics to either register the inspection or refuse it. If the Committee on Inspections does not register the inspection it is considered an illegal inspection. Implementation of this law will lead to a reduction in the number of illegal inspections.	effect from removal of both constraints: KZT 23 936 472 or <b>USD 164,965</b>	
10	<i>Uralsk - Certification of Imported Food Products (Phytosanitary and Veterinary Control)</i>  Date: Dec 2003	Both veterinary control of imported animal products and Sanitary/Phytosanitary control of imported vegetable products were overly time consuming, confusing and expensive.	Eliminate the requirement that permissions to import processed food products and some animal products be registered with the Ministry of Agriculture in Astana before importation is permitted. Allow conditional import and refrigerated storage of perishable goods pending customs clearance. Permit the Department of Protection and Plants Quarantine of the Ministry of Agriculture to fax notification of cargo registration directly to customs posts, instead of territorial divisions of the Ministry of Agriculture.	Eliminated the requirement that permissions be registered with Astana prior to import, saving 5 days and associated expenses in the import process. The recommendation to allow proper conditional storage of perishable goods was accepted and has increased profits due to reduced spoilage. Elimination of the requirement that notification of cargo registration be sent directly to customs posts has reduced the period for cargo registration from 3-5 days.	As a results of registration and getting permit for import in the oblast, 5 days will be saved (approximately 160 FEA participants cross the border within one month, the loss of profit is \$50*5 days*160=\$40000) The economic effect per year will be \$50*5*12*160=\$480000.  The facsimile notification both to the territorial departments of registration and the cross border points will allow to save 3-5 days (\$50*3 days*160 FEA participants=\$24000) The economic effect per year \$50*3*12*160=\$288000.  Total benefit from removed constraints is <b>USD 768,000</b>	<b>8/9</b>
11	<i>Almaty – Tourism (PP)</i>	The procedure for obtaining visas was too complicated which resulted in reduction of the	Jointly with the Kazakhstan Tourist Association it was recommended to simplify	Recommendations made by TFI and the Kazakhstan Tourism Association were instrumental	In 2004 and 2005, for the period January to September, the number of tourists from the 28 countries increased	<b>9/10</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2003 - 2004</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
	Date: Jan 2004	number of tourists visiting the Republic of Kazakhstan	the visa procedures for tourists taking into account international best practices.	in Kazakhstan's adoption of simplified visa regulations for citizens of Australian Union, Austria, Belgium, Great Britain, North Ireland, Greece, Denmark, Iceland, Spain, Italy, Canada, Liechtenstein principedom, Luxemburg, Malaysia, Monaco, Netherlands, New Zealand, Norway, Portugal, Singapore, USA, Finland, France, Germany, Switzerland, Sweden, and Japan. The new regulations permit citizens of these countries to receive one-month one-entry tourist, business and diplomatic visas without an invitation letter or visa support from a Kazakh entity.	by 269 and 397. On average, travel agents, hotels and support businesses receive \$1000 from each tourist. Therefore, businesses have received increased revenue of \$269,000 + \$397,000 = <b>\$666,000</b> .	
12	<i>Almaty - Registration of Small and Medium Enterprises</i>  Date: Mar 2004	The process of registering a business was overly time consuming. Lack of clear deadlines for government agencies and required visits to multiple government bodies led to delays in business start-ups and lost profits.	Create a one-window drop off and pick up point for all registration papers at the Ministry of Justice. Reduce the time period for the Ministry of Justice to complete the registration certification to five days. Require the tax inspectorate to complete its registration process and return a taxpayer certificate to the Ministry of Justice within 3 working days. Require the Ministry of Justice to issue the statistics card and the taxpayer certificate	The final law on registration was signed on March 18, 2004. It did establish a "one-window principle" in which legal entities only need apply to the Ministry of Justice for registration. But, the Senate's failure to adopt all of TFI's December recommendations could extend the registration period (which should be 10-12 days) 2-3 times beyond the mandated timeframe.	There were 51,116 small businesses registered in Almaty during the period. Each of these businesses saved at least 10 days each. Average daily profit of a small business is \$50, or \$500 per 10 days. Savings for Almaty during the period amounted to: \$500 x 51,116 = <b>\$25,558,000</b> .	<b>8/10</b>

## Kazakhstan

### Constraint Reductions

2003 - 2004

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			simultaneously with the registration certificate.			
13	<i>Pavlodar – Cargo transit process within the territory of the Republic of Kazakhstan</i>  Date: Apr 2004	Lack of information about the process for entrepreneurs and carriers.	Prepare informational materials about the order of transit procedure for entrepreneurs and carriers. Place this information at customs check points and distribute among business associations in the Kyrgyz Republic and Tajikistan and to check points.	In December 2003 the cargo transit description within the territory of the Republic of Kazakhstan was prepared and distributed to entrepreneurs. As a result of using this information, the time of passing checkpoints by entrepreneurs was reduced by 1-2 days. Foreign entrepreneurs and carriers received a clear understanding of the process. The expenses of entrepreneurs for passing transit procedure were reduced.	Twenty transit cargo on average per day and 5280 (as per data of customs posts) per year are passing through motor check points. Average costs of one carrier due to the problem of lack of knowledge about the requirements of control at checkpoints are \$100 (as per data of questioning of 100 entrepreneurs). Distribution of the materials will influence 5280 entrepreneurs and foreign carriers that will allow saving up to <b>USD 528, 000.</b>	<b>9/9</b>
14	<i>Pavlodar – Occupancy Permits</i>  Date: May 2004	The Commission of Department of Architecture and Town Planning of Pavlodarskaya Oblast's requirement that a certificate from the DSE "Scientific and Production Land Center" be submitted in order to obtain a variance permit is unjustified and leads to cost and time constraints.	Exclude the required submission of a certificate from DSE "Scientific and Production Land Center" (Submission of such certificate implies occupancy of the object located on the land plot).	The Commission of Department of Architecture and Town Planning of Pavlodarskaya Oblast adopted TFI's recommendations.	This reduction will have a direct influence on 450 entrepreneurs per year (based on the data from Construction Subdivision of the Department of Architecture). Total savings: \$4 (price of the certificate according to price list) + \$10 (net profit of 1 entrepreneur per 1 working day which he is losing for obtaining the certificate – as per results of questioning of 50 entrepreneurs) *450 entrepreneurs = <b>USD 6,300.</b>	<b>9/12</b>
15	<i>Ust-Kamenogorsk – Certification of vehicle maintenance services</i>  Date: May 2004	Lack of process information	It was recommended to describe the process, to work out the process scheme and to place this scheme on the informational stands and at the site of City Akim.	Information board was erected in the Ust-Kamenogorsk Akimat.	27 service centers are registered in the city. As per results of the focus groups, when searching information on obtaining or updating certificate, entrepreneurs were losing at least 5 days. The cost of one day is \$20 (as per opinion of questioned entrepreneurs). Costs: 5 days x \$20 x 27 = \$2700 After the process scheme was placed at the	<b>7/7</b>

Kazakhstan						
Constraint Reductions						
2003 - 2004						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
					city site and the constraint “Lack of information” was removed, the costs of entrepreneur have become as follows: \$20 : 8 hours. : 0.5 hour = \$1.25 \$1.25 x 27 = \$33.75. Effect of this recommendation is \$2700 – \$33,75 = <b>\$2,666.25</b>	
16	<i>Ust-Kamenogorsk – Certification of food services</i>  Date: May 2004	Lack of process information. Multi-step process.	Install a detailed information board at the City Akimat. Reduce duplicative or unnecessary steps from the process and set time limits for completing the process.	Process scheme was placed at the site of City Akim. 2 redundant steps were eliminated from the process and the time frame for acquiring certifications from 20 to 12 days on average.	1. 110 public catering points are registered in the city. As per results of the focus groups, when searching information on obtaining or updating certificate, entrepreneurs were losing at least 5 days. The cost of one day is \$20 (as per opinion of questioned entrepreneurs). Costs: 5 days x \$20 x 110 = \$11,000 After the process scheme was placed at the city site and the constraint “Lack of information” was removed, the costs of entrepreneur have become as follows: \$20 : 8 hours. : 0.5 hour = \$1.25. \$1.25 x 110 = \$137.5. Effect of this recommendation is \$11,000 – \$137.5 = <b>\$10,862.5</b> . As a result of reducing process duration, the economic effect has become: 8 days (on average) x \$20 x 110 = <b>\$17,600</b> Total effect from removed constraints comprises <b>USD 28,462.5</b>	<b>6/8</b>
17	<i>Uralsk – Certification of foods products</i>  Date: May 2004	Lack of process information and the monopoly position of the local certification center create undue cost and time constraints for businesses. Process of sampling and getting results during microbiological tests consisted of too many steps.	Publish all information about the certification process, criteria of refusal, and rates of fines for uncertified products in local mass media and to distribute it to business associations. Mandate sampling to occur	1) Certification process of series production of foodstuff was optimized, transparency of the process was achieved, files with materials regarding the process (step-by-step process scheme, list of products and services subject to mandatory certification, the list of CB and	1) The possibility of acknowledgement with the process without applying to certification body allows reducing the process by 1-2 days. Better understanding of the process due to submission of full information will promote certification of products, subject to mandatory certification by all manufactures of WKO that will allow	<b>6/6</b>

## Kazakhstan

### Constraint Reductions

**2003 - 2004**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			simultaneously with inspections both for tests at laboratory of certification body and veterinary laboratory. When submitting samples to veterinary laboratory it was recommended to agree on the time when the results can be obtained. Issue the applicant an invoice together with protocol of tests at veterinary laboratory.	TL) were distributed to City Akimat, Department for Support and Development of Enterprise in West Kazakhstan Oblast and to 5 business associations of the city. 2a) The sampling process was optimized, now the expert-auditor takes samples for veterinary laboratory as well when visiting the object 2b) The process of payment and getting results from veterinary laboratory was optimized, now the entrepreneur delivers the samples to the laboratory and right away agrees on the date when he should pick up the results and then he received the results of tests and the invoice simultaneously.	to save for 40% of manufactures (130-140 workshops) the amount of fines for uncertified products of 45 thousand Tenge (for legal entities) and up to 185 thousand Tenge for natural persons. 2a) that will allow each applicant to save 1-2 days and 400 Tenge on average. 2b) as a result 2 steps of the process were eliminated that allows each applicant to save 2-3 days and 800 Tenge on average. # of claimants 325-350 (40 %=130140) Money saved = 330(avg people)*400*1 day=KZT 132,000 or USD 961. As a result 2 steps of the process were eliminated that allows each applicant to save 2-3 days and 800 Tenge on average. # of claimants 325-350 (40 %=130140) Money saved = 330(avg. number of people)*800=KZT 264,000 or USD 1,923 The total effect from removed constraints is <b>USD 2,884</b>	
18	<b>Pavlodar - Import/export certificates</b>  Date: May 2004	The complexity of the Kazakh Customs Code and its procedures for obtaining import and export permits created time and cost constraints for entrepreneurs. Specifically, applicants for these permits often did not possess the correct documentation and the resulting	Establish Information Points for cross border traders in Pavlodar.	In Pavlodar, the Customs Control Department, acting on TFI's recommendations, established Information and Advisory Points at State Motor Vehicle Checkpoints, the Pavlodar International Airport, the Pavlodar Rail Station, and the main Pavlodar customs checkpoint.	TFI then conducted a survey of affected entrepreneurs. The results of that survey show a 16% reduction in the number of entrepreneurs reporting delays or cost increases due to a lack of information. The reported reduction in cost increases was <b>105,600 USD</b> .	<b>9/10</b>
19	<b>Pavlodar - Variance permit to use residential property for</b>	The Department of Municipal Improvement in Pavlodar's requirement that a certificate from the DSE "Scientific and Production Land Center" be	Exclude the required submission of a certificate from DSE "Scientific and Production Land Center" (Submission of such	The Department of Municipal Improvement adopted TFI's recommendations.	This reduction will have a direct influence on 450 entrepreneurs per year (based on the data from Construction Subdivision of the Department of Architecture). Total savings: \$4 (price	<b>8/8</b>



Kazakhstan						
Constraint Reductions						
2003 - 2004						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<i>commercial purposes</i> Date: May 2004	submitted in order to obtain a variance permit is unjustified and leads to cost and time constraints.	certificate implies occupancy of the object located on the land plot).		of the certificate according to price list) + \$10 (net profit of 1 entrepreneur per 1 working day which he is losing for obtaining the certificate – as per results of questioning of 50 entrepreneurs) *450 entrepreneurs = <b>\$18,000.</b>	
20	<b>Pavlodar – Certification of foodstuff production</b> Date: May 2004	A general lack of information regarding the procedures for obtaining proper certifications led to unnecessary costs. The time period for consideration of certification applications is unduly long (60 days).	Create an informational brochure for entrepreneurs. Reduce the time period for considering certification applications	By internal order of the Pavlodar Standardization and Certification Center, the time period for considering applications was reduced from 60 days to 15.	Every year approximately 24 entrepreneurs apply for initials certifications to implement certificate for foodstuff production (as per data of the Standardization and Certification Center). When the time of receiving application from the entrepreneur is reduced by 45 days and the average net profit of the entrepreneur is \$10 per day (as per data of questioning of 50 entrepreneurs), one entrepreneur will save : 45 days * \$10 = \$450, and usually 2 entrepreneurs apply for certification for the first time per month. Therefore, it will be saved: \$ 450 * 2 = \$900. For the entrepreneurs who applied for the first time the following amount will be saved: \$900 * 12 months = <b>\$10, 800</b> of annual saving.	<b>7/9</b>
21	<b>Karaganda-Permit (license) for pharmaceutical activity</b> Date: May 2004	1) The time period for obtaining supporting documents to obtain permit is unnecessarily long. 2) The duplication of SES and Fire Service functions at the Oblast and Rayon levels prolongs the process.	To create the uniform form of the conclusion of the SES and fire service both for city and rayons; To receive from entrepreneurs one form without requiring conclusion from Oblast SES. To reduce the time period for considering applications.	Both Oblast SES and Oblast Fire Service issued internal orders to recognize the validity made by their counterpart offices at the rayon level, thus eliminating the need for applicants to submit the same documents twice and receive the same permissions twice. The Oblast Fire Service issued an internal order to reduce the time period for considering an	It is estimated that the reductions will save entrepreneurs an average of 25 days and approximately 250 USD in associated costs to obtain the permit. On average 1000 pharmacy permits are sought in the oblast for a cumulative cost benefit of <b>250,000 USD.</b>	<b>10/10</b>

Kazakhstan						
Constraint Reductions						
2003 - 2004						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				application from 10 to 3 days.		
22	<i>Astana - Variance permit to use residential property for commercial purposes</i>  Date: May 2004	Lack of information, irregular working hours and unjustified requirements regarding this multi-step, non-transparent and confused administrative procedure results in high costs and lost income and productivity for entrepreneurs. The process takes from 8 to 12 months and is costly.	Disseminate process information to entrepreneurs. Increase the working hours of the Property Registration Center. Eliminate certain required paid legal services not necessary to the process. Allow online submission of registration and inventory materials.	A detailed information board was established at the Property Center of Astana City. Working hours for the receipt and issuance of required documents at the Property center were expanded. The requirement that legal information services be provided for a fee to each applicant was cancelled. Computer registration of all registration and inventory matters was introduced.	Annually approximately 600 entrepreneurs are involved in the process of transfer of the property from residential to commercial fund. When reducing the time of state registration from 10 to 5 working days and canceling paid consultancy services, the saving of the time for each entrepreneur shall be 5 days with the saving of \$180. (5 reduced days * \$30 of average daily profit of each entrepreneur + \$ 30 for mandatory paid legal consultancy) <b>USD 180*600=USD 108,000</b>	<b>7/8</b>
23	<i>Almaty - Tender process for government procurement of goods and services</i>  Date: May 2004	Current legislation regarding government tenders and procurement is non-transparent and confusing. The result is a time consuming and unnecessarily expensive procurement process.	Create a unified list of required documents that must be submitted in a bid (previously differing agencies had differing requirements creating confusion among bidders). Create a uniform set of qualifying criteria to bid on tenders. No post-acceptance amendments or redactions to award protocol permitted.	The GoK issued decree #508 "On Amendments to the Government Decree from October 31, 2002 #1158", which adopts TFI recommendations. It is too soon to quantify the impact, but the results of this decree will allow for more transparency in government procurements, a more level playing field for bidders and reduce undue influence or rent seeking by government officials.	The previous processes require 18 days to complete. With changes, the process requires 11 days, a reduction of 7 days.  The one-day salary of an expert on state purchases costs bidders \$20 a day.  According to information from the government, it is estimated that 37,360 bidders participated in the tender process.  Total savings is estimated at:  <b>7 days x \$20 x 37,360 = \$5,230,400.</b>	<b>8/10</b>
24	<i>Almaty - Lack of Information on Trade, Transport and Transit Related Legislation</i>  Date: May	One of the main constraints to regional trade cited by businesses is the lack of information on trade, transport and transit requirements and obligations. Currently, procedures at Kazakh border crossings are cumbersome and time consuming. Traders must	In order to bring about uniformity, consistency and transparency to trade administration in Central Asia, Develop and publish the ITG, that contains official information, in layperson's language, on	The content of the Trade Guide was developed throughout the course of the year by TFI staff, and officials in the Customs Control Agency. The Kazakhstan ITG has now been completed in Russian, and is available to all free-of-charge at	Both costs and timeframes for border crossings into Kazakhstan will be reduced in the coming year thanks to TFI's work on drafting and publishing the International Trade Guide for Kazakhstan (ITG).	<b>7/9</b>

Kazakhstan						
Constraint Reductions						
2003 - 2004						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	2004	often wait for hours while numerous separate government officials review documents and negotiate with the traders about regulatory requirements and transit fees.	import, export and transit procedures.	<a href="http://www.ca-trade.com">www.ca-trade.com</a> .		

Kazakhstan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
1	<i>Astana– Obtaining certificate on tax indebtedness (PP)</i> Date: Jun 2004	The process for obtaining a certificate on tax indebtedness is too long (5 days).  (Reduced Costs, Reduced Time – 2)	Reduce processing time from five to two days.	The Astana Tax Committee issued its internal order (# 22-p) on May 4, 2004. That order sets strict limits on processing times and has reduced the process from 5 to 2 days.	Government statistics show that 25892 certificates were issued in 2004. The average daily profit for each entrepreneur involved in the process is \$30 (based on a survey of affected entrepreneurs). The changes will reduce the process by 3 working days. $25892 * 3 * 30 = \mathbf{\$2,330,280}$	<b>7/9</b>
2	<i>Astana – Approval to utilize Residential Premises for Commercial purposes (PP)</i> Date: Jun 2004	The unnecessary inclusion of the Department of State Sanitary and Epidemiological Control in the application process for non-hazardous businesses adds additional time and costs to the process.  (Reduced Costs, Reduced Time – 2)	Eliminate the Department of State Sanitary and Epidemiological Control from the process when the commercial purpose of the property will not involve hazardous activities.	Decree #42/1 of June 1, 2004 “On Limitation of Agreement Application of Establishments Situated on the First Floor of Residential and Administrative Buildings” eliminated SES from the process when permits are for kiosks and newspaper shops, legal consultation offices, notaries, libraries, exhibition halls, cloths, shoes and toys stores, book stores, domestic equipment stores, automobile spare parts selling stores and	About 210 entrepreneurs will be affected annually. The average daily profit for each entrepreneur involved in the process is \$30 (based on a survey of affected entrepreneurs). The changes will reduce the process by 1 working day. $\$30 * 210 = \mathbf{\$6,300}$ .	<b>6/6</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2004 - 2005</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
				shows.		
3	<i>Ust-Kamenogorsk – Registration of Sanitary Passports</i>  Date: Jun 2004	Requirement to submit redundant information (previously submitted during process of business registration) in order to receive passport costs entrepreneurs up to 7 lost work days and direct costs of up to 20 dollars.  (Reduced Costs, Reduced Time – 2)	Eliminate this requirement and require the health service to gather necessary information from existing public records.	Recommendations adopted by Internal Order of the Sanitary Epidemiological Station (SES) of the East Kazakhstan Oblast	1688 entrepreneurs annually register their sanitary passports. The average daily profit for each entrepreneur involved in the process is \$20 (based on a survey of affected entrepreneurs). $[(7 * 20)+20] * 1688 = \mathbf{\$270,080}$ .	<b>9/9</b>
4	<i>Ridder – Construction Permits (PP)</i>  Date: Jun 2004	A general lack of information about the process. Redundant application reviews by committees within the Akimat and the Ridder Department of Architecture. The legal status of the final approval document required too many reviews and signatures resulting in delayed construction starts.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Create information stand. Abolish one of two committees on obtaining land as a duplicating body Change the status of final approval document to lower processing time.	Information stands erected at Ridder Department of Architecture and Housing Services and at the Ridder Department of Land Resources. Akimat Committee no longer involved in approval process. The final approval document's legal status was changed from "Akim's Decree" to "Akim's Decision" which resulted in the number of required signatures being reduced.	The process time was reduced by three days. 50 entrepreneurs annually apply for construction permits. The average daily profit for each entrepreneur involved in the process is \$20 (based on a survey of affected entrepreneurs). $(3 * 50 * 20) = \mathbf{\$3,000}$ .	<b>8/10</b>
5	<i>Astana – Land Registration (PP)</i>  Date: Jun 2004	Previously applications were reviewed on an ad hoc basis and required separate Akim decisions in order to be accepted, resulting in consideration times of up to six months. The new system ensures that all applications will be considered and decided within three months of submission.  (Reduced Costs, Reduced Time – 2)	Have the Astana Land Resources Commission consider all land registration applications collectively during regularly scheduled meetings as opposed to individually when received.	The Astana Land Resources Commission has agreed to consider all land registration applications received during regularly scheduled meetings.	Approximately 920 entrepreneurs go through the process of land allocation. The processing time was reduced by 60 days. The average daily profit for each entrepreneur involved in the process is \$30 (based on a survey of affected entrepreneurs). Total amount saved: $920 * (60 * 30) = \mathbf{\$1,656,000}$ .	<b>10/12</b>
6	<i>Pavlodar – Import and Export of Commercial Goods</i>	Duplicative document checks and import/export processes by both Russian and Kazakh Customs officials cause undue delays and financial losses to cross-border traders.	Allow for joint border controls to reduce redundancies and timeframes.	On June 4, 2004 an Agreement was signed in Pavlodar between the Siberian Customs Department and the Customs Control Department of Pavlodar oblast on	Interviews with affected entrepreneurs showed that the duplicative documents checks resulted in average additional costs of \$50 for each border	<b>18/22</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2004 - 2005</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
	Date: Jun 2004	(Reduced Costs, Reduced Time – 2)		conducting an experiment on joint customs control of goods and vehicles, exported from the RF territory into the Republic of Kazakhstan through the “Sharbakty” automobile check point (ACP). Based on TFI's recommendations, Russian Customs at "Kulunda" border post has agreed to conduct document checks on the Russian side of the border while Kazakh customs at the "Sharbakty" border post will perform physical searches on the Kazakh side. Previously, cross-border traders would face both controls on both sides of the border. The Agreement also provides for on-line exchange of information between the two parties on the quantity of goods and vehicles, in order to reveal and prevent illegal movement of goods through the border.	crossing. This border crossing processes approximately 153 commercial vehicles each month. $153 * 50 * 12 = \mathbf{\$91,800}$ NB Negotiations between Russia and Kazakhstan are currently underway (June 2005) to make joint border control at this crossing permanent.	
7	<b>Pavlodar – Import and Export of Commercial Goods</b> Date: Jun 2004	SME's cannot import goods into Kazakhstan until they have received import certificates from Customs. The Certification procedure is not carried out at actual customs posts, but rather at the Customs Control Department. As a result this process can take up to three days leading to significant financial losses for cross-border traders.  (Reduced Costs, Reduced Time – 2)	Create departments at Pavlodar customs posts that can issue certificates onsite.	In May 2004 Pavlodar customs initiated TFI's recommendations on a trial basis.	Interviews with affected entrepreneurs showed that the system of offsite permit issuance added additional costs of \$150 for each border crossing. An average of 27 certificates are issued monthly. $27 * 150 * 12 = \mathbf{\$48,600}$ .	<b>10/13</b>
8	<b>Karaganda – Pharmaceutical</b>	Duplicative SES approvals required at both the Rayon and Oblast level and unnecessary	To eliminate the requirement that	The Oblast SES issued internal order No. 80 (June 21, 2004) to	1,000 licenses are issued annually Processing time has	<b>7/8</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2004 - 2005</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
	<i>Licensing (PP)</i> Date: Jun 2004	documentary requirements create business start-up delays and cost increases.  (Reduced Costs, Reduced Time – 2)	entrepreneurs receive a conclusion from Oblast SES. To reduce the overall list of documents that must be submitted during the licensing process. To impose time limits on agencies issuing permissive or supporting documents.	recognize the validity of conclusions made by their counterpart offices at the rayon level, thus eliminating the need for applicants to submit the same documents twice and receive the same permissions twice. In addition, the following time limits were imposed on agencies involved in the process: 1. State Sanitary Epidemiological Inspection from 15 to 8 days; 2. Medicine Expertise Center from 14 to 8 days; 3. Oblast Pharmacy Control from 15 to 6 days.	been reduced by 25 days. The average daily profit for each entrepreneur involved in the process is \$10 (based on a survey of affected entrepreneurs).  1000 x \$10 x 25 = <b>\$250,000</b> .	
9	<i>Ust-Kamenogorsk – Registration of Property Rights</i> Date: Jun 2004	The Ust-Kamenogorsk government had required that new real estate certificates be completed whenever property changed ownership. This requirement to undergo a new certification process was unnecessarily expensive and time consuming.  (Reduced Costs, Reduced Time – 2)	Amend existing certificates with the name of new property owner.	Based on TFI's recommendations, the Ust-Kamenogorsk real estate registration center has agreed to rescind an internal order that had required the preparation of new real estate certificates every time a property changed hands. Now the pre-existing certificate will simply be transferred to the new owner.	Based on official government price lists, this change will save applicants \$15 per transaction. Based on statistics from the Oblast Economy Department 500 apartments are re-equipped into business objects. 15 x 500 = <b>\$7,500</b> .	<b>7/7</b>
10	<i>Atyrau – Fire Inspections (PP)</i> Date: Jul 2004	Barrier 1. Lack of information Entrepreneurs often lack information on fire safety compliance norms, standards and preventative measures, which then result in a violation of fire safety codes. Meanwhile, the majority of the entrepreneurs violate one and the same basic fire codes. Lack of knowledge results in rent seeking. There are no clear-cut and known guidelines on appealing the results of the inspection to a higher agency. Barrier 2. Misuse of the fining system The inspectors have a choice of	The constraints were addressed by 11 recommendations, 9 of which were accepted by the State Commission on Support of Small Business on April 2, 2004. Next, the commission issued the recommendations to the Atyrau Fire	(1) The Atyrau State Fire Department analyzed the most common violations of the Fire Code by businesses, presented information on fire hazard level of the businesses, and participated in preparation of the brochure for the entrepreneurs. The brochure includes information on the process and rules for conducting a fire inspection, appeal process, and accepted changes in the	As a result of providing information to the entrepreneurs, we expect a decrease in the number of violations of fire safety codes by the businesses, and subsequently, a reduction in fines paid. Fines are issued in 83-90% of the cases, including the first time offenses. This practice is no longer valid for Atyrau, based on the letter of the Head Fire State Department.	<b>8/9</b>

**Kazakhstan**

**Constraint Reductions**

2004 - 2005

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		<p>issuing a warning (with measures that have to be taken to remedy a violation) or a fine, and in 83-90% of the cases the fine is issued. According to data from the Atyrau Fire department in 2001 there were 117 fines and 24 warnings, and in 2002 there were 70 inspections and 7 warnings issued to the small businesses.</p> <p>(Reduced Costs, Reduced Time, Increased Transparency – 3)</p>	<p>Department. Additionally, recommendations were sent to the Republican Fire Department, and were added to the suggestions to the Administrative Code issued by the Forum of Entrepreneurs and Almaty Association of Entrepreneurs.</p>	<p>inspection process. The brochure will be printed in July and issued to the businesses during inspection, at our partner Union office, and Department on Support of Small Businesses. (2) The Head of the Department of the State Fire Department of the Agency on Emergency Situations agreed in his letter that the inspectors should no longer fine businesses for the first-time offense and issue warnings with a date for correction of violation.</p>	<p>Pragma and our partner association and Almaty Association are working with State Fire Agency on extending this policy nationwide. According to the Law of Kazakhstan on Support of Small Business #131-1 from June 19, 1997, small businesses employing less than 10 people could be inspected once in three years, annually, the number of small businesses increases in Atyrau by 500, while the official number of inspections is about 300 per year. With this in mind, we could assume that first time inspections compose, at the lowest, 50-60 percent of total annual inspections. Therefore, in 5060% of inspections (150 cases) there will be no fines issued, or that is  <math>150 * 5MEI = 150 * 980 * 5 = 735000</math> or \$5326. The average fine is equal to 5 MEI (yet it should be noted that the fines could be issued as much as 50 MEI or \$360 and could be levied to the business entity and the management (director)). We are not going to consider unofficial payments to the inspectors, which is on average \$50. So, the minimum savings from reducing the barriers for 300 businesses that are annually subject to fire</p>	

Kazakhstan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
					inspections is equal to <b>\$5,326</b> .	
11	<i>Astana – Licensing</i> Date: Jul 2004	All licenses for the collection, storing, processing and selling of scrap and waste of ferrous and nonferrous metals used to be issued by the Ministry of Industry and Trade, located in Astana. This practice required license applicants from all over Kazakhstan to make up to two trips to Astana and the process took up to two months.  (Reduced Costs, Reduced Time – 2)	Delegate authority to issue the licenses to Akimats or relevant divisions in oblasts.	Pursuant to decree of the Government of RK No 691 dated June 23, 2004, authority to issue licenses for the collection, storing, processing and selling of scrap and waste of ferrous and non-ferrous metals by legal entities was handed over from the jurisdiction of the Ministry of Industry and Trade to the jurisdiction of Akimats of oblasts, and Astana and Almaty cities. Oblast Akims were assigned to develop and approve the order of interacting with other government bodies by August 15, 2004.	According to official statistics an average of 330 entrepreneurs apply for secondary metallurgy licenses each year. Based on interviews with affected entrepreneurs the actual costs related to traveling twice to Astana in order to complete the licensing process equals 1,185 dollars. This reduction will save each affected entrepreneur that amount plus the cost recovery for reducing the average processing time by 14 days. The average daily profit for each entrepreneur involved in the process is \$120 (Based on statistics from the Association of Secondary Metallurgy Enterprises). $((14 * 120) + 1,185) * 330 = \mathbf{\$945,450}$ .	<b>12/14</b>
12	<i>Almaty – Procurement</i> Date: Jul 2004	Lack of transparency in the implementation of government procurement procedure with respect to consideration of applications, appraisal of potential suppliers' qualification and criteria for making final decision on selection of the winner; Constant violations of conditions of goods and services procurement; Collusions between customers and certain suppliers and impossibility to prove such collusion due to shortcomings of legislative basis of government procurement (corruption is 10 to 20% of the tender amount); Lack of clear mechanism for contesting results of government procurement tender. Lack of clear (transparent) mechanism for bringing to	TFI was a member of a working group that conducted two round tables and carefully studied the current procurement system. Based on that work, the working group submitted 39 proposals to the RK. Those proposals addressed issues related to tender documentation and qualification requirements	Law was adopted to introduce changes and amendments to the Law of RK "On Government Procurement", comprising proposals of the associations and TFI Project. 13 of our recommendations were accepted. The recommendations providing for the following: The State Procurement Agency will have complete oversight over the conduct and procedure of government tenders and the decisions of tender commissions; A mechanism for appealing against the decisions of tender	Interviews with respondents indicated the law was being implemented and was an improvement over previous practice. They still believed that that the process needed to become more transparent.  The reduction in security costs to an average of 1.5% has resulted in increased available cash for businesses. In 2004, tenders totaled 545,459.3 million KzT. The decreased in security allowed businesses to free 8,182 million KzT that would have	<b>9/10</b>



## Kazakhstan

### Constraint Reductions

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		<p>account those persons who violate government procurement legislation. Lack of legally supported mechanism for control of execution of contract obligations during government procurement, which causes budget over-expenditures, and misappropriation of these funds by individual officials. Lack of antimonopoly regulation of government procurement. Legislative constraints lead to money and time losses of entrepreneurs: Withdrawal of entrepreneurs' funds from circulation and their freezing at customer's accounts for the period of 45 to 90 days (3% of total amount of tender + bank loan for the term of funds borrowing + costs of preparation of tender documentation, specifications, certificates, and notarized documents).</p> <p>(Reduced Costs, Reduced Time, Increased Transparency – 3)</p>	<p>(experience, business specialization), implementation and reporting procedures, oversight of the work of tender commission, ensuring transparency of government procurement, reduction of security amount for tender application, and appeal procedures against the actions of tender commission.</p>	<p>commissions; The creation of a state register of entities that may carry out government procurement; The establishment of a methodology for determining a "dumping price" for goods and rejecting bids based on these below market value prices; Newly established firms with no experience or public reputation will not be permitted to bid on tenders in order to reduce sham tenders from straw companies; The creation of a standard contract that provides for equitable divisions of conditions and responsibilities; Private sector experts will be permitted to sit on tender commissions; The reduction of the security for tender applications to between 1-3%; The introduction of a requirement that the tender commission publish tender announcement on the web-site of the State Procurement Agency; The introduction of a requirement that tender commissions publish tender results in mass media and provide detailed explanations for rejections of tender applications on request; The introduction of information systems, in government procurement in order to receive required reports, information and materials electronically and otherwise</p>	<p>otherwise been encumbered.</p>	

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<b>Constraint Reductions</b>						
<b>2004 - 2005</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
				supervise the terms and delivery of the tender; and the introduction of the legislative base upon which to draft detailed rules and procedures for the introduction of an e-procurement system in Kazakhstan.		
13	<b>Karaganda – Pharmaceutical Licensing (PP)</b>  Date: Jul 2004	Lack of information regarding the licensing process for pharmacies in Karaganda leads to unnecessary delays and costs when obtaining the license.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Install information boards on the premises of state agencies involved in the licensing process. Produce a brochure detailing the step by step process of obtaining a license.	Information boards were installed at the Oblast Department of State Sanitary and Epidemiological Inspection; the State Fire Service; the Oblast Administration for Pharmaceutical Control; and the National Center for Examination of Drugs, Medical Products and Medical Equipment. 550 copies of the brochure “Licensing of Pharmaceutical Activities: Step by Step” were published and distributed to all government bodies involved in the licensing process.	Based on government statistics, the number of entrepreneurs engaged in the pharmaceutical sector in Karaganda has grown by 2.1%. For total economic effect see above # 8.	<b>8/8</b>
14	<b>Pavlodar – Commissioning of a construction project</b>  Date: Jul 2004	Two week time period to wait for signed acceptance for project commissioning is unnecessarily long and results in losses for entrepreneurs.  (Reduced Costs, Reduced Time – 2)	Reduce the consideration period for project commissioning from two week to no more than one.	The recommendations were accepted by the Deputy Akim of Pavlodar. The Pavlodar Architecture and Urban Development Department is now under mandate to complete the project commissioning process in no more than one week.	450 entrepreneurs annually complete this process. The average daily profit for each entrepreneur involved in the process is \$10 (based on a survey of affected entrepreneurs). TFI’s recommendations will reduce the processing time by 7 days. (7 * 10 * 450) = <b>\$31,500</b> .	<b>7/9</b>
15	<b>Aktobe – Land Allocation and Registration of Land Rights Certificate (PP)</b>	Constraint 1 This procedure is the opening stage of any construction project and requires undergoing licensing procedures from many agencies. The indefinite duration of this process forecloses advance planning for construction starts. Furthermore, the illogical	1. Eliminate unnecessary or redundant approvals. 2. Extend consultation hours at the Architecture	The number of officials who are required to personally approve the land allocation was reduced from 12 to 8 (i.e. 4 signatures) and, as a result, the final approval process was shortened by ten days. The	Constraint 1: Based on government statistics an average of 1,400 entrepreneurs complete this process annually. A focus group with affected individuals determined that their cost savings	<b>6/6</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	Date: Jul 2004	<p>chronology of the process creates unnecessary delays of more than 6 months. Among the list of required documents is the Tax Debt Certificate, which does not reflect the financial state of an organization.</p> <p>Constraint 2 Unnecessary and excessive number of government agencies involved in the review process leads to needless delays.</p> <p>(Reduced Costs, Reduced Time, Increased Transparency – 3)</p>	Administration. Eliminate certain agencies that are not required to review or make decisions on the final application.	office hours for consultations on the process by the Architecture Administration were increased from 8 hours weekly to 20 hours weekly. Pursuant to an order by the Deputy Akim, four agencies were removed from the process: The Design Institute “AktobeGrazhdanProject”, the Oblast Architecture Department, the Forestry and Hunting Administration, and the Cooperative of Apartment Owners.	<p>was \$45 per transaction. The processing time was reduced by an average of ten days. <math>1,400 * 45 * 10 = \\$630,000</math> per year.</p> <p>Constraint 2: 1,500 entrepreneurs annually complete this process. The average daily profit for each entrepreneur involved in the process is \$40 (based on a survey of affected entrepreneurs). TFI’s recommendations will reduce the processing time by 5 days. <math>(1500 * 40 * 5) = \\$300,000</math>. Total economic effect of reduced constraints: <b>\$930,000</b>.</p>	
16	<p><b>Pavlodar – Registration of Real Property Rights</b></p> <p>Date: Jul 2004</p>	<p>In Pavlodar, the state registration of rights for reconstructed facilities is a multistage and time-consuming process. The constraints for business created by this process are compounded by the fact that no information is readily available to entrepreneurs that would help them navigate the process in an efficient and timely manner.</p> <p>(Reduced Costs, Reduced Time, Increased Transparency – 3)</p>	Allow for simultaneous processing of documents. Amend the list of required documents to come into compliance with applicable legislation. Provide detailed process information to applicants.	Based on TFI recommendations, the head of the Pavlodar Oblast Real Estate Center signed a protocol agreement that will bring the list of required documents into compliance with national legislation; make the updated list of documents available to all registrants at the Real Estate Center’s inquiry window; reduce processing time by accepting, registering and issuing technical and legal documents simultaneously; and prepare an informational brochure for applicants.	<p>300 entrepreneurs annually register their real property. The average daily profit for each entrepreneur involved in the process is \$10 (based on a survey of affected entrepreneurs). TFI’s recommendations will reduce the processing time by six days. <math>(6 * 10 * 300) = \\$18,000</math>.</p>	<b>7/8</b>
17	<p><b>Astana – Licensing</b></p> <p>Date: Aug 2004</p>	Licenses for the wholesaling and storage of alcohol products only issued in Astana by the Tax Committee of the Ministry of Finance adding unnecessary expenses and delays to the process.	A TFI sponsored working group recommended delegating the authority to issue such licenses to appropriate	The Decree of the Republic of Kazakhstan #869 (13 AUG 2004) transferred authority to issue the licenses from the Ministry of Finance Tax Committee to Oblast Akimats and the Akimats of	Interviews with affected entrepreneurs indicate that the average license applicant saves \$1,000 dollars in actual costs plus 20 days. The average daily profit for each entrepreneur	<b>12/12</b>

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<b>Constraint Reductions</b>						
<b>2004 - 2005</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
		(Reduced Costs, Reduced Time – 2)	local government agencies.	Astana and Almaty cities.	involved in the process is \$10. Annually about 240 entrepreneurs obtain licenses. [(20*50)+ \$1000]*240= <b>\$480,000.</b>	
18	<b>Karaganda – Export of Metal Cargo (PP)</b>  Date: Aug 2004	Redundant and consecutive cargo inspections by state SES and Customs Control Departments led to unjustified costs and delays.  (Reduced Costs, Reduced Time – 2)	Conduct inspections simultaneously.	The recommendations were accepted at round table meeting with the Karaganda Customs Control Department and the Oblast Department of State Sanitary and Epidemiological Inspection and entrepreneurs.	Interviews with affected entrepreneurs indicate that simultaneous inspections reduced the clearance time for the export of metal cargo by 4 days. 150 cars of metal are exported per month. Each day stalled at the border costs \$31. (150 *12) * 4 * 31 = <b>\$223,200.</b>	<b>5/6</b>
19	<b>Zyryanovsk – Land Allocation and Registration (PP)</b>  Date: Aug 2004	Entrepreneurs must go through the land allocation and registration process two separate times causing undue delays and expenses. Further adding to the delays are redundant requirements to submit documents that are already on file with local government authorities. (Reduced Costs, Reduced Time, Increased Transparency – 3)	Allow for simultaneous processing of land allocation and registration. Remove documentary requirements when documents are already on file with the Akimat.	Pursuant to the decision of the Zyryanovsk Akim, the recommendations have been accepted. As a result 12 documents have been excluded from the process and land allocation and registration will be conducted simultaneously.	Interviews with affected entrepreneurs show that the simultaneous processing of land allocations and registrations has reduced the cumulative processing time by 60 working days. 40 entrepreneurs complete this process annually. The average daily profit for each entrepreneur involved in the process is \$15. Each entrepreneur that completes this process will save \$900 dollars. 60 * 15 * 40 = <b>\$36,000.</b>	<b>6/7</b>
20	<b>Ridder – Construction Permits (PP)</b>  Date: Aug 2004	Limited working hours by the City Architecture Department creates delays in submission and approval or permit applications. Unnecessary approvals required by Sanitary and Epidemiological Inspection (SES) and Fire Service added time and cost the permitting process. Unnecessary requirement by city Gas utility to cap gas lines adds unnecessary costs to the process.	Extend the working hours of the city Architecture Department. Eliminate this requirement. Eliminate this requirement. Eliminate this	All the recommendations were adopted by the City Akimat. The City Architecture Department now accepts applications five days per week. Previously it had only accepted applications two days per week. SES and the Fire service were excluded from the process. The gas cap requirement	Interviews with affected entrepreneurs show that the following benefits have been realized as a result of the changes: The elimination of SES and the fire service reduced the process time by 20 days (ten days for each agency to review the application). Elimination of	<b>8/8</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		Unnecessary documentary requirement by the city water utility adds unnecessary costs to the process. The time period in which the City Architecture Department prepares the site diagram unnecessarily long. The time period for preparing the Akim's Decision (legal mechanism that grant's the permit) is too long. (Reduced Costs, Reduced Time – 2)	requirement. Set time limit for producing the site diagram at 5 days (was 10). Set the time limit for preparing the Akim's decision at 15 days (was 30).	was eliminated. The provision of documents to the water utility was eliminated. The time limit for producing the site diagram was capped at five days. The time limit for preparing the Akim's Decision was capped at 15 days.	the gas cap requirement saves each applicant a mandatory fee of \$22. Elimination of the water utility's document requirement saves each applicant \$11. Time period for receiving draft blueprints from the Architectural Department reduced by 5 days. The time period for preparing the Akim's Decision reduced by 15 days. Total process time reduction = 40 days. 70 entrepreneurs complete this process annually. The average daily profit for each entrepreneur involved in the process is \$20. Actual cost savings per applicant = \$33. $70 * (40 * 20 + 33) =$ <b>\$58,310.</b>	
21	<i>Astana – Tourism Certifications</i> Date: Sep 2004	Standards that had been imposed on tour companies by the Committee of Standardization, Metrology and Certification (The Committee) related to quality of service and had nothing to do with the health or safety of their customers. As such the standards were unnecessary and unnecessarily cost tour operators time and money while they went through the required annual certification process.  (Reduced Costs, Reduced Time – 2)	TFI recommended to the Committee that standards not related to the health and safety of tourists be excluded from mandatory certification requirements and to harmonize its mandatory health and safety standards with the norms set out in the "Protection and Safety of Tourists" published by the World Tourist Organization.	In total, TFI submitted 40 proposals to the Committee, of which 30 were adopted in new standards approved by the Committee's Decree No.184.	Based on these changes, each of the 713 tour operators that had been subject to the former standards can expect to save four business days and up to 370 dollars annually. Total savings = 4 days + travel expenses Or, $[(4 * \$4) + \$370] * 713 =$ <b>\$275,218.</b>	<b>9/10</b>

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### Constraint Reductions

**2004 - 2005**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
22	<p><b><i>Ust-Kamenogorsk – Property Registration</i></b></p> <p>Date: Sep 2004</p>	<p>In Ust-Kamenogorsk, entrepreneurs must utilize certain paid services provided by the city Land Planning Agency when registering real property. Those services include document reviews, preparation of registration documents, land surveys and assignation of registration numbers. Unfortunately, no set prices or pricing formula was in place for these services, leaving entrepreneurs open to the whims of individual government agents who used several different pricing formulas to set the prices for these services on an ad hoc basis. Obviously, this system created confusion for entrepreneurs who were unable to predict in advance the cost of registering property and also created “rent-seeking” opportunities for government officials.</p> <p>(Reduced Costs, Increased Transparency – 2)</p>	<p>TFI recommended prices be set for specific services and the price list made public.</p>	<p>Based on the recommendations of TFI and the East Kazakhstan Trade Union of Small and Medium Business, the East Kazakhstan Oblast Department of the Agency on Regulation of Natural Monopolies and Protection of Competition developed and approved new set price formulas for specific land registration processes.</p>	<p>Interviews with affected entrepreneurs show an average cost reduction of \$20. Oblast Economy Department statistics show that 500 applicants go through this process annually.</p> <p>20 * 500 = <b>\$10,000</b>.</p>	<b>8/8</b>
23	<p><b><i>Astana – Environmental Opinion for the Licensing of Certain Activities</i></b></p> <p>Date: Oct 2004</p>	<p>A prerequisite for obtaining licenses for many types of activities is to receive a favorable opinion from the Ministry of Environmental protection that the activity would not violate environmental laws and regulations. Legislation had required license applicants to apply for a review and opinion from their local office of the Ministry of Environmental Protection and then use those findings to apply for redundant opinion from the Ministry in Astana. This redundancy created unnecessary costs and lost time for entrepreneurs.</p> <p>(Reduced Costs, Reduced Time – 2)</p>	<p>Eliminate the requirement for two environmental opinions as a licensing prerequisite.</p>	<p>By the Order #192-п of Minister of Environmental Protection of RK “On Issuance of Environmental Authority Opinion for particular types of licensed activities and services” dated July 1, 2004, the right to issue the Environmental Authority Opinion for obtaining certain licenses has been delegated to Oblast Municipal Territorial Environmental Protection Administrations. The requirement to obtain a redundant opinion in Astana has been eliminated. The Order was registered and made effective with the Ministry of Justice in</p>	<p>The Order applies to 15 types of licenses. Results of the monitoring show that the average applicant will save 20 days and up to 1000 dollars as a result of the constraint reduction</p> <p>The total savings for all entrepreneurs cannot be presented in this report due to the unavailability of data in Ministries on the number of enterprises involved in the process.</p> <p>There are approximately 136 enterprises involved in the preparation, storage and</p>	<b>7/9</b>

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**Constraint Reductions**

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				<p>October 2004. The Order applies to the following categories of licenses: 1. Engineering, production and disposal of explosives and pyrotechnic substances and products they used in. 2. Production, transportation, processing and disposal of uranium and other fissile materials as well as products made of them. 3. Manufacturing and disposal of products containing active materials in quantities exceeding a norm allowable for their utilization requiring no special safety facilities. 4. Manufacturing and disposal of chemical agents and safety facilities against them. 5. Liquidation (destruction, recycling and burial) and conversion of disengaged military facilities. 6. Maintenance, repair and operation of airdrome, airport and aeronavigation facilities. 7. Manufacturing of building materials, products and structures. 8. Designing, construction and operation of explosive and fire risk and mining productions, power stations, electric mains and substations, hydraulic structures of gas-petroleum mains as well as pressure boilers, vessels and pipelines. 9. Designing, manufacturing, repair and disposal of weapons and ammos,</p>	<p>processing of loam and wastes of and ferrous metals.</p> <p>Savings for this industry is estimated at \$1000 x 136 = <b>\$136,000.</b></p> <p>There are 866 enterprises involved in impacted manufacturing activities. The impact for these businesses is estimated at \$1000 x 866 = <b>\$866,000.</b></p>	

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				cryptographic information protection facilities, special technologies for criminal investigations, military technologies, spare parts, accessories and equipment thereof, if they are not used in other branches, as well as special materials and equipment for their manufacturing. 10. Designing, installation, engineering setup and maintenance of fire prevention alarm and fire safety automatic. 11. Alcoholic production. 12. Scrap and ferrous and nonferrous metal rejects collection (procurement), storage and processing. 13. Grain storage. 14. Special water consumption, including: Water intake and consumption in the volume over fifty cubic meters per day from surface water bodies for agricultural, industrial, power engineering, fish-breeding and transportation needs; Water intake and delivery from surface water bodies to a secondary water user. 15. Designing, manufacturing, disposal, exhibiting of civil pyrotechnic substances and products.		
24	<i>Pavlodar – Construction Projects</i> Date: Oct 2004	A prerequisite for obtaining a construction permit is to have supporting documents audited for compliance with applicable regulations. Information regarding this process and entities approved to carry out the	Working with the Forum of Entrepreneurs of Pavlodar and the Pavlodar Department	A working group comprised of TFI and its counterparts produced an informational brochure that provided detailed instructions for navigating the process of	The pamphlet was distributed to the members of the Forum of Entrepreneurs of Pavlodar and made available to license applicants at the Pavlodar	<b>6/6</b>



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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		audits was never made public or available to entrepreneurs. As a result of this lack of information, the document preparation period was unduly confusing and time consuming for applicants. (Reduced Costs, Reduced Time, Increased Transparency – 3)	of Architecture and Construction, TFI recommended that an informational brochure describing the process and listing accredited audit agencies be drafted and distributed to the business community in Pavlodar.	obtaining a construction permit and listed accredited agencies that could inspect and approve supporting documents required during the permitting process.	Department of Architecture and Constructions and the Economic and SME Support Department. 200 entrepreneurs apply for construction permits annually. TFI estimates that the brochures will reduce the application period by up to three days with a potential cumulative annual savings of <b>\$12,000</b> .	
25	<i>Ust-Kamenogorsk – Approval to utilize Residential Premises for Commercial purposes</i>  Date: Oct 2004	The illegal and unjustified inclusion of the Fire Prevention Service in the inspection and review process created undue cost and time constraints for entrepreneurs.  (Reduced Costs, Reduced Time – 2)	A working group led by TFI and comprised of the Deputy Akim, the Ust Trade Union of SME Employees and the Ust Architecture Department reviewed the process and identified the fact that there was no legal basis or justification for entrepreneurs to submit their renovation plans to the Fire Prevention Service for approval. The working group recommended eliminating the Fire Prevention Service from the process.	The working group met with the head of the Ust Fire Prevention Service and presented their findings and recommendations. Based on that meeting the Fire Prevention Service issued an internal order excluding itself from the process.	Monitoring of this reduction has shown a ten-day reduction in the process time. 500 entrepreneurs go through this process annually. Based on tax committee statistics, the average daily gross receipts for businesses applying for this approval is \$770. Allowing businesses to begin operations ten days sooner results in additional gross receipts of up to 3.85 million dollars annually. $500 * 10 * 770 = \mathbf{\$3,850,000}$ .  In addition, the Ust-Kamenogorsk Akimat has determined that the changes save it two manpower days per application. Each manpower day costs the government \$27. The resulting government savings is $500 * 2 * 27 = \mathbf{\$27,000}$ .  Total impact is estimated at <b>\$3,877,000</b> .	<b>7/8</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
26	<i>Aktobe – Land site acquisition (PP)</i>  Date: Nov 2004	Aktobe authorities had required a certificate of tax debt/indebtedness as a part of its land site acquisition procedure. Not only was this requirement unjustified, but it was not an accurate reflection of the financial standing of an applicant since the certificate is only good for 7 days but the land site acquisition process could take four months.  (Reduced Costs, Reduced Time – 2)	Eliminate the requirement to submit the tax certificate.	By order of the Aktobe City Architecture Administration, the requirement has been eliminated.	Interviews with affected entrepreneurs indicate that elimination of the requirement saves each an average of \$17.50 (travel expenses and professional accounting services). Based on government statistics an average of 1700 entrepreneurs go through this process annually.  $17.5 \times 1400 = \mathbf{\$24,500}$	<b>9/10</b>
27	<i>Atyrau – Certificate of Compliance (PP)</i>  Date: Nov 2004	The Kazakh government's requirement to validate foreign Certificates of Compliance is a complicated, time consuming and costly process. The process requires a validation of the authenticity of the products, terms of storage and labeling. In reality, however, the National Certification Center, which carries out the validation process, simply copies the details of the original certificate onto a Kazakh form. In total it takes 2-10 days to complete the validation. Detailed procedural information for obtaining the certificates does not exist and entrepreneurs make many mistakes in navigating the process and adding delays and additional costs in obtaining the certificates. Also, the National Certification Center does not publish schedules for their services which create opportunities for rent seeking and lack of predictability as to the cost of the process.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	The TFI partner in Atyrau (Atyrau Union of Entrepreneurs) recommended that the Atyrau department of the National Certification center set fee schedules and publish those fees along with details procedural information in a free brochure.	The Atyrau Union of Entrepreneurs together with the Atyrau department of the National Center of Certification published a brochure for the entrepreneurs. The brochure includes information on the process, legal documentation and fee schedules. In addition, a detailed information board was installed at the Center. The brochure was distributed by the association to members and non-members alike.	A survey of affected entrepreneurs showed that the processing time for receiving certificates of compliance had been reduced by 3 days since introduction of the information boards and brochures. The same surveys showed that the average daily profit of those entrepreneurs was \$50. 2,457 certificates were issued last year.  $3 \times 50 \times 2457 = \mathbf{\$368,550}$  In addition it should be noted that during monitoring, the brochures were observed being distributed at offices of the Atyrau Union of Entrepreneurs as well as the Atyrau Branch Open Joint Stock Company (OJSC) "NACEKS". The information on the process was also placed on the information board of the (OJSC) "NACEKS", which had also agreed to provide	<b>9/9</b>

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<b>2004 - 2005</b>						
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					quarterly information seminars for entrepreneurs subject to the certification requirements.	
28	<i>Atyrau – Property Registration (PP)</i> Date: Nov 2004	The price list for evaluation and surveying services provided by the Center of Immovable Property Entrepreneurs is not published or otherwise made available to applicants creating opportunities for rent seeking by Center employees. 1. Detailed information about the registration process does not exist and entrepreneurs make many mistakes in navigating the process and adding delays and additional costs. 2. The registration process often takes longer than the 5-day registration term mandated by the Law on Registration of Property.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	The Atyrau Union of Entrepreneurs urged the head of the Center of Immovable Property to abide by time limitations placed on the registration process, to publish its fee schedule and to make process information available to applicants.	The price list for evaluation and surveying services is now published on an information board installed at the Center on Immovable Property informational board. The Center of Immovable Property agreed to make its specialists from the surveying and evaluation departments available for consultations at the Center and at the Atyrau Union of Employers and Entrepreneurs. A staff attorney from the union is also present to ensure that the information presented is accurate. The head of the Center verbally agreed to ensure that all registrations are completed within the five day time limit.	Surveys of affected entrepreneurs indicate that the Center of Immovable Property is in compliance with the five day time limit. The information board is in place at the center and the Atyrau Union of Entrepreneurs has published two informational brochures. The annual average number of entrepreneurs registering property is 195. The average daily profit for these entrepreneurs is \$50.  5 x 50 x 295 = <b>\$48,750</b>	<b>7/8</b>
29	<i>Astana – Medical Licensing</i> Date: Nov 2004	Redundant or unnecessary license and sub-licenses for health care practice created undue cost constraints for health care professionals.  (Reduced Costs, Reduced Time – 2)	In May 2004, TFI, in conjunction with the Forum of Kazakhstan Entrepreneurs, presented the Interdepartmental Commission under the RK Government with specific recommendations on reduction of licenses and sublicenses for medical activity. In July 2004, at the joint	Pursuant to the RK Government Decree №1224 dated November 23, 2004, amendments have been introduced on reduction types of sub-types of medical activities. 221 types of medical activities subject to licenses have been reduced to 58, and 55 sub-types of medical activity to 40. In total, 163 licenses and 15 sub-licenses have been eliminated.	Based on surveys of affected entrepreneurs the average cost to obtain a medical license or sublicense was \$600. In addition, applicants lost up to 45 working days during the application period. The average daily profit for applicants is \$15. TFI does not have accurate statistics as to the total number of applicants affected by elimination of the 178 licenses and sublicenses.	<b>6/6</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			<p>meeting of the Vice-minister of RK Public Health and Forum of Kazakhstan Entrepreneurs, an agreement was reached to eliminate certain licenses. The recommendations were then forwarded to the RK government.</p>		<p>Still each applicant will now realize savings of \$1,275 for each eliminated license and sublicense. <math>600 + (45 * 15) = 1,275</math>.</p> <p>According to official Kazakh statistics, 268 companies applied for medical licenses in the first ten months of 2005 for an estimated annual savings of <b>\$410,040</b>.</p>	
30	<p><i>Astana – Construction Licensing</i></p> <p>Date: Dec 2004</p>	<p>Redundant or unnecessary license and sub-licenses for construction related activities created undue cost constraints for entrepreneurs.</p> <p>(Reduced Costs, Reduced Time – 2)</p>	<p>TFI, in conjunction with the Forum of Kazakhstan Entrepreneurs, presented the Interdepartmental Commission under the RK Government with specific recommendations on reduction of licenses and sublicenses for construction related activities. Subsequently, the recommendations were presented to the Deputy Chairman of Construction Affairs Committee of Ministry of Industry and Trade. He accepted and agreed with the recommendations.</p>	<p>Pursuant to RK Government Decree #1270, dated December 4, 2004, TFI recommendations were implemented resulting in amendments impacting licenses and sub-licenses for architecture, city planning and construction activity. In total 12 licenses were eliminated (from 30 to 18) and 100 sub-licenses were eliminated (from 261 to 161).</p>	<p>Based on calculations concluded in monitoring the impact of medical license eliminations, TFI has also determined that the average cost to obtain a construction license or sub-license was \$600.</p> <p>In addition, applicants lost up to 45 working days during the application period.</p> <p>The average daily profit for applicants is \$15.</p> <p>TFI does not have accurate statistics as to the total number of applicants affected by elimination of the 112 licenses and sub-licenses.</p> <p>Still each applicant will now realize savings of \$1,275 for each eliminated license and sub-license.</p>	<b>8/10</b>

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<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
					According to official Kazakh statistics, these changes will impact 1015 companies.  $600 + (45 \times 15) \times 1115 =$ <b>\$1,552,950</b>	
31	<b>Pavlodar &amp; Astana</b> – <i>Approval to utilize Residential Premises for Commercial Purposes (PP)</i>  Date: Dec 2004	Lack of information and transparency in the process of converting residential premises into a business premise leads to unnecessary costs and time delays.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Provide detailed information on the process to entrepreneurs.	TFI and its partner business association, the Astana Association for the Protection of the Rights of Entrepreneurs developed an informational brochure that details the step-by-step process for obtaining the permit. The brochure is now being widely distributed in Astana. A similar brochure for Pavlodar entrepreneurs is available in electronic form at <a href="http://www.economikapavl.kz/?p=list_2">www.economikapavl.kz/?p=list_2</a>	Over 1000 entrepreneurs annually apply for this approval in Astana and Pavlodar. Initial interviews with affected entrepreneurs indicate a reduction of 3-5 days in the processing time due to increased awareness. In Astana: (5 reduced work days x \$30 average daily profit of one businessman + \$30 transportation costs) x 600 affected entrepreneurs = \$108,000. In Pavlodar: (3 reduced work days x \$10 average daily profit of one businessman) x 450 affected entrepreneurs = \$13,500.  Total saving for both cities is <b>\$121,500.</b>	<b>11/12</b>
32	<b>Pavlodar</b> – <i>Certificates of Conformity for Processed Foods</i>  Date: Dec 2004	Lack of information and transparency in the process of obtaining certificates of conformity for processed foods leads to unnecessary costs and time delays.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Provide detailed information on the process to entrepreneurs.	In Pavlodar, TFI consultants, working with the Pavlodar City Akimat, produced informational brochures on the processes for obtaining SES Opinions and Conformity certificates for Food Product Manufacturing. Both brochures detail the processes in easy to understand language. The brochures are being distributed by	Follow-up monitoring and interviews with government officials indicate that the process time for issuing the subject certificates has been reduced by 3 days since introduction of the information brochures.  In addition, statistics show that applications for the certificates	<b>9/9</b>

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				TFI partner business associations and are also available at the Pavlodar Akimat and will be placed online at <a href="http://www.economikapavl.kz">www.economikapavl.kz</a> .	have increased 23 times since introduction of the brochures and online information.	
33	<i>Pavlodar – SES opinions for food processing activities</i>  Date: Dec 2004	Lack of information and transparency in the process of getting a positive opinion of SES, which is a necessary prerequisite to initiate food processing activities, leads to unnecessary costs and time delays.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Provide detailed information on the process to entrepreneurs.	See above #32.	Interviews with affected entrepreneurs and SES officials indicate the average processing time has decreased by four days since the brochures were introduced.	<b>9/12</b>
34	<i>Astana – State Procurement</i>  Date: Jan 2005	Procurement rules permitting publication of tenders and awards in various newspapers at varying times creating missed opportunities for entrepreneurs unable to comprehensively monitor upcoming tenders and appeal tender awards within the prescribed timeframes.  (Increased Transparency – 1)	Following a TFI roundtable held in Almaty on November 19, 2004m companies and associations met with Deputy Chairman of Financial Control and State Procurement Committee on tender issues and recommended that the Committee publish all tender announcements and results in one printed edition of a national newspaper.	On December 31, 2004 government decree #1158 was and came into force on January 1st, 2005. That decree mandates that the organizers of government procurement tenders in Kazakhstan must publish all of their tender notifications in one printed medium, to be selected by the Agency on State Procurement. Furthermore, the decree requires that the selected print media outlet must submit all published tender notifications to the Center for Electronic Commerce in electronic form. The Center for Electronic Commerce will subsequently publish them on their website. Entrepreneurs will then have a possibility to search through the upcoming tender database, making it even easier for them to find desired tender notifications.	Monitoring has shown that the changes have been implemented. Positive responses of associations are placed on the web site of the State procurement Committee <a href="http://www.goszakup.kz/">http://www.goszakup.kz/</a> . On the web site one can also find a daily bulletin of tenders and results of competition results.	<b>12/14</b>

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35	<i>Astana – Licensing</i>  Date: Jan 2005	Entrepreneurs who required certain licenses were required to travel to Astana to receive their required licenses and environmental assessments. In practice this process often required two trips to Astana and up to two months to complete. 1 Tourism; nursing and medical activities; pharmaceutical activities; physical training and sporting activities; education services; and architecture, city planning & construction related activities, as well as the environmental assessments required for some of these licenses.  (Reduced Costs, Reduced Time – 2)	Delegate authority to issue the licenses to Akimats or relevant divisions in oblasts.	Based on recommendations made by TFI and the Forum of Entrepreneurs of Kazakhstan, the Kazakh government adopted Law #13-111 “On Making Amendments And Additions To Some Legislative Acts Of The Republic Of Kazakhstan On Issues Of Delineation Of Authorities Between State Administration And Budget Relations Levels”, which came into force on January 1, 2005. The law transfers jurisdiction for issuing these licenses to Oblast Akimats as well as Astana and Almaty cities.	Transfer of jurisdiction to the oblast Akimats has shortened processing time by 1 – 1.5 months and saved entrepreneurs an average of \$600 on travel expenses. While information is not available for all industries, a sample indicates significant impact.  In 2005, 205 licenses for opening tourist firms were issued. Savings was \$600 x 205 = \$123,000.  In Almaty, 141 licenses were issued for medical activities. The savings was \$600 x 141 = \$84,600.  In 2005, 6,805 licenses were issued for building companies, resulting in savings of 6,805 x \$600 = \$4,083,000.  Total identifiable impact is \$123,000 + \$84,600 + \$4,083,000 = <b>\$4,167,723</b> .	<b>6/8</b>
36	<i>Uralsk – Transit Insurance into Russia</i>  Date: Jan 2005	The Russian government’s decision, in January 2004, to impose mandatory transit insurance on Kazakh cars and trucks created almost immediate problems for Kazakh traders. The mandatory insurance rates of between \$90 and \$340 US dollars were prohibitively high for many traders and they were unable to conclude deals or get their goods to foreign markets.	TFI, working collaboratively with the Customs Consultative Council of West Kazakhstan Oblast and the Customs Control Department of Western Kazakhstan	Based on recommendations and impact analyses developed by TFI and the West Kazakhstan Oblast Consultative Council, the representatives of Russian Customs in Kazakhstan raised the issue within the Russian Duma, which subsequently issued decree No 823 “On Making Changes to	Insurance rates reduced by 5.8 times for Kazakh truck carriers (15 day insurance coverage cost reduced from 7,000 KZT to 1,200 KZT). Given that, on average, 100,000 insurance policies are sold per year; the economic effect will amount to: 100,000 x \$45 (5,800 KzT) =	<b>9/9</b>

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<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
		(Reduced Costs – 1)	Oblast, successfully lobbied the Russian Federation to lower the rates on compulsory auto insurance imposed on Kazakh cars and trucks entering the Russian Federation.	the Resolution of the Government of the Russian Federation as of May 7, 2003 No 264”. That decree, signed by Russian Prime Minister, Michael Fradkov, reduces insurance rates for Kazakh drivers from between \$90-\$340 to between \$35-\$130; a rate reduction of almost 60%.	<b>\$4,500,000.</b>	
37	<i>Uralsk – Radio Frequency Permit</i>  Date: Feb 2005	Most taxi cab dispatch services in Uralsk use radio equipment that transmits at 27 MHz. The West Kazakhstan Oblast Directorate of Informatization and Communication issued an internal decree that would have required all cab services to transmit on frequencies of 33-58 MHz, 150-174 MHz or 390-470 MHz. Meeting this requirement would have forced cab companies to purchase expensive new equipment for both dispatchers and cabs.  (Reduced Costs – 1)	A working group comprising TFI and the Independent Association of Entrepreneurs of West Kazakhstan Oblast conducted a legal analysis of the decree and determined that it was issued without proper legal basis or authority. The working group recommended that the decree be repealed.	Based on the recommendation of working group, the WKO Directorate on Informatization and Communication repealed its decree and publicly stated that dispatchers could continue to use their existing 27MHz equipment.	As a direct result of TFI’s actions, each affected entrepreneur will save \$500 that would have been the cost of purchasing new base radios plus an additional \$100 per cab for in-cab radios. Based on the number of dispatch services and cabs working in Uralsk, the overall savings is <b>\$46,900</b> per year.	<b>9/11</b>
38	<i>Shymkent – Certificates of Compliance for Imported Pharmaceutical Products (PP)</i>  Date: Mar 2005	(1) Kazakh authorities would recognize certificates of compliance for pharmaceuticals imported from CIS countries for only one year, even though the self life of these drugs could be up to seven years. Accordingly, pharmacies were required to renew their certifications least annually and often bi-annually. Additionally, Kazakh authorities would only renew these certifications twice. In addition, the process itself was very time consuming and expensive. As a result, pharmacies would only import drugs in small batches and lose	TFI’s partner in Shymkent, the Association on Support of Pharmaceutical Activity, formed a working group that ultimately submitted 15 recommendations to reform the certification process. Those recommendations	Based on the working groups recommendations, the National Certification and Standardization Center in Shymkent and the territorial branch of the “National Centre Of Expertise Of Medical Drugs And Equipment” issued internal orders that reduce the cost of the mutual recognition procedure from 3500 to 1400 Tenge; reduce the time frame for recognizing CIS certificates of compliance up to 4 days to 1	TFI monitored implementation of these reforms in May 2005. Based on the information collected from the Shymkent Association on Support of Pharmaceutical Activity, an average of 360 mutual recognition compliance certificates are issued annually. Total cost savings is \$16 per certificate. The processing time has been reduced by 2 days. The average daily profit for	<b>7/8</b>



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		<p>the price advantage of bulk purchases. (2) For imported drugs from countries that do not have a bi-lateral agreement with Kazakhstan, local certification boards would only issue certificates of compliance with one year validity even though Kazakh law mandated three year terms of validity. (3) For imported drugs that did not require certification, Kazakh customs required a letter from the Certification bodies stating so. The certification bodies would only issue letters with one month validity at a cost of 2400 Tenge. (4) A lack of information on certification procedures increased time frames and costs for applicants.</p> <p>(Reduced Costs, Reduced Time – 2)</p>	<p>were submitted to the National Certification and Standardization Center in Shymkent and the territorial branch of the “National Centre Of Expertise Of Medical Drugs And Equipment” on March 10th, 2005.</p>	<p>working day; increase the validity of certificates of compliance for drugs from countries that do not have a bi-lateral agreement with Kazakhstan from one to three years eliminate the fee and one month term for the customs clearance letter; and mandate the installation of detailed information boards containing data on the fees associated with certification services, required documents and terms of review.</p>	<p>pharmacies in Shymkent is \$50.</p> <p><math>((2 * 50) + 16) * 360 = \\$41,760.</math></p>	
39	<p><b>Shymkent</b> – <i>Certificates of Compliance for Domestically produced Medicinal Herbs and Teas (PP)</i></p> <p>Date: Mar 2005</p>	<p>Certification bodies in Shymkent had been issuing Certificates of Compliance for domestically produced medicinal herbs and teas for one year even though Kazakh legislation permits three year certificates. The time and costs associated with annual testing, sampling and certification were substantial.</p> <p>(Reduced Costs, Reduced Time – 2)</p>	<p>TFI’s partner in Shymkent, the Association on Support of Pharmaceutical Activity, formed a working group that recommended increasing the validity of the certificates to three years. That recommendation was submitted to the National Certification and Standardization Center in Shymkent and the territorial branch of the “National Centre Of Expertise Of Medical</p>	<p>Based on the working group’s recommendations, the National Certification and Standardization Center in Shymkent and the territorial branch of the “National Centre Of Expertise Of Medical Drugs And Equipment” issued internal orders that increased the validity of certificates of compliance for the domestic production of medicinal herbs and teas from one year to three years.</p>	<p>TFI monitored implementation of these reforms in May 2005. 7 manufacturers of medicinal herbs and teas in Shymkent are affected buy this change. On average they had to acquire 15 compliance certificates annually. The extension period is two years. Each certificate costs \$20.</p> <p><math>7 \times 15 \times 20 \times 2 \text{ years} = \\$4,200.</math></p>	<b>10/10</b>

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			Drugs And Equipment” on 10/3/05.			
40	<i>Shymkent – Licensing and Taxation of Herbal Elixirs (PP)</i>  Date: Mar 2005	Kazakh legislation has classified certain herbal elixirs as drugs and/or alcoholic products resulting in redundant and unnecessary licensing requirements to sell these products (one for retail sales of alcoholic beverages and one for pharmaceutical activity) and excessive excise taxes applied to these products. As a result many pharmacies had been fined for selling these products without proper licenses (i.e. alcohol sales license) In addition, at least one major domestic manufacturer of these elixirs suspended production of 2 affected products for one year in order to avoid paying the unjustified excise tax as well as the increased cost to production and sales.  (Reduced Costs, Reduced Time – 2)	TFI’s partner, the South Kazakhstan Oblast branch of the Association on Support of Pharmaceutical Activity initiated a number of actions on behalf of its members in response to this constraint: (1) It appealed to the Shymkent Prosecutor’s office on behalf of its members who had been fined or were undergoing inspections. (2) In conjunction with TFI, the Association submitted detailed recommendations to the Ministry of Finance, Ministry of Justice, and Ministry of Health that contained draft amendments to applicable legislation in order to eliminate the dual classification of medicinal elixirs.	(1) The oblast prosecutor’s office terminated the ongoing inspections of association members and 12 administrative cases brought against other members were decided in favor of the pharmacies. (2) Based on those recommendations amendments were made to as follows: The Kazakh Tax Code – Article 259, paragraph 2, subparagraph 3) was amended to exempt medicinal elixirs from excise tax. The Kazakh Law on Government Regulation of Ethyl Alcohol Production and Turnover № 429-1 dated 16.07 1999, Article 1, subparagraph 1) was amended to exclude medicinal elixirs from its licensing requirements.	TFI monitored implementation of these reforms in May 2005. As a result of the reclassification of these products domestic producers of herbal elixirs are exempted from paying excise tax and pharmacies do not need to obtain licenses for alcohol products sales. An alcohol license costs \$75 per year. There are 600 pharmacies operating in Shymkent. Cumulative savings on alcohol license alone is <b>\$45,000</b> annually.	<b>8/8</b>
41	<i>Uralsk – Certification of</i>	The process of obtaining results of microbiological testing for foodstuff contains	Impose a time limit of 4 – 7 days for	Pursuant to City Akimat protocol 06-36/6 the time period for	The total time savings for each applicant is up to ten days. The	<b>7/9</b>

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	<i>Food Products</i> Date: Mar 2005	unnecessary steps and is overly time consuming.  (Reduced Costs, Reduced Time – 2)	microbiological testing. Eliminate unnecessary steps in the process to lower time frames.	preparing the test report was shortened from 9-13 days to 4 to 7 days for 70 % of the covered tests. The three step process was reduced to one step. Detailed process information is now available on the web site of the Department of Enterprise and Industry (www.nit.kz/zko)	average daily profit for affected entrepreneurs is \$50. The actual cost savings as a result of a simplified process is \$3. Annually 8,245 entrepreneurs submit to microbiological testing (of which up to 70% are affected by these changes).  $70\% \text{ of } 8,245 = 5,771 \text{ ((} 50 \times 10 \text{)} + 3) \times 5,771 = \mathbf{\$2,902,813}$ .	
42	<i>Atyrau – Utility Payments (PP)</i> Date: Mar 2005	The local electric utility in Atyrau, JSC “AtyrauZharyk”, required local businesses to estimate their monthly electricity usage and prepay that amount. In addition, the utility would fine those businesses based on over or under consumption of their estimated usage. Starting from January 1, 2005, the utility announced a price increase from 5.35 Tenge Kw/h to 6.25 Tenge Kw/h in violation of the regulations set forth by the local regulatory agency.  (Reduced Costs, Reduced Time – 2)	TFI’s partner association Atyrau, the Union of Entrepreneurs and Employers of Atyrau Oblast, analyzed the tariff system imposed on businesses by the utility and determined that the practice of fining for over and under consumption was illegal under Kazakh law. It also discovered that the price increase had been imposed in violation of applicable regulations. The association presented its findings to the Oblast Akimat and initiated an aggressive media campaign in local mass media outlets.	Based on the advocacy of TFI’s partner association, the Akim of the Atyrau Oblast Aslan Musin and Mr. Rivner Davletbayev, the deputy chairman of the Board of Directors of JSC “AtyrauZharyk” signed a memorandum in which a moratorium on the price increase was imposed until the end of the current year and all fines for over or under consumption of electricity were abolished starting April 1, 2005.	TFI’s preliminary and conservative estimate (based on telephone surveys) is that each of the 17,500 businesses in Atyrau oblast paid an average of 40 US dollars in over and under consumption fines each month.  $17500 * 40 * 12 = \mathbf{\$8,400,000}$ .	<b>6/6</b>

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43	<i>Astana – Tourism Certifications</i> Date: Apr 2005	The government of Kazakhstan required tour operators and agencies to undergo multiple certification processes annually. Required certifications for things such as tour guides, tour company staff, tour itineraries and accommodations (hotels, camp sites, etc...) and the environmental impact of tours had nothing to do with the health and safety of the general public and many were simply redundant permitting requirements already covered by the tour operator's licenses. The certification procedures was time consuming and expensive and stymied the growth of the tour industry in Kazakhstan.  (Reduced Costs, Reduced Time – 2)	TFI has been working for most of the last year with the Kazakhstan Tourism Association to convince the Kazakh government that the required certifications were unnecessary and had a negative impact on the tourism industry. TFI specifically recommended that no mandatory standards or certifications be imposed on the tour industry and that it should be self-regulated in line with the voluntary quality standards set forth by the World Tourism Association.	On April 20, 2005 the Government of Kazakhstan issued Regulation No. 367 which repeals all mandatory quality certifications for tourism services and facilities in Kazakhstan.	Annually, each tourist company saves \$200 (certification fees) + \$100 (cost of inspection that is paid by the firm). The time saving is 7 days.  In Kazakhstan, as of Jan 2006, there are 1420 tourist companies. The cumulative impact is \$300 x 1420 = <b>\$426,000</b> per year.	<b>5/6</b>
44	<i>Astana – Licensing</i> Date: Apr 2005	Redundant or unnecessary license and sub-licenses for certain entrepreneurial activities created undue cost constraints for entrepreneurs.  (Reduced Costs, Reduced Time – 2)	TFI, in conjunction with the Forum of Kazakhstan Entrepreneurs, presented the Interdepartmental Commission under the RK Government with specific recommendations on reduction of licenses and sublicenses for certain	TFI's recommendations led to the April 15, 2005 adoption of the law "On Introduction of Changes and Amendments to Certain Legislative Acts of the Republic of Kazakhstan on Licensing Issues." That law repeals licensing requirements for 7 entrepreneurial activities. They are: 1) Manufacturing, production, processing and wholesale sale of certain chemical cleaning agents; 2) Sales of fire	Elimination of licenses saves the impacted businesses 10 - 30 days (depending on the type of activity).  Considering that the daily profit of an entrepreneur is from \$20 up to \$50, the average savings are \$35 x 14 average days = \$490 for each entrepreneur.  Unfortunately, the Agency on Statistics does not provide data	<b>7/9</b>

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			entrepreneurial activities.	fighting equipment and facilities; 3) Sales of topographic and geodesic, and cartographical products; 4) Rendering paid legal services; 5) Sightseeing activity; 6) Metrology Equipment Inspection; and 7) Publication of textbooks, guidance manuals, and supplementary training literature for education institutions.	on the number of entrepreneurs involved in these types of activities.	
45	<i>Almaty – Land Allocation for Construction Activities</i>  Date: Apr 2005	The land allocation process in Almaty could take 2-3 years and consisted of 27 stages. There was no standard legislative act that would regulate the process of land site allocation. The losses to the businesses are either an average of 730 days x \$20 per day = \$14,600 or a \$1,800 - \$2,000 payment to an intermediary company to “facilitate” the process in 90 – 100 days.  (Reduced Costs, Reduced Time – 2)	In February 2005 a working group consisting of the representatives of the Forum of Entrepreneurs of Kazakhstan, associations and TFI consultants drafted detailed recommendations for optimizing the process, eliminating unnecessary steps, and setting strict time limits and setting all the process requirements within one legislative act. Those recommendations were submitted to the Almaty Akim in February.	Pursuant to Akim’s resolution No. 2/208 from April 12, 2005, the land allocation process has been reduced from 27 separate steps to 11 and the process duration has been limited to 80 days. Previously, entrepreneurs spent up to three years completing this process.	Reducing the process to 80 days saves the entrepreneur 80 x \$20 = \$12,800 missed revenue.  The shortened process also limits the benefit of using facilitators, reducing costs by <b>\$809,200</b> (\$1,800 x 4,894 annual applicants) for the same result.	<b>12/14</b>
46	<i>Ust-Kamenogorsk – Intellectual</i>	Lack of information about and knowledge of how to protect Intellectual Property Rights created constraints for SME development in	Inform entrepreneurs about their right to register and protect	In collaboration with its partner association, the East Kazakhstan Trade Union of SME Workers,	Interviews with recent applicants for intellectual property rights protections show that their	<b>7/7</b>

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	<i>Property Rights</i> Date: Apr 2005	Ust-Kamenogorsk.  (Increased Transparency, Reduced Time – 2)	their intellectual property under Kazakh and international law.	TFI has created detailed information packages for entrepreneurs registering and protecting their intellectual property rights in Ust-Kamenogorsk. TFI created an intellectual property glossary, process maps, step by step instructions and legal overviews related to the processes of obtaining patent rights, registering trademarks, and asserting intellectual property rights in court. The information is now available on the official website of the Ust-Kamenogorsk Akimat ( <a href="http://www.oskemen.kz">www.oskemen.kz</a> ).	process time has been reduced from 5 days to less than one due to their knowledge of the process and availability of the step by step instructions.	
47	<b>Balhash</b> – <i>Certificate of Conformity for Catering Services (PP)</i>  Date: May 2005	As a part of the application process for a Certificate of Conformity, the Balhash branch of the National Center of Expertise and Certification required the submission of a detailed questionnaire that contained 41 questions, each with sub-questions. The average applicant would spend up to two days completing the questionnaire, most of which was unnecessary to the issuance of the Conformity Certificate.  (Reduced Costs, Reduced Time – 2)	The TFI partner association in Balhash, the Balhash Association of Entrepreneurs, studied the legality of the requirement and determined that it was in violation of Kazakh law, specifically Standard ST RoK 3.6-96 “Certification of Public Catering Services”. That standard mandated the content of the subject questionnaire and limited it to 11 questions related directly to the	At a public meeting held on May 19, 2005, the head of the Balhash branch of the National Center of Expertise and Certification, announced that a new questionnaire would be issued in conformity with the RoK Standard.	The pre-certification stage was reduced by 2 days. Number of businesses = 100. Savings per business is <b>\$588</b> . Number of required documents reduced by 32 (at least 2 pages each). Copying savings for businesses amount to: 10 KZT (cost of one copy) x 32 x 2 x 100 (number of businesses) = KZT 640,000, or <b>\$489</b> .  Total savings: (\$588 x 100) + \$489 = <b>\$59,289</b> .	<b>7/9</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			issuance of the certificate. The Balhash association brought this discrepancy to the attention of the director of the Balhash branch of the National Center of Expertise and Certification and requested that the questionnaire be edited to come into compliance with the RoK Standard.			
48	<i>Pavlodar – Document Registration for Construction Project Permit</i> Date: May 2005	A lack of information on how to complete document registration and a lack of human resources at the Pavlodar Department of Architecture and Construction Control led to long delays in the permitting process or the initiation of projects without proper approval.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Create a detailed information source for applicants to increase compliance and lower processing times.	TFI consultants, working with the Pavlodar Department of Architecture and Construction Control, produced informational brochures on the process for document registration. The brochure details the process in easy to understand language. The brochures are available at the Pavlodar Department of Architecture and Construction Control.	The information posted on the web-site and in the media will be read by 200 businesses per year. The brochure was distributed to all business associations and government bodies involved in the process. Total savings will amount to approximately <b>\$6000:</b> \$10 (profit lost per day) * 3 days *200 businesses.	<b>8/10</b>
49	<i>Uralsk – Construction Permits (PP)</i> Date: May 2005	A general lack of information regarding how to receive a construction permit (required for new buildings as well as expanding existing business premises), as well as a complex process that has many undefined steps, redundant reviews and contradictory requirements, leads to unnecessary time and money constraints for entrepreneurs who wish to expand the existing enterprises. For	TFI's partner association in Uralsk, the Independent Association of WKO Entrepreneurs, organized a working group with the participation of the City Akimat	At a meeting with the City Akim on May 26, 2005 all of the recommendations put forward by the working group were approved by an official "Akim's Decision" (#03-13/850). Additionally, the working group agreed to produce and distribute informational brochures on the new process.	The new process will reduce the application period by 28 days and eliminate \$7 in official costs and most unofficial costs that had come from government "rent seeking".  Economic effect will amount to:	<b>8/8</b>

**Kazakhstan**

**Constraint Reductions**

**2004 - 2005**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		<p>instance, to acquire a construction permit, an applicant would have to have all application documents reviewed for completeness by both the Department of City Planning and the City Clerk. This review required no special expertise and was identical in both departments. Further, no time limits were imposed on each stage of the application review process. Finally, there was no official list of documents required for receipt of a construction permit. This led to non-uniformity in documentary requirements, confusion among applicants and increased opportunity for government “rent-seeking”.</p> <p>(Reduced Costs, Reduced Time, Increased Transparency – 3)</p>	<p>Department of Small Business Support, Department of City Planning and Construction and others. Together they studied the process, identified constraints and drafted a full set of recommendations that were submitted to the City Akim for his review. Those recommendations included: Establishing a step-by-step process map with time limits imposed at each stage. Establishing an official list of required documents. Have applications reviewed and approved or denied by one commission comprised of representatives of all city departments involved in the process as opposed to individual reviews by each department. Issue the required city topographical map for free. Allow only the City Clerk to review application</p>		<p>Reduction in process timeframes: 28 (days saved) x \$50 (average daily profit of a business) x 200 (average annual number of applicants) = \$280,000</p> <p>Savings due to reduction in fees: \$7 (KZT 908) x 200 (average annual number of applications) = \$1,400.</p> <p>Total economic effect will amount to: <b>\$281,400.</b></p>	



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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			documents for completeness.			
50	<i>Uralsk – Permit to Establish a Manufacturing Enterprise (PP)</i>  Date: May 2005	The manufacturing industry is one of the fastest growing industries in West Kazakhstan Oblast. As a result many new entrepreneurs are applying for permits to engage in this activity without any knowledge as to the process. In addition, the process itself is unduly complex and time consuming, leading to unnecessary costs and lost time for applicants.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	TFI's partner association in Uralsk, the Independent Association of WKO Entrepreneurs was included in a working group organized by the City Akim to study this problem and create recommendations. Those recommendations included: Establishing a step-by-step process map with time limits imposed at each stage. Creation of a table to be made available to applicants that contains all government departments involved in the process, the document requirements of each, approval procedures, review time limits, working hours and contact information. Providing to each applicant detailed information on acquiring a construction permit is	At the same meeting with the City Akim on May 26, 2005 where recommendations on construction permits were approved, the Akim approved all of the recommendations related put forward by the working group. These changes were contained in the same official "Akim's Decision" (#0313/850). The working group is now assembling the information boards.	The new process will reduce the application period by 12 days and official costs by \$15.  Given that the process timeframe will reduce by 12 days (10+2); the fees will reduce by KZT 2000, the economic effect will amount to: a) 12 x \$50 (average daily profit of a business) x 500 (number of applications per year) = \$300,000; and b) \$15 (KZT 2000) x 500 (number of applications per year) = \$7,500.  Total expected economic effect will amount to <b>\$307,500</b> .	<b>8/9</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			applicable. For construction projects allow interim work on building foundations, while full project review is underway.			
51	<i>Astana – Approval to utilize Residential Premises for Commercial purposes (PP)</i>  Date: May 2005	TFI’s partner in Astana, The Astana Association on Protection of Entrepreneurs’ Rights, had previously reduced constraints related to this process but determined that the general public was still unaware of the changes and lacked information on how to apply for this approval. This lack of information led to unnecessary costs and time delays.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Provide detailed information on the process to entrepreneurs.	The Association on Protection of Astana Entrepreneur’s Rights and TFI developed a booklet which includes detailed information on: 1. All stages and steps of the process; 2. All necessary documentary requirements; 3. All state fees and fines; and 4. Addresses and working hours of all government bodies involved in the process.	Free copies of the booklet are now available at the: 1. Astana Akimat; 2. Department of City Architecture; 3. Akimats of Almaty and Sary-Arka districts; 4. Chief architects of Almaty and Sary-Arka districts; 5. Astana Committee on Land Resources Management; 6. Astana Department of State Sanitary and Epidemiological Supervision; 7. Fire Service; 8. Department of Public Utilities; 9. Astana Department of Housing; 10. Cooperative of Apartments’ owners; 11. “Astana Su Arnasy” State Enterprise; 12. “AstanaEnergoService” OJSC; 13. “Teplotransit”; 14. “AstanaGenPlan” State Enterprise; and 15. Astana Association on Protection of Entrepreneurs’ Rights.  Approximately 350 businesses apply each year for permission to use residential premises for commercial purposes. Given the average daily profit of a business of \$30 and a reduction in process timeframe of 30 days, the	<b>8/10</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
					economic effect amounts to:  30 (reduction in days) x \$30 (daily profit) x 350 (number of applications for approval to utilize residential premises for commercial purposes) = <b>\$315,000.</b>	
52	<i>Astana – Registration of Real Property (PP)</i>  Date: May 2005	Lack of information and transparency in the process of registering real property leads to unnecessary costs and time delays.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Provide detailed information on the process to entrepreneurs.	The Association on Protection of Astana Entrepreneur’s Rights and TFI developed a booklet which includes detailed information on: 1. All stages and steps of the process; 2. All necessary documentary requirements; 3. All state fees and fines; and 4. Addresses and working hours of all government bodies involved in the process.	Free copies of the booklet are now available at the: 1. Astana Akimat; 2. Astana Committee on Land Resources Management; and 3. Astana Association on Protection of Entrepreneurs’ Rights.  Approximately 924 <b>businesses</b> apply each year for registration of property rights to their land lots. Given the average daily profit of a business of \$30 and a reduction in process timeframe of 10 days, the economic effect amounts to: 10 (reduction in days) x \$30 (daily profit) x 924 (number of applications for registration of land property rights) = <b>\$277,200.</b>	<b>9/11</b>
53	<i>Astana – Import of Commercial Goods (PP)</i>  Date: May 2005	Lack of information and transparency in the process of importing commercial goods leads to unnecessary costs and time delays.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	Provide detailed information on the process to entrepreneurs.	The Association on Protection of Astana Entrepreneur’s Rights and TFI developed a booklet which includes detailed information on: 1. All stages and steps of the process; 2. All necessary documentary requirements; 3. All state fees and fines; and 4. Addresses and working hours of	Free copies of the booklet are now available at the: 1. Astana Department of Customs Control; and 2. Astana Association on Protection of Entrepreneurs’ Rights.  1660 importers clear 12 import transactions in Astana. Given	<b>5/6</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				all government bodies involved in the process.	the average daily profit of a business of \$30 and a reduction process timeframes of 1 day, the economic effect will amount to: 1 days saved x \$30 average daily profit x 1660 importers x 12 transactions = <b>\$597,600.</b>	
54	<i>Ust-Kamenogorsk – Bar Code Registration</i> Date: May 2005	Tracking sales and inventory through use of EAN (European Article Numbering) bar codes is an essential management and development tool for SMEs. In addition, use of EAN bar codes will allow Kazakh products to be more easily distributed within the European Union, thus increasing export potential for Kazakh businesses. Unfortunately, in Ust-Kamenogorsk, many entrepreneurs had no source of information on how they could utilize this valuable tool. As a result, SMEs are not able to effectively manage inventories and sales.  (Reduced Costs, Reduced Time – 2)	TFI consultants, recognizing this problem, lobbied the Ust-Kamenogorsk government to allow them to develop detailed information on the EAN bar code system and place on the Ust-Kamenogorsk government website.	Based on TFI's proposal, the Ust-Kamenogorsk government website now contains detailed information on the EAN system. That information includes: 1. An application for joining the Kazakhstan EAN Association; 2. A complete list of products subject to bar coding; 3. EAN identification of goods for retail sale and trade; 4. Types of EAN code symbols; 5. Rules for symbol application on goods; 6. EAN rules for books and magazines; 7. A list of EAN prefixes for numeration of goods from different countries. The address is: <a href="http://oskemen.kz/uk4_2_4b.htm">http://oskemen.kz/uk4_2_4b.htm</a>	Focus group-based discussion of the new process reveals that new, detailed information will help to finish the process within 1 day and reduce the preparation period by at least 10 days. Assuming that, on average, a business in East Kazakhstan Oblast makes a profit of \$20/day; the time required to collect necessary information reduced by 10 days, and 20 businesses are affected by the problem  The economic effect will amount to: 10 days x \$20 x 20 businesses = <b>\$4,000.</b>	<b>5/5</b>
55	<i>Ust-Kamenogorsk – Quarantine of Imported Goods</i> Date: May 2005	Agricultural goods imported into Ust-Kamenogorsk by train must be quarantined until those goods are inspected by the Department of Agriculture and the Phytosanitary Control. In Ust-Kamenogorsk, the quarantine warehouse did not operate on weekends, thus causing entry delays of up to 2 days for perishable goods. The resulting spoilage led to top financial losses for importers.	TFI consultants identified this problem through interviews with local importers and convened a meeting with the heads of the local department of Agriculture and Phytosanitary Control to explain the	As a result, the heads of the inspection bodies agreed to: 1. Operate the warehouse on weekends and holidays until 14:00 and to extend weekday working hours until 18:30; 2. To staff the warehouse during working hours with inspectors from Phytosanitary Control and the Department of Agriculture; and 3. To increase the number of	Importers will realize immediate benefits from no longer having to pay the \$15 daily storage fee.  The Oblast, together with Semipalatinsk region, receives at least 10 railcars/shipments per week. Assuming a 50-week year and that the cost of 1 hour of demurrage is KZT 83 and an average duration of demurrage of	<b>6/6</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		(Reduced Costs, Reduced Time – 2)	problems caused by the delays. TFI recommended extending the hours of the quarantine warehouse and conducting inspections as goods enter the country.	inspectors on duty.	1.5 days, the economic effect from the new schedule will amount to: 10 railcars/shipments x 50 weeks x 83 Tenge x 32 hours = KZT 1,328,000 ( <b>\$10,000</b> ).	

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
1	<i>Ust-Kamenogorsk – Transport License for Hazardous Substances (PP)</i>  Date: Jun 2005	Because of a lack of clarity in the law on licensing, the Department of Transportation Control in East Kazakhstan Oblast would only issue three month licenses for the transportation of hazardous goods even though they could issue the licenses without an expiration date. In addition, the Department imposed unnecessary and excessive documentary requirements on the applicants. According to entrepreneurs an unofficial payment of \$100 was required for the license.  (Reduced Costs, Reduced Time – 2)	TFI, with its partner association, the East Kazakhstan Oblast Association of Entrepreneurs' Rights Protection, recommended eliminating certain documentary requirements during the application process and issuing a license of unlimited duration.	As a result of those recommendations, the Department of Transportation Control in East Kazakhstan Oblast issued an internal order that eliminated license expiration dates and eliminated the requirement that applicants submit a transport itinerary sheet with the application. Also, the new application forms with new procedures have been posted on the East Kazakhstan Oblast government website at <a href="http://oskemen.kz/uk4_2_4.htm">http://oskemen.kz/uk4_2_4.htm</a> .	Economic impact is the difference between charges for quarterly license registration and charges for unitary general license registration: \$22 (license fee which it is <u>not necessary to pay</u> ) x 69 entrepreneurs x 4 times a year x 5 years = \$30,360 - quarterly registration of the license \$22 (license fee which is <u>necessary to pay</u> ) x 69 interpreters = \$1 518 - expenses at registration of the general license.  Official fee savings: \$30,360 - \$1,518 = \$28,842  As estimated by experts, it takes	<b>6/6</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
					<p>at least two working days to register the license. Considering a cost of time of \$35 per day, the economic impact of the time savings can be calculated. If issued 4 times a year in 5 years it is necessary to go through the process 20 times. Now it is possible to go through the procedure just once, a savings of 19 procedures.</p> <p>Time savings: 19 procedures x 2 days x \$35 x 69 entrepreneurs = \$91,770</p> <p>Avoidance of unofficial payments: 19 procedures x 69 entrepreneurs x \$100 = \$131,100</p> <p><b>Total impact: \$28,842 + \$91,770 + \$131,100 = \$251,712</b></p>	
2	<p><b>Kostanai -</b>  <i>Transportation of Passengers by Private Vehicles (PP)</i></p> <p>Date: Jun 2005</p>	<p>Starting from January 2005, the Oblast Department of Transport Control, based on the order of the executive Minister of Transport and Communications N113-I "On Approval of Rules for Transportation of Passengers and Luggage by Automobile Transport", required private cars involved in taxi services to have taximeters installed in the cars.</p>	<p>TFI's local partner - Association of Assistance to Entrepreneurial Activity in Kostanai Oblast – studied the resolution of the same issue from Ust-Kamenogorsk (by the Trade Union of SME Workers) and Karaganda (the Central Kazakhstan Association of Entrepreneurs) and conducted a legal</p>	<p>On April 29, 2005, the Prosecutor General's Office made a note of protest against the order of the executive Minister of Transport and Communications N113-I "On Approval of Rules for Transportation of Passengers and Luggage by Automobile Transport" regarding the installation of taximeters and regulation of dispatchers' activity (Individual Entrepreneurs providing the communication services based</p>	<p><b>200</b> transport workers x <b>\$200</b> (cost of taximeter, its installation and registration) = <b>\$ 40,000</b>.</p>	<b>4/4</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			review. The association discovered that the order at issue contradicted Articles 371 and 546 of the RoK Code "On Taxes and Other Mandatory Payments to the Budget". The requirement to use a taximeter (i.e. cash register) results in illegal double taxation. The association passed these findings on to the local prosecutor's office and requested they investigate the matter.	on the license). The Ministry of Transport and Communications prepared the explanations and sent it to the Prosecutor General's Office (N13-13/2101 dated May 1, 2005), where it was said that non-regular transportations of passengers and luggage including non-recurrent and reserved ones could be performed by private vehicles of so called "private drivers" and by taxi. Thus, the order covers only the specialized firms and local authorities misinterpreted the order.		
3	<i>Astana – Import and Export of Commercial Goods (PP)</i>  Date: Jun 2005	Traders had been subjected to mandatory physical inspection of their cargo at the time of import or export. This caused undue delays and additional costs related to things such as warehousing fees and spoilage of produce.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	TFI recommended establishing a risk management program in which certain traders would be deemed low risk and not subject to mandatory inspections.	In June the Chairman of the Customs Control Committee, Mr. Saparbaev approved a set of criteria (internal regulations) that are used by customs officers to classify certain traders as "low risk". Low risk traders benefit from expedited customs clearance and are not subject to cargo inspections at the time of import or export. Instead, these traders are subject to "post-entry control" which consists of periodic audits of the trader's books and records. Low risk traders are placed in a public register that is	At present, there are 594 companies in Kazakhstan referred to the minimum risk category and enjoying simplified customs clearance procedures. It means that one entrepreneur saves now up to 2 working days and \$200 per each transaction. If to consider that a trader makes minimum 20 transactions a year, the potential savings to the minimum risk traders are 23,760 working days and <b>\$2,376,000</b> a year.	<b>4/4</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				available on the Custom Control Committee's website <a href="http://www.customs.kz/exec/stat/showdoc?id=461">http://www.customs.kz/exec/stat/showdoc?id=461</a> . In the first six weeks of the program Customs registered 362 low risk traders. TFI is now working with Customs to ensure that post-entry audits are as minimally invasive as necessary.		
4	<i>Astana – Import of Commercial Goods (PP)</i>  Date: Jun 2005	Customs officials in Astana had required that the importer of commercial goods by automobile produce an original bond note before the import would be cleared. Often these imports were carried out by proxies, requiring the owner of record to travel to Astana with the original document before the shipment would be cleared.  (Reduced Costs, Reduced Time – 2)	TFI's partner association, the Astana Association of Entrepreneurs' Rights Protection, recommended that the importer (regardless of whether the importer was the shipment's owner of record) be permitted to produce a facsimile of the bond note.	As a result of lobbying by TFI's partner, the Customs Control Committee issued an official letter "On Bond Notes" (№ KTK-2-5-11/2753 dated March 26, 2005 and effective in June 2005) which directed all local customs agencies to "accept registered bond notes on goods delivery from the destination customs body via all operational communication channels (facsimile, e-mail, etc.)".	In Astana, 1,666 traders faced import delays of up to one day due to the bond note requirement.  Total times savings is \$30 per day average profit x 24 transactions per year x 1,666 entrepreneurs = <b>\$1,199,520</b> .	<b>10/10</b>
5	<i>Astana – Import of Commercial Goods (PP)</i>  Date: Jun 2005	Multiple provisions of the customs code as well as complex clearance procedures led to unnecessary delays in the clearance of imported goods, excessive inspections of low risk traders and unduly high customs valuations.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	TFI spent much of 2004 and 2005 working closely with Customs Consultative Councils throughout Kazakhstan to identify specific constraints caused by existing customs procedures and to draft detailed recommendations to reduce those	TFI recommendations led directly to the following improvements that were contained in the RK law "On Making Changes and Additions to the RK Customs Code", which came into force on June 25, 2005:  <b>Simplified Customs Procedures:</b> Businesses now classified as minimum risk	Cost savings is estimated at \$206 per entrepreneurs, impacting 567 entrepreneurs for a total savings of 206 x 567 = <b>\$116,802</b> .	<b>12/12</b>



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			<p>constraints. Those recommendations were then presented to a working group that was convened in April 2004 by the RK Customs Control Committee to propose amendments to the Customs Code.</p>	<p>category are not subject to mandatory inspection of goods and vehicles at the time of import or mandatory impoundment of cargo pending clearance. Minimum risk importers can now submit periodic customs declarations without paying a deposit on estimated customs duties and taxes. A required delivery control document may now be completed by the declarant <i>or</i> a freight forwarder (and in cases when both are unavailable – by a Customs official). Importers may now pay customs duties and taxes based on a Customs pay-in slip without having to complete Customs declarations forms. Businesses may submit mandatory conformity certificates up to one month after a shipment has cleared customs. In certain cases, importers are now permitted to submit declarations without all supporting documentation if such documentation is subsequently provided.</p> <p><b>Customs Valuation:</b> Certain classes of importers may now retroactively amend customs valuations if there are</p>		

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				<p>discrepancies in the quantity of goods declared and actually delivered.</p> <p><b>Periodic and pre-arrival declaration procedures:</b> Periodic and pre-arrival declarations are now permitted.</p> <p>In case of pre-arrival declarations, customs duties and taxes are paid prior to release of goods and vehicles. In case of periodic declarations, a security is paid and final payment is made at the time of the declaration. Under these procedures, goods are not subject to impoundment pending payment.</p> <p><b>Transfer of Ownership:</b> Ownership of imported goods may be transferred to a purchaser while those goods are on hold in a customs warehouse upon preliminary notification to Customs.</p> <p><b>Limited Customs Inspections:</b> New provisions in the code strictly regulate the procedure for inspecting/auditing businesses by Customs</p>		

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<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
				authorities. Those provisions very clearly outline the purpose of inspections/audits; differentiate between scheduled, unscheduled, counter-inspections/audits and documentary inspections/audits. In addition, Customs must provide reasonable cause for approved inspections or audits.		
6	<i>Ust-Kamenogorsk – Transport License for Hazardous Substances (PP)</i>  Date: Jul 2005	In a continuation of work reported in June related to the licensing of hazardous waste transportation, TFI identified that entrepreneurs who transported their own waste (as opposed to professional service providers,) were subject to licensing requirements in violation of national legislation.  (Reduced Costs, Reduced Time – 2)	TFI, with its partner association in Ust-Kamenogorsk, the East Kazakhstan Oblast Association of Entrepreneurs' Rights Protection, recommended eliminating this licensing requirement.	As a result of those recommendations, the Department of Transportation Control in East Kazakhstan Oblast issued an internal order that eliminated the licensing requirement for entrepreneurs who transport their own waste. The prepared materials are available on the web site of Akim of the Ust-Kamenogorsk: <a href="http://oskemen.kz/uk4_2_4.htm">http://oskemen.kz/uk4_2_4.htm</a> and in the department of licensing.	This change will save approximately 70 entrepreneurs in Ust-Kamenogorsk \$88 per year. Total impact = 70 x 88 = <b>\$6,160</b>	<b>6/6</b>
7	<i>Atyrau – Land Use Permits (PP)</i>  Date: July 2005	Unnecessarily long processing times for permit applications (of up to seven months), as well as excessive documentary requirements led to unduly high costs and lost profits for applicants.  (Reduced Costs, Reduced Time, Increased Transparency – 3)	TFI's partner association, the Union of Atyrau Oblast Entrepreneurs and Employers, formed a working group comprised of the City Department of Land Resources Management; the Department of	As a result of the working group's recommendations, the following changes in the process were approved by order of the city Department of Land Resources Management, the Department of City Planning and Construction, and GosNPTSzem: The City Department of Architecture,	Potential economic impact is: 1. due to reduction in document processing time: \$7,994,250 = 95 days saved x \$50 profit per day x 1,683 applications per year.  2. due to reduction of direct expenses: \$33,660 = \$20 saved expenses x 1,683 annual applicants.	<b>10/12</b>

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			<p>Architecture, Construction and City Planning; the Atyrau Branch of Subsidiary State Enterprise Land Tenure Organization (GosNPTSzem); the Department of Economy and Budget Planning; and the Department of Entrepreneurship and Industry. As a result of working group meetings specific recommendations were made to the Oblast Akimat to impose time limits on document and applications reviews, to eliminate unnecessary document requirements, and to prepare detailed information on the application process and disseminate it to entrepreneurs in Atyrau.</p>	<p>City Planning and Construction must complete its document review within 3 days instead of 6. Site visits, if required, are now carried out by the newly created Commission on Land Allotment together with the applicant. The commission is comprised of representatives of each government agency involved in the approval process. Previously, individual agencies would conduct redundant visits at times of their choosing. This change will reduce the time period for site visits by up to a week. The legal mechanism for final approval of an application was changed from “Akim’s Decision” to “Conclusion of the Commission on Land Allotment”. This change will reduce the number of required signatures and final approval time period. The Family Certificate is not required to be submitted with the application. The elimination of this document eliminates one process step and related costs. The required “architecture design assessment” must be completed by the City</p>	<p><b>Total potential economic impact: 7,994,250 + 33,660 = \$8,027,910</b></p>	

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				<p>Architecture Department within 3 days instead of 7. Notwithstanding all of the above, all decisions on applications must be made within 3 months of their submission. Previously, the average application period was 6-7 months. An applicant must be notified of a refusal of an application within 7 days instead of 10. A booklet containing comprehensive information on how to apply for a land use permit including application forms, a step-by step application guide, the procedure for granting rights to the land lots, and how to obtaining permits for design and construction was created and, thus far, 200 copies have been distributed to applicants. The same information contained in the booklets was also placed on information boards located in the Department of State Architectural Construction, the City Committee on Land Resources Management, and the Atyrau Real Estate Center.</p>		
8	<p><i>Ust-Kamenogorsk – Construction Permits</i> Date: July 2005</p>	<p>The process for applying for and obtaining a construction permit is complex and contains many stages. In Ust-Kamenogorsk, the Oblast government provided no information to</p>	<p>TFI recommended to the East Kazakhstan Oblast government that the entire process be mapped out and</p>	<p>TFI prepared comprehensive information on how to apply for a construction permit including application forms, a step-by step application guide,</p>	<p>The prepared materials save a minimum of 0.5 days for experts. The cost of labor for one day is \$50.</p>	<p><b>12/12</b></p>

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<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
		<p>applicants regarding the process. As a result, applicants spent too much time gathering required documents and preparing applications. Also, processing times were lengthened when incorrectly completed applications were returned to applicants.</p> <p>(Reduced Costs, Reduced Time, Increased Transparency – 3)</p>	detailed instructions be made available to applicants.	a list of required documents and the text of all laws regulating the procedure. This information was then uploaded to the East Kazakhstan Oblast government website and is available at <a href="http://oskemen.kz/uk4_2_4.htm">http://oskemen.kz/uk4_2_4.htm</a> .	The economic impact is .5 x \$50 x 51 members of the association = <b>\$1,275</b> annually.	
9	<p><i>Ust-Kamenogorsk – Commercial Use Permits</i></p> <p>Date: Aug 2005</p>	<p>The unnecessary requirement of the Ust-Kamenogorsk Department of State Sanitary and Epidemiological Control to inspect and approve certain premises for non-hazardous commercial use creates unnecessary time and costs for entrepreneurs.</p> <p>(Reduced Costs, Reduced Time – 2)</p>	Eliminate this requirement if the commercial purpose of the property will not involve hazardous activities.	The Director of the Ust-Kamenogorsk Department of State Sanitary and Epidemiological Supervision on East Kazakhstan Oblast issued Order N280, effective from August 1, 2005, which states that SES approval is not required for facilities located on the first floors of apartment and administrative buildings if they do not represent any sanitary or epidemiological threat. A complete list of exempted uses was included with the order.	Approximately 1,000 new businesses will benefit from this change annually. Elimination of the requirement will save applicants eight days. The average daily profit for Ust-Kamenogorsk entrepreneurs is \$20. In addition, direct application fees of \$2.65 have been eliminated. $(8 * 20 + 2.65) * 1000 = \mathbf{\$162,650}$ per year.	<b>6/6</b>
10	<p><i>Ust-Kamenogorsk – Registration of Property Rights</i></p> <p>Date: Aug 2005</p>	<p>The Government's requirement to submit originals or Xerox copies of applicants' Tax Registration Numbers (TRN) and passport identifications (ID) added unnecessary costs and steps to the process.</p> <p>(Reduced Costs, Reduced Time – 2)</p>	TFI forwarded details of this constraint as well as the recommendation that the standard application form simply request the applicants' TRN and ID number in lieu of the actual forms to the Working Group on Debureaucratization	As a result of that recommendation, the Prime Minister's Office issued Order N197 "On Approval of Forms of Documents on State Registration of Rights to real estate" dated July 26, 2005. The order introduces a new standard application form that contains columns for specification of the applicants	As a result of the recommendation, businesses no longer are required to submit copies of their TRN and ID's. Savings result from copying cost and preparatory time. On average, 1,370 businesses go through the procedure and the economic effect is: $1,370 \text{ businesses} \times 2 \text{ days} \times \$25 = \mathbf{\$68,500}$ .	<b>8/8</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			under the RoK Prime Minister. The recommendations were based on an a new application form that was put into use in EKO and which were created through an agreement between TFI's partner association the East Kazakhstan Oblast Association on Protection of Entrepreneurs Rights and Deputy Akim and Heads of Department of Architecture and Land Committee. When the Prime Minister's Office became aware that this procedure was already being implemented in EKO, it was inclined to adopt it nationally.	TRN and ID.		
11	<i>Ust-Kamenogorsk – Tax Assessment Fees (PP)</i>  Date: Aug 2005	Prior to start-up of a retail gasoline sales business, the Interregional Tax Committee in Astana had required that entrepreneurs pay a “Subscription Bonus” in amount of \$ 1,500 before completing a required tax assessment. Article 286 of the RoK Tax Code, which governs tax assessments, does not mandate such a payment.  (Reduced Costs, Reduced Time – 2)	TFI's partner association, the East Kazakhstan Oblast Association on Protection of Entrepreneurs Rights was made aware of this problem by one of its members and proceeded to lobby tax authorities in Astana and request that the	Based on the recommendations of the East Kazakhstan Oblast Association on Protection of Entrepreneurs Rights, the Interregional Tax Committee issued an order eliminating the “Subscription Bonus” for East Kazakhstan Oblast applicants. What remains unclear is whether that order is effective throughout Kazakhstan. TFI	This change positively impacts approximately 10 entrepreneurs in Ust-Kamenogorsk for a cumulative savings of \$15,000. If the new rule is implemented nationally, it will affect roughly 700 entrepreneurs annually for a total savings of <b>\$1,050,000</b> .	<b>6/6</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2005 - 2006</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
			“Subscription Bonus” be eliminated.	is now working to ensure that this change is implemented nationwide.		
12	<i>Astana – Registration of Tourist Passports</i>  Date: Aug 2005	The requirement of registering tourist passports with the Kazakhstan Office of Visas and Immigration Registration (OVIR) was timely, confusing, stressful and costly for tourists and acted as a disincentive for the growth of the tourism industry in Kazakhstan.	TFI, working with the Kazakhstan Tourism Association, lobbied the Kazakhstan Ministry of Foreign Affairs to end the practice and	Joint order No. 265 of the Ministry of Internal Affairs and the Ministry of Foreign Affairs eliminates OVIR registration for foreign citizens. Instead, arriving tourist fill out a simple registration form at the airport. One copy of this form remains with the tourist and the other is registered by border control with OVIR.	Time savings for tourists amount to, on average, 3 days. The hotels save both on money and time involved in the registration process. Monthly salary savings amount to \$500. Total number of hotels in Kazakhstan – 158. Savings throughout Kazakhstan are: 500 x 158 x 12 = <b>\$948,000</b> .	<b>7/7</b>
13	<i>Zyryanovsk - Approval to utilize Residential Premises for Commercial purposes (PP)</i>  Date: Sep 2005	Unjustified documentation requirements, unlimited applications review periods and a requirement that applicants submit documents to local public utility service providers instead of the applicable government body resulted in an application period that was as long as 200 business days.	The Akimat’s working group, created specially to reform the process, recommended rescinding the subject documentation requirements and fixing a time period for the application review. In addition the working group imposed on the Department of Architecture the responsibility to get technical compliance approval of designed project with public utility services.	The Zyryanovsk City Akimat, through an official order, approved all of the working group’s recommendations.	Total process time has been reduced by 53 business days, which will impact 60 entrepreneurs annually with average daily earnings of one entrepreneur \$20. Total benefit is 53 days x \$20 average daily earnings of one entrepreneur operated in Zyryanovsk city and its region x 60 entrepreneurs = <b>\$63,600</b> per year.	<b>5/5</b>
14	<i>Uralsk -Obtaining a Tax Liability Certificate</i>	Previously, if data provided by an entrepreneur on an application did not match the data on file with the tax department, the entire application would	On June 23, 2005 the Council of Entrepreneurs under the City Akim issued	The Tax Committee in the West Kazakhstan Oblast issued a management letter (re. N7673 ЦВПИОН -10-2	Taking into account the average number per year is 6,000 applicants the economic benefit is as follows: 6,000 x \$30 daily	<b>8/8</b>



## Kazakhstan

### Constraint Reductions

**2005 - 2006**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	Date: Sep 2005	have to be resubmitted after the issuance of a Data Reconciliation Certificate. This process could extend the period for obtaining the certificate by up to 8 business days.	recommendations to execute the Data Reconciliation Certificate prior to application submission to avoid its resubmission as well as to reduce the time and costs associated with acquiring the Data Reconciliation Certificate.	dated 19.07.2005), which approved the recommendations proposed. The time period for execution of Reconciliation Certificate has been reduced by 2 days and the whole process has been reduced by 5 days. Moreover, the brochure "Execution of Tax, Pension and Social Contributions Liability Certificate" was issued and distributed on September 9 with a description of the procedure to obtain the certificate, application template, and normative documents regulating the process (200 copies).	average earnings x 7 reduced days = <b>\$12,600,000</b> .	
15	<i>Aksai –New Construction Projects (PP)</i>  Date: Sep 2005	Applicants were required to obtain separate approvals from all organizations involved in the process which resulted in an application period of up to 105 business days. In addition, lack of information required for the process, lack of opportunity to get consulting on the process and the lack of set fees related to the application procedure created undue burdens for applicants.	The Council of Entrepreneurs under the Regional Akim issued recommendations to create a commission of representatives from all the services involved in approval process for land plot construction.	The Akimat of Burlinskiy region adopted the regulation N 425 dated 25.08.2005, which approved the following: 1. A Commission consisting of the representatives from all the services involved in approval process for land plot construction; 2. A consultation schedule for representatives of all services involved; 3. Quarterly meetings of entrepreneurs with representatives of the state bodies performing control and supervision functions.	Monitoring indicates that the new process have reduced the process time by 90 days.  Lost profit on average is \$20 per day for impacted entrepreneurs. The cost of transportation is \$2.5 per applicant. Annual number of applicants is 70.  Total impact is estimated at $(90 \times \$20 \times 70) + (2.5 \times 70) =$ <b>\$126,175</b> .	<b>5/5</b>
16	<i>Astana -</i>	The Ministry of Health had charged	Working with its	Based on these	There are 1532 businesses.	<b>9/9</b>

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<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
	<i>Certification of Medical Equipment and Pharmaceuticals</i>  Date: Sep 2005	separate inspection fees for all sub-classes of medical equipment and pharmaceuticals inspected prior to certification. The price of each of these inspections could run as high as \$2,000.	partner associations, the Association on Support of Pharmaceutical Activity and the Association of Pharmaceutical and Medical Producers, TFI recommended that one inspection fee cover all sub-classes of medical equipment and pharmaceuticals subject to certification.	recommendations, the Ministry of Health and the Anti-Monopoly Agency issued separate internal orders (specified in letters N2726 dated 27.08.05 and N5985 dated 27.08.05) that eliminated separate inspection fees for sub-classes of medical equipment and pharmaceuticals.	\$1535 is estimated as the amount of savings for each type of pharmaceutical product. Each business, on average, registers 5 pharmaceuticals per year. Hence, the savings for each business will amount to $1535 \times 5 = \$7,650$ and $7650 \times 1532 =$ <b>\$11,720,000</b> for all businesses.	
17	<b>Lisakovsk - Registration of Property Rights (PP)</b>  Date: Oct 2005	Lisakovsk had not established a unified approval procedure for granting ownership rights to the land lots in Lisakovsk (as required under Articles 43 and 44 of the RoK Land Code and Government Decree N1313 "On Approval of Rules for Permitting Procedures for Construction of New and Reconstruction of Existing Facilities" dated December 13, 2002.) As a result, the procedure was implemented at the whim of whichever official was processing a claim. This lack of predictability opened the door to disparate treatment and fees and resulted in unnecessarily high costs for applicants.	A working group established by the Lisakovsk Akimat developed a recommended set procedure for processing property rights claims and ensured that those recommendations complied with applicable national legislation.	The Akim of Lisakovsk approved the new procedure for granting ownership rights to the land lot as well as an official process map that dictates each step of the procedure for both applicants and government employees.	According to the members of the working group, the new process will save each applicant up to 45,000 Tenge. Approximately 20 entrepreneurs apply each year. Total economic effect is estimated at:  $45,000 \text{ KzT} \times 20 = 900,000 \text{ KzT}$ <b>(\$6,716)</b>	<b>4/6</b>
18	<b>Atyrau -Outdoor Advertisement Permit (PP)</b>  Date: Oct 2005	The procedure for obtaining billboard permits is time consuming due to the fact that the Onosmastic Commission in Akimat only considers applications once per month. Moreover, the procedure is not clear for entrepreneurs due to a lack of information on the process.	A working group formed by the City Akim and TFI's Atyrau partner, the Union of Entrepreneurs and Employers of Atyrau Oblast, created an information a booklet	The City Akim issued a decision ordering the Onosmastic Commission (Akim's Decision N 98 dated 02.05.2005) to meet on a weekly basis to review the applications (total time for documents execution has been	The average number of applicants per year is 300 people, the daily average profit is \$30, and 15 days reduced. Total economic benefit will be as follows: $300 \times \$30 \times 15 =$ <b>\$135,000.</b>	<b>8/8</b>

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<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
			entitled "Procedure for Execution of Permitting Documents for Advertisement Billboard and Panels Manufacturing" and recommended that the approval commission meet on a weekly basis.	reduced by 15 days on average); The information booklet was published (initial circulation was 50 issues) and presented on 21.09.05 at a seminar in the Oblast Akimat for local entrepreneurs; also, the information on booklet publication was placed in September issue of Information Bulletin "Business Press" published by the Union.		
19	<i>Aksai -New Construction Projects (PP)</i>  Date: Sep 2005	The fact that the City Architecture department set no definite reception hours, site visit days, or time limits for document review by the chief architect resulted in unnecessarily long application processing periods.	A working group established by the Burlinskiy Akim recommended establishing reception hours, site visit days and timetable for document (applications) reviews by the chief architect.	The Burlinskiy Akimat accepted the recommendations in the Akim's Decision N535 dated 20.10.2005. Reception hours and site visit days for the senior architect were established, which will reduce process time by 5 days on average for each applicant; specific time duration for documents review by the chief architect was approved, which would reduce process time by 16 days on average for each applicant (previously it took 3031 days); and transportation costs (300 KzT on average) per one entrepreneur.	Total impact is estimated at:  111 days saved x \$30 average cost per day of operations / lost revenue x 360 applicants = <b>\$1,198,800.</b>	<b>5/5</b>
20	<i>Kyzylorda - Obtaining Permitting Documents for Registration of Land for New</i>	The key barriers cited by the entrepreneurs were as follows: 1) Irregularity (no fixed schedule) of the meetings held by the Commission on Allocation of the Land Lots under the City Akimat; 2) No time duration fixed	The Expert Council under Oblast Akim developed and sent recommendations to the Territorial Department of Land Resources	The Expert Council under Oblast Akim made the following decisions (MOM dated 12.08.2005): 1. Meetings of the Commission on Land Lots	Total savings is estimated at 49 days. The total impact is estimated at: 1200 annual applicants x 49 saved days x \$40 value per day = <b>\$2,352,000.</b>	<b>6/6</b>

**Kazakhstan**

**Constraint Reductions**

**2005 - 2006**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<p><i>Construction (PP)</i> Date: Nov 2005</p>	<p>for execution of Akimat's Decree after the Commission conducts the meeting; 3) Lack of information on the procedure for execution of documents to the land; 4) Nontransparent process.</p>	<p>Management and City Akimat (re.N 01-13/153647 dated 23.05.05);</p>	<p>Allocation under the City Akimat are conducted once per week with participation of representatives from the Department of Entrepreneurship and Industry and business associations (it ensures transparency of the process and time savings for one applicant by 21 day on average); 2. Time duration for execution of Akimat's Decree after the Commission conducts cannot exceed 7 days (time savings for one applicant is 25 days in average); 3. A Consulting Group to provide information associated with registration of rights to the land and land value has been created under Oblast and City Departments on Land Resources Management (which will help to avoid submission of wrongly formalized documents and assist in decision making whether to register the land as a private ownership or for lease); 4. Description of procedure for registration rights to the land, the list of documents required, application templates and information how to fill in the application are placed on</p>		

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				the information stands located in Oblast and City Departments on Land Resources Management. The Department of Entrepreneurship and Industry published 200 copies of a booklet on the process. (It will save time for the entrepreneurs by 3 days and will help to reduce queues as well as provide additional time for the state officials.)		
21	<i>Atyrau - Approval to utilize Residential Premises for Commercial purposes (PP)</i>  Date: Nov 2005	No specific procedure and lack of information regarding application requirements resulted in unnecessary time and cost burdens for applicants.	TFI's Atyrau partner, the Union of Entrepreneurs and Employers of Atyrau Oblast, developed recommendations on a streamlined process. It also drafted a brochure entitled "Procedure For Permitting Documents Execution for Alterations to Residential Premises to Open a Store (Or Any Other Trading or Services House)" with description of the procedure itself, list of documents required, and contact details of organizations providing consulting services on the process. Both the brochure and	The recommended process, with specific time limitations for document reviews, was approved by all state bodies involved. They are the Department of City Planning and Construction, State Architecture and Construction Inspection, City Department of Culture and Languages Development, State Enterprise "Kala-Korkemdeu", Department of Economy and Budget Planning under City Akimat. The information brochure was printed out (with circulation of 200 copies) and presented at the seminar "Assistance to foreign and local organizations for business development in Atyrau" conducted by the Union on October 11, 2005.	Taking into account that average number of the applicants per year is 420, the economic benefit will be as follows: 420 x \$50 (daily average earnings) x 4 reduced days = <b>\$84,000</b> .	<b>8/8</b>

## Kazakhstan

### Constraint Reductions

**2005 - 2006**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			recommendations were submitted to the Atyrau city government for review and approval.			
22	<p><b>Ridder – Allocation of Land Lots for Construction Purposes (PP)</b></p> <p>Date: Dec 2005</p>	The illegal inclusion of the “Technical Commission for Land Lot Selection”, which issued unnecessary and redundant approvals delayed the approval time. In addition, the absence of a unified process for allocating land lots for construction purposes resulted in a lack of uniformity and predictability in the process and acted as a disincentive for entrepreneurs to obtain appropriate permissions.	A working group formed by the Akimat reviewed applicable legislation and drafted a formal process map that set time limits and documentary requirements for each stage of the process. The working group also recommended eliminating the “Technical Commission for Land Lot Selection”.	The process map was approved by the Akim and its requirements are now mandatory. In addition, the Akimat eliminated the illegal “Technical Commission for Land Lot Selection”	<p>Introduction of the unified process and elimination of the “Technical Commission for Land Lot Selection” will save approximately 40 working days.</p> <p>Approximately 70 entrepreneurs apply for land lot allocation annually.</p> <p>40 days x \$25 (one day earnings of Rider entrepreneur) x 70 (number of entrepreneurs involved in the process) = <b>\$70,000.</b></p>	<b>5/5</b>
23	<p><b>Pavlodar – Risk Management Systems in Customs Clearance (PP)</b></p> <p>Date: Dec 2005</p>	Lack of information about the availability of the simplified customs clearance procedures for low-risk traders led to an unreasonably low number of entrepreneurs taking advantage of this benefit in Pavlodar. As a result, customs clearance times and costs for many companies were much higher than they could be.	TFI recommended that the Pavlodar Customs Department conduct an awareness campaign to increase the number of registered low-risk traders.	The Pavlodar Customs Department, jointly with TFI and local business associations, organized a series of meetings and round tables with businesses to explain the aim of the Risk Management Program, the procedures for registration as low risk company; the criteria under which they may be registered as low risk companies and benefits they will enjoy.	As a result, by December 2005, an additional 21 companies in Pavlodar oblast were included in the Register of low risk companies. By achieving low risk status these traders are able to save considerable time and money. Previously, clearing one customs cargo declaration could cost up to \$212 fees and storage. Now, with the low risk status, it costs only \$6 for 1 customs declaration. When you consider that the average trader makes 20 declarations per year, the potential savings to the participants of the RM program is <b>\$86,500</b> annually.	<b>5/21</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
24	<p><i>Almaty/Astana - National level/Administrative Code</i></p> <p>Date: Jan 2006</p>	<p>The main barriers in the previous Administrative Code were too high amount of fines (maximum amount was equal to 2,000 MRI or \$15,700) as well as the fines were not differentiated depending on business size. It was quite often when the entrepreneurs had to close up their businesses due to high level of fines.</p>	<p>It was recommended to reduce the amount of fines in some articles as well as to have the fines differentiated depending on the business size.</p>	<p>Based on recommendations provided by the Forum, TFI project, and other associations the Ministry of Justice developed the draft law “On Amendments and Additions to the Code on Administrative Violations”, where the considerable reduction of fines in several articles and their differentiation depending on business size are specified. This draft laws was approved in the Parliament and signed on January 20, 2006.</p>	<p>If we suppose that the number of people brought to responsibility for administrative violations in the area of trade and finance in 2006 as well as in 2005 will be 54.315 and the amount of fines imposed in 2005 was \$395.731 the amount is reduced by 2 times and equals \$197.866, which results in saving the amount of \$197.866 in 2006.</p> <p>If we suppose that the number of people brought to responsibility for administrative violations in the area of taxation in 2006 as well as in 2005 will be 58909 and the amount of fines imposed in 2005 was \$20,457.998 the amount is reduced by 1.4 times and equals \$14,612.856 which results in saving the amount of \$5,845.142 in 2006.</p> <p>If we suppose that the number of people brought to responsibility for administrative violations in the area of customs activity in 2006 as well as in 2005 will be 11.826 and the amount of fines imposed in 2005 was \$644.922 the amount is reduced by 2.2 times and equals \$293.146 which results in saving the amount of \$351.776 in 2006.</p> <p>Thus, total annual amount saved</p>	5/5

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					is: $197.866 + 5,845.142 + 351.776 = \mathbf{\$6,394.784}$ .	
25	<i>Pavlodar - Obtaining of findings from the Department of State Sanitary and Epidemiological Supervision (DSES) for opening hairdresser's and beauty parlors</i>  Date: Jan 2006	The information on the process and all the preliminary permitting procedures (change of designated purpose of the apartment, placing in operation, execution of documents for additional allocation of land lot, etc) was unavailable for the entrepreneurs, which resulted in additional time and money costs. The entrepreneurs could get the required information only after consultation with the DSES head but it was so difficult to be accepted. It usually took about 2-3 days to make it.	The working group consisted of representatives of DSES, TFI, and business associations prepared the information on the process. At the working group meeting it was decided to publish the information brochure with detailed description of the process (with financing provided by the public association "Association Business") and provide the business associations with this information via e-mail.	1. Process description has been prepared; The information brochure with detailed description of the process was published at the expense of the partner association "Association Business"; The brochure and process description in electronic version were handed over to the business associations.  Thus, process time was reduced by 2 days and cost saving is about \$26 per applicant.	64 new businesses have to get permits from the DSES annually throughout the oblast. Process time was reduced by 2 days per each of them as well as traveling costs were reduced and is now approximately \$6. Eventually, daily net profit of the entrepreneur is \$10 and the cost reduction will be as follows: [(\$10 x 2) + \$6] x 64 = <b>\$1,664</b> .	<b>8/8</b>
26	<i>Pavlodar - Import and Export of Commercial Goods (PP)</i>  Date: Jan 2006	Among the problems associated with import/export and transit of goods the entrepreneurs cited such barrier as time consuming control of goods on border check points, loss of time and finance due to the following: Lack of due and effective interaction between government administrative and controlling agencies. Thus, the officials of customs, border, transport and veterinary control services inspect the cargos by turn; due to this it takes about 6 working hours to check one cargo. Poor technical equipment of border	On April 30, 2005, "The Review of Cross Border Problems for Kazakh and Russian Entrepreneurs" was sent by TFI project to the Economy Department of Pavlodar oblast with the following recommendations: 1. Ensure interaction between all state controlling bodies at the	On December 21, 2005 a new single control & check point (SCCP) was opened at the "Urlutobe" border point. At present, all the agencies that are authorized to exercise control on the border (Customs, border guard service, sanitary service) are located in one place, exchange the operating information and there is no duplicating of controlling and customs clearance functions, which	In average, 365 shipments are registered per month. The entrepreneurs incurred the following expenses before Urlutobe SCCP opened: Control of goods on the border – about 6 hours; Transportation fees (\$28 for 6 hours on average); Loss of profits for 1 trader - \$10 per working day, for 6 hours - \$3. Based on these data, average annual losses are	<b>5/45</b>



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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		checkpoints. No modern equipment used for customs inspections and screening also delays control and customs clearance of cargoes.	border checkpoints; 2. Improve technical equipment level of the border checkpoints.	significantly reduces the time for control and clearance of passengers and goods on the border. After opening of the Urlutobe SCCP, the time for control and clearance of goods on this point reduced by 4 hours and takes now 2 hours on average. Moreover, the financial costs were reduced (primarily at the expense of reduction of payments to the transport companies).	$(\$3+\$28) \times 365 \times 12 = \$135,875$ . The entrepreneurs incurred the following expenses AFTER Urlutobe SCCP opening: Control of goods on the border – about 2 hours; Transportation fees (\$9 for 2 hours on average); Loss of profits for 1 trader - for 2 hours - \$1. Based on these data, average annual losses are $(\$9+\$1) \times 365 \times 12 = \$43,800$ .  Total impact is estimated at: $\$135,875 - \$43,800 = \$92,075$ .	
27	<i>Ust-Kamenogorsk</i> - State registration of legal entities (PP)  Date: Jan 2006	The optimized procedure for state registration of legal entities based on “one stop” principle was implemented in the East Kazakhstan Oblast. However, the majority of entrepreneurs do not know the procedure sequence, list of documents required, etc, due to no step-by-step process map. As a result, the entrepreneur has to spend about 6 days for seeking the required information.	WG (TFI Consultants + Entrepreneur’s Trade Union) recommended the Department of Justice to compile a document with description of the procedure and distribute it.	The working group of the Department of Justice described the new procedure for state registration of commercial legal entities based on “one stop” principle. It looks like process flowchart and mandatory for state officials throughout the East Kazakhstan Oblast. The process was placed on the stand located in the Department of Justice and official website of Akim of Ust-Kamenogorsk.  Time for process information seeking has been reduced from 6 down to 1 day.	The economic benefit due to removal of the information constraint will be as follows: 5 days x \$25 (daily earnings of one entrepreneur in East Kazakhstan Oblast) x 1,700 (number of entrepreneurs annually involved in the process) = <b>\$212,500</b> .	<b>12/12</b>
28	<i>Kyzylorda</i> - Obtaining a Tax	The major problems cited by the entrepreneurs were as follows:	The working group consisted of the	The Expert Council under the Oblast Akim adopted the	The average number of applicants is 5,700 entrepreneurs	<b>6/6</b>

**Kazakhstan**

**Constraint Reductions**

**2005 - 2006**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<p><i>Liability Statement (PP)</i></p> <p>Date: Jan 2006</p>	<p>Lack of information on the procedure sequence; Too lengthy time limit for issue of the Tax Liability Statement</p>	<p>representatives of the Tax Committee, Association of entrepreneurs and TFI Consultant analyzed the process and sent the letter to the Tax Committee with the following recommendations:</p> <ol style="list-style-type: none"> <li>1. To approve a new process map with reduced time limits for issue of the statement.</li> <li>2. To set up a system of information awareness of entrepreneurs by means of consultations, placing information on the stands and publish information brochure.</li> </ol>	<p>decision to simplify the procedure and improve information awareness. Time limit for issue the statement was reduced by 9 days and equal to 3-4 days; The group responsible for providing consultations on all questions related to tax procedures has been created in the Tax Committee. Information on process has been placed to the information stand located in the Tax Committee (time savings for the entrepreneurs – 3 days). Booklet “Execution of statement of good-standing on taxes, pension contribution and social taxes” with process description, application sample, list of normative and legal acts regulating the process and recommendations on how to obtain the statement of the required content at first attempt (at the expense of the Tax Committee the booklet was issued in 50 copies, and the form and size of the booklet allow to easily update it and print in number required). Booklets are available in departments of the Tax Committee, Department of Entrepreneurship and Industry and business</p>	<p>per year with the daily average earnings of \$30. Time reduced is 12 days.</p> <p>Total economic benefit is estimated at <math>5,700 \times \\$30 \times 12 =</math> <b>\$2,052,000.</b></p>	

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				associations.		
29	<i>Shimkent - Medical Goods Certification (PP)</i>  Date: Mar 2006	During importation of medical products to the oblast, certificates of conformity were issued for only one year with renewal / extension for an additional payment. Obtaining new certifications was consuming unnecessary time and financial resources	TFI's Partner – Association of Support and Development of Pharmaceutical Activity recommended the certificates of conformity be issued for periods of 3 years as allowed by law, CT PK 3.17 “About certification of medical products”.	The National Center of Expertise Certification and Standardization and the territorial branch of the National Center of Examination of Medical Drugs, Products of Medical Purpose and Medical Equipment agreed with the recommendation and have begun issuing certificates of conformity on medical products with 3 year periods of validity.	The time and financial costs required for obtain certificates has been reduced 66%.  196 pharmaceutical companies in Shymkent are affected by this change. On average, they had to acquire 15 compliance certificates annually. The extension period is two years. Each certificate costs \$20.  196 x 15 x 20 x 2 years = <b>\$117,500.</b>	<b>10/10</b>
30	<i>Aksai - Allocation of Land Lots for Construction Purposes (PP)</i>  Date: Mar 2006	The absence of a unified process for allocating land lots for construction purposes resulted in a lack of uniformity and predictability in the process and acted as a disincentive for entrepreneurs to obtain appropriate permissions.	The TFI Partner, the Commission on Support and Development of Entrepreneurship «Kasipker» at the regional Akimat, working on simplification of the processes connected with the purchase of land for commercial purposes, has developed the new process and prepared the information booklet for the publication.	1. The process map was approved by the Akim and its requirements are now mandatory. 2. The Akimat released 100 copies of the booklet “Order of registration of permitting documents for new construction” (allocation of land lots). The booklet is distributed in ГKKП "Architecture", Business-incubator, the Department of Land Affairs in the Akimat, and were given to participants of the expanded session of the Akimat on 3/17/2006; 3. Information stand at the ГKKП "Architecture" office was updated.	Potential economic impact is estimated at:  3 days cut from the process x \$30 average cost of work day of an entrepreneur in Aksai town x 360 applicants a year = <b>\$32,400</b> annually.	<b>5/5</b>
31	<i>Shemonaiha -</i>	During the process of acquiring loan for	The working group at	The working group, under the	Entrepreneurs reported it	<b>6/6</b>

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#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<i>Allocation of Land Lots for Construction Purposes (PP)</i>  Date: Mar 2006	construction, entrepreneurs encounter barriers including the absence of clear and uniform procedure and a lack of transparency.	Shemonaiha regional Akimat agreed to study the process and publish a precise description of the process involving state bodies, service providers and entrepreneurs.	direction of the Chairman of the Committee on Management of Ground Resources developed the “Internal Order of Granting of Property Rights (rent) on the Ground Area in Territory Shemonaiha”. The document has been published and placed at stands in state bodies, including the Committee on Management of Ground Resources and the Akimat, to provide entrepreneurs with a clear description of the process.	previously took up to 10 days to find out the details of the process. This time has been cut to 1 day.  The potential economic impact is a savings of 9 days x \$25 per day for entrepreneurs in Shemonaiha x 40 entrepreneurs annually seeking land = <b>\$9,000</b> .	
32	<i>Astana - Land Property Registration (PP)</i>  Date: Mar 2006	On December 23, 2005, the Maslihat of Astana issued decision № 211/28-III “On Rules of Building on the Territory of the City of Astana” which contradicted certain parts of the current legislation, including limiting the rights of the applicant in the choice of land lots, and considerably complicated and extended the procedure for registration of land plots.	The TFI partner, the Association of Entrepreneurs of Astana, conduct a round table meeting with the participation of the Association of Builders of Kazakhstan and other building companies where the decision of the Maslihat was discussed. As a result, recommendations to address the decision were developed and directed to the Department of Justice of Astana.	The Department of Justice of Astana refused to register the decision of the Maslihat of Astana # 211/28-III, avoiding the official enactment of regulations that would have impaired the ability to register land lots and would have imposed additional costs on businesses.	Annually, approximately 920 entrepreneurs register rights to land lots. Defeating the decision avoided the imposition of a process that would have required an additional 60 days to complete. The total impact is estimated at 920 x 60 x \$30 daily average profit per entrepreneur = <b>\$1,656,000</b> .	<b>8/8</b>
33	<i>Uralsk –</i>	The absence of clear, public and precise	The TFI partner, the	The process map was	Time savings as a result of the	<b>10/10</b>

**Kazakhstan**

**Constraint Reductions**

**2005 - 2006**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<p><i>Obtaining of construction permits for expanding existing business premises (PP)</i></p> <p>Date: Apr 2006</p>	<p>procedures for permits for expanding existing business premises leads to an added costs and time in getting permits as well as additional and unreasonable expenses for finding information.</p>	<p>Independent Association of Entrepreneurs, initiated the creation of a working group with the Akimat. The working group developed the process map and recommended to publish an information brochure with the description of process.</p>	<p>approved by the working group and the brochure “The Order of Registration of Construction Permits for Expanding Existing Business Premises” with the description of the order of official registration of documents, normative documents, a list of the licensed organizations which are carrying out construction works, and contact information of the organizations involved in process was issued.</p>	<p>access to information is estimated at: 4 days saved x \$40 daily profit per entrepreneur x 200 annual applicants = <b>\$ 32,000</b> annually.</p>	
34	<p><i>Shymkent - Obtaining a Tax Liability Statement (PP)</i></p> <p>Date: Mar 2006</p>	<p>The major problems cited by the entrepreneurs were as follows:                      1. Obtaining statement on tax arrears is too lengthy (it takes up to 5 days).                      2. No clear work procedure established in the Tax Committee, lack of information on how to obtain such kind of documents.</p>	<p>The working group consisted of the representatives of the Tax Committee, Association of entrepreneurs and TFI Consultant analyzed the process and sent the letter to the Tax Committee with the following recommendations:                      1. To approve a new process map with reduced time limits for issue of the statement.                      2. To set up the informational board in the Tax Committee.</p>	<p>The Work Group under the Deputy Oblast Akim adopted the decision to simplify the procedure and improve information awareness. As a result:                      1. The information stands with procedure description were installed in the Tax Committee.                      2. Process time to obtain statement on no tax arrears was reduced down to 2 days.</p>	<p>The average number of applicants is 6,000 entrepreneurs per year with the daily average earnings - \$30. Time reduced is 3 days. Total economic benefit is 6,000 x \$30 x 3= <b>\$540,000</b>.</p>	<b>6/6</b>

<b>Kazakhstan</b>						
<b>Constraint Reductions</b>						
<b>2005 - 2006</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
35	<b>Kokshetau - Obtaining of Sanitary permission for drugstores (PP)</b>  Date: Apr 2006	The absence of an official list of construction and finishing materials that are allowed to be used in pharmacy construction/renovation. It was a common occurrence to have a pharmacy denied from commissioning due to inappropriate materials used during construction/renovation. This resulted in 1-3 months of delay in commissioning	Consumer Protection Association, together with the Public Health Authority of Akmola Oblast, compiled a list of construction and finishing materials that are allowed for use in pharmacy construction/renovation	A billboard “How To Obtain Sanitary Approval for New/Renovated Pharmacy) was constructed and placed in the building of the Public Health Authority of Akmola Oblast. The billboard contains, besides the list of construction and finishing materials, the following: - all stages and steps involved in the process; - all necessary documents and requirements to the documents; - all government fees and payments; - addresses, working days and hours of organizations involved in the process; As a result, the time required to pass through the process reduced by at least 30 days.	On average, 600 businesses go through the process. Assuming a daily profit of \$10 and time savings of 30 days, the economic effect will amount to: 30 days x \$10 x 600 = <b>\$180,000</b> .	<b>11/12</b>
36	<b>Uralsk - Risk Management System in Import/Export Process (PP)</b>  Date: Apr 2006	Lack of information about the availability of the simplified customs clearance procedures for low-risk traders led to an unreasonably low number of entrepreneurs taking advantage of this benefit in Uralsk (5-6 in the past years). As a result, customs clearance times and costs for many companies were much higher than they could be.	Custom’s Consultative Council and TFI recommended that the West Kazakhstan Customs Department conduct an awareness campaign to increase the number of registered low-risk traders.	The West Kazakhstan Customs Department, jointly with TFI and local business associations, organized a series of meetings and round tables with businesses to explain the aim of the Risk Management Program, the procedures for registration as low risk company; the criteria under which they may be registered as low risk companies and benefits they will enjoy. As a result, by	35 participants save as a minimum \$600 each (including direct fees and monetized time). So, the total impact is 35 x \$600 = <b>\$21,000</b> .	<b>8/8</b>

Kazakhstan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
				April 2006, an additional 30 companies in West Kazakhstan oblast were included in the Register of low risk companies. By achieving low risk status these traders are able to save considerable time and money.		
37	<i>Astana-Almaty - Law on Private Enterprise</i>  Date: May 2006	The Ministry of Industry and Trade and Ata-Meken Public Union drafted a bill that violated rights of businesses and contradicted the Constitution of the Republic of Kazakhstan. For example, the bill required all businesses, regardless of their membership in other associations, to pay fees to Ata-Meken Public Union. The authors of the bill also proposed to introduce practice of accrediting business associations to limit access to participation in government bodies and expert councils. This draft was presented to the Parliament and many MP's, after extensive lobbying efforts from Ata-Meken, were in support of the proposal.	TFI consultants, together with the representatives of the Forum of Entrepreneurs, were involved in the working group and presented a table with comments showing contradiction of the Ata-Meken proposal with constitutional requirements. This table was distributed among MP's and each MP was approached individually with explanations of unconstitutionality of the proposal.	Many MP's changed their initial opinion with regards to fees and accreditation. The bill was changed to incorporate the proposal put forth by the Forum – the businesses were no longer required to pay membership fees. The accreditation practice remained, but it was limited only to expert councils. Moreover, the bill was changed in such a way that not only accredited business associations are now allowed to participate in expert councils, but interested non-profit organizations as well.	Had Ata-Meken's proposal gone through, the fees would have amounted to 1 minimum monthly wage per employee per year. Assuming that, on average, one small business employs 50 staff, businesses would have been required to pay KzT 50,000 per year, or \$378. Based on our preliminary estimates, Ata-Meken's fee revenue fro 4 million members (membership fees from large, medium and small businesses) would have been approximately <b>\$30,303,030</b> .	<b>30/30</b>
38	<i>Astana-Almaty - Regulatory impact on businesses</i>  Date: May 2006	Draft regulations affecting businesses are not presented to business associations for review/comments. This practice allowed approval of a number of regulations that hurt the interests of businesses. Explanatory notes to draft regulations frequently did not reveal whether the drafts increased or reduced administrative barriers.	In December 2004, 4 working groups were established under the Prime Minister. TFI was involved in the groups, where TFI consultants presented relevant international experience regarding	Starting July 1, 2006, amendments to the Law On Normative Legal Acts will enter into force. In particular, Article 14-1 "Special procedures for drafting and adopting normative legal acts affecting businesses", requires opinion of an expert council	It is difficult to quantify precisely the economic effect, but it is clear that the new approach as promulgated by the amendments, will allow for tens and hundreds million KzT savings for businesses.	<b>8/10</b>

Kazakhstan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			business impact analysis. TFI information was also presented to Parliamentary Working Group that discussed the draft Law on Private Enterprise.	for any such draft regulation and also requires that the explanatory note to such drafts is to present calculations showing whether the proposal increases or reduces costs for business entities.		
39	<i>Ust-Kamenogorsk - Land Acquisition Process</i>  Date: May 2006	No specific procedure and a lack of information regarding application requirements resulted in unnecessary time and cost burdens for applicants.	The working group in the Oblast Ecological Department, together with TFI's partner, the Entrepreneurs Trade-Union, mapped the process and drafted "The Rules of Interaction of Government bodies in the Ecological expertise Process".	The recommended process, with specific time limitations for document reviews, was approved by all state bodies involved and by City Akim. The information about the process was posted on <a href="http://www.oskemen.kz">www.oskemen.kz</a> . As a result, the time process was reduced by 110 days (it is no more than 45 days now). Also, the time for information research was reduced by a minimum of 9 days.	The estimated impact is: 119 days x \$25 daily profit per entrepreneur x 1500 entrepreneurs per year = <b>\$4,462,500.</b>	<b>5/5</b>
40	<i>Ust-Kamenogorsk - Obtaining of Ecological expertise</i>  Date: May 2006	No specific procedure and a lack of information regarding application requirements resulted in unnecessary time and cost burdens for applicants.	TFI's partners, the Entrepreneurs Trade Union and Association of Builders, developed recommendations on a streamlined process. They also mapped a new process and drafted "The Rules of Interaction of Government bodies in the Land Acquisition Process.	The recommended process, with specific time limitations for document reviews, was approved by all state bodies involved. The information about the process was posted on <a href="http://www.oskemen.kz">www.oskemen.kz</a> . As a result, the time required was been reduced by 7 weeks (requiring no more than 48 days now). Also, the time for information research has been reduced by a minimum of 4 days.	The estimated impact is: 39 days x \$25 daily profit per entrepreneur x 750 entrepreneurs per year = <b>\$731,250.</b>	<b>4/4</b>



Attachment E: Tajikistan Work Plan Reports (2003 – 2006)

June 1, 2003 – May 31, 2004			
Reduction of Investment Constraints (RIC)			
No.	Objective	Start Date	End Date
<i>TJ RIC 01</i>	<i>Establish a transparent and efficient business registration system</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>A new business registration law was recently enacted in Tajikistan but there are no implementing regulations or reformed procedures to insure that it is properly implemented to create an efficient and transparent business registration process.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Working group established for development of implementing regulations.</li> <li>2. <b>Complete:</b> Implementing Regulations drafted.</li> <li>3. <b>Incomplete:</b> Implementing regulations adopted by the Government.</li> <li>4. <b>Incomplete:</b> Reduced number of governmental agencies to be approached by applicant.</li> <li>5. <b>Incomplete:</b> Reduced time required to register a legal entity.</li> <li>6. <b>Incomplete:</b> Reduced costs of registration.</li> <li>7. <b>Incomplete:</b> Reduced number of required documentation.</li> <li>8. <b>Incomplete:</b> Information boards erected at the Ministry of Justice offices and brochures disseminated.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	<i>TFI is continuing to work on incorporating amendments suggested by ministries and agencies. However, there are certain proposals, such as, Statistics and Antimonopoly Agencies want every applicant to personally visit their offices for registration, thus undermining the one-window approach. Therefore, adoption of the draft resolution is being delayed. To overcome this resistance, the issue of enacting the regulation through a Presidential decree will be discussed with the Legal Department of the President's Apparatus.</i>		
No.	Objective	Start Date	End Date
<i>TJ RIC 02</i>	<i>Adoption and implementation of new Law On Licensing of Business Activities</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Current business licensing regime is regulated by individual ministries and agencies at their own discretion and is extremely burdensome for businesses. New legislation on business licensing is needed to reduce number of activities subject to licensing and to streamline and make the license issuance procedures more transparent.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Law on Licensing of Certain Types of Activities drafted.</li> <li>2. <b>Complete:</b> Law adopted by the Parliament that reduces the number of licensed activities.</li> <li>3. <b>Incomplete:</b> Implementing regulations drafted and submitted to the government.</li> <li>4. <b>Incomplete:</b> Monitor implementation through interviews and focus groups with businesses.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	<i>The President enacted the Law On Licensing of Certain Types of Activities on May 17, 2004. The law cuts down: (i) the number of activities subject to licensing; (ii) the time; (iii) fees for issuance of licenses; (iv) increases terms of validity of licenses issued. The work on developing regulations implementing the Law will be continued into the next project year.</i>		
No.	Objective	Start Date	End Date
<i>TJ RIC 03</i>	<i>New Foreign Investment Law drafted</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>The current legal base for foreign investment is inadequate to attract foreign investment and needs to be reformed as part of a better legal and regulatory framework to support expanded trade and investment.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Incomplete:</b> New Law On Investments drafted and submitted to the government.</li> </ol>		

<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	The Ministry of Economy and Trade established a working group in April 2004 with TFI representative as a member. Currently the Law is being drafted by the WG. Several meetings of the WG were held in May. According to the Calendar plan of the WG the first draft of the Law expected to be finalized by the WG in July 2004. Therefore, the work will continue into the next project year.		
No.	Objective	Start Date	End Date
<i>TJ RIC 04</i>	<i>Eliminate illegal fines established by TajikStandard</i>	<i>1 Aug 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Excessive fines established by TajikStandard contradict domestic legislation and cause great difficulties for SMEs in Tajikistan.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li><b>Incomplete:</b> Court or Prosecutor order is issued eliminating the illegal fines.</li> <li><b>Incomplete:</b> Regulation establishing Illegal fines is cancelled.</li> <li><b>Incomplete:</b> Monitor implementation through interviews and focus groups with businesses and through review of the data on fines charged by TajikStandard that is collected by the Prosecutors Office each month.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	After receiving instructions from the Antimonopoly Committee, TajikStandard is in the process of reviewing the list of goods required for certification. TajikStandard has agreed principle to eliminating the obligatory certification of services and to revising the list of goods that require certification. After making a new list of goods that require certification, TajikStandard will submit the list to the appropriate ministries for recommendations.		
<b>Trade Facilitation (TF)</b>			
No.	Objective	Start Date	End Date
<i>TJ TF 01</i>	<i>Initiate TIR operations in Tajikistan</i>	<i>1 Aug 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>The TIR Convention introduces an internationally accepted guarantee mechanism for transit facilitation. Customs is protected against diverted goods while transporters are relieved of other means of control, such as cash deposits and customs escorts. In Tajikistan, no TIR system has been established. The International Road Haulers Union is near to making a decision on an authorized body to implement TIR. TFI will work with the IRU and the authorized implementing body to establish the TIR system in Tajikistan. TFI will facilitate the process of finalizing the selection, providing technical assistance, and educating transport companies, businesses and government on TIR operations. The targeted result is to have at least one TIR shipment originate in Tajikistan by May 31, 2004. The existence of a TIR mechanism will facilitate trade to, from and through Tajikistan.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li><b>Incomplete:</b> At least one TIR Carnet (guarantee) issued by the IRU-authorized body in Tajikistan.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	There appears to be limited demand for TIR at the moment in Tajikistan. TFI is focusing on three areas in this respect: (i) market analysis are being conducted; (ii) trainings for transporters and businesses/potential clients are being conducted through use of EDP grant; (iii) increasing capacities of ABBAT as a TIR issuing agency in Tajikistan.		
No.	Objective	Start Date	End Date
<i>TJ TF 02</i>	<i>Cross-border trade zones established and functioning in Sogd oblast</i>	<i>1 Nov 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>On September 29, 2003 the Government of Tajikistan adopted Resolution #429 On Establishing Near-Border Trade Zones with Uzbekistan and the Kyrgyz Republic. These Zones are mainly located in Sogd oblast. Proper implementation of the Resolution is necessary to ensure that it helps to facilitate cross-border trade.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li><b>Complete:</b> Regulation on near-border trade zones drafted.</li> <li><b>Incomplete:</b> Regulation enacted.</li> <li><b>Incomplete:</b> Near-border markets operating on at least a bi-weekly basis.</li> </ol>		

<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	Ministry of Economy and Trade and the Ministry of Justice reviewed TFI's draft regulations for the near border markets and made token changes in language. The regulations have been submitted to the Minister of Trade and Economy for approval. The work will continue into the next project year.		
No.	Objective	Start Date	End Date
<i>TJ TF 03</i>	<i>Identify and reduce at least one constraint related to trade with Afghanistan</i>	<i>1 Sep 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Changes in conditions in Afghanistan provide new opportunities for trade and economic cooperation between Tajikistan and Afghanistan. It is necessary to foster dialog between businesses and governments of both countries and identify and remove barriers to increased trade.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Recommendations are made by TFI for the reduction or removal of specific constraints.</li> <li>2. <b>Incomplete:</b> Tajik-Afghan dialog initiated with participation of government and businesses through a Trade Conference.</li> <li>3. <b>Incomplete:</b> Government of Tajikistan adopts a decision that reduces or eliminates at least one of the targeted constraints.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	Focus areas are identified. The work will continue into the next project year with the project human resources reallocated.		
<b>World Trade Organization (WTO)</b>			
No.	Objective	Start Date	End Date
<i>TJ WTO 01</i>	<i>Customs Code compliant with WTO requirements and Amended Kyoto Convention principles drafted</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>The adoption of a Customs Code that is compliant with WTO requirements and Amended Kyoto Convention principles is the foundation for a sound customs system and essential to support Tajikistan's WTO accession.</i>		
<i>Performance Indicators</i>	1. <b>Partially Complete:</b> WTO compliant-Customs Code drafted and submitted to the Cabinet.		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	Review of the draft Customs Code is underway. TFI experts became integrated into the Customs Code Working Group and have participated in the series of the Working Group meetings to review the draft Code. In general, TFI's comments, including those related to WTO compliance are being welcomed. According to the Government's plan the draft Code expected to be finalized and submitted to the Cabinet of Ministers in July 2004. The work on the draft Customs Code will be continued into the next project year. Conducted round table discussion with businesses of the Sogd oblast on the draft Code was held in Khujand, under the auspices of the Association of Entrepreneurs of Sogd oblast. TFI and Ministry of Revenues representatives provided technical leadership at the Round Table.		
No.	Objective	Start Date	End Date
<i>TJ WTO 02</i>	<i>Ministry of Economy and Trade's WTO information center improved to serve as Government of Tajikistan's WTO information point</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>The Ministry of Economy and Trade has established a permanently staffed WTO Unit but it is not set up to collect, archive and disseminate the information needed for it to serve as the Government's WTO information point.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Partially Complete:</b> WTO Information Center is established and accessible to government officials from the other ministries and agencies as well as to students and researchers and representatives of the business community.</li> <li>2. <b>Partially Complete:</b> Web site for the Ministry is created.</li> <li>3. <b>Incomplete:</b> Information Center is set as an official WTO/GATS Inquiry Point for Tajikistan.</li> </ol>		

<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	After some delays, a budget of approximately \$15,000 was approved for the purchase of equipment for the WTO Information Center and 50% was dispersed to start the work by the end of the contract year. A WTO web page was created (part of the Ministry of Economy and Trade's website: <a href="http://www.met.tj">www.met.tj</a> ) and information posted. The second disbursement is planned for early in the next contract year and additional web-based and hard copy information will be made available to the general public throughout the year.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 03</b>	<b>Replies to questions posed by members of the WTO Working Party on the accession of Tajikistan prepared and submitted to the WTO Secretariat</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>Before a First Working Party meeting can be scheduled, the Government of Tajikistan must prepare and submit acceptable responses to the questions concerning its Memorandum on Foreign Trade Regime posed by members of the Working Party.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Replies to questions from EC and Australia are prepared and submitted.</li> <li><b>Complete:</b> Replies to questions from USA are prepared and submitted.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	Work on assisting Tajikistan in preparing answers to the next round of WP questions will be continued in the next project year.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 04</b>	<b>A legislative action plan will be adopted by the Government and submitted to the WTO Secretariat</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>Bringing Tajikistan's legislative framework into compliance with the WTO's requirements is a prerequisite for Tajikistan to accede to the WTO. The framework for legislative reform is a country's legislative action plan which indicates the schedule for reviewing and revising legislation to conform to WTO. Tajikistan has yet to prepare and adopt a legislative action plan, a fact that delays more expedited progress toward accession.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> WTO Legislative Action Plan listing legislation to be enacted and expected enactment dates to conform Tajikistan's legal regime to WTO requirements is prepared, accepted by the Government and submitted to the WTO Secretariat.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	Amendments to the Criminal Code were enacted on May 17. Amendments include, inter alia, gradual increase of criminal penalties for IPR violations that were proposed by TFI. New draft of the Law on Trademarks and Service Marks was received and being reviewed. Work on assisting Tajikistan in implementing the Legislative Action Plan by drafting necessary laws and regulations is underway and will be continued in the next project year.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 05</b>	<b>Complete and submit all required WT/ACC documents to the WTO Secretariat</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>To comply with WTO accession requirements, Tajikistan must complete and submit WT/ACC documents clarifying Tajikistan's trade regime.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> WT/ACC4 document completed and submitted to the WTO Secretariat.</li> <li><b>Complete:</b> WT/ACC8 document completed and submitted to the WTO Secretariat.</li> <li><b>Complete:</b> WT/ACC9 document completed and submitted to the WTO Secretariat.</li> <li><b>Complete:</b> Initial market access offer on services is submitted.</li> <li><b>Complete:</b> Initial market access offer on goods is submitted.</li> <li><b>Complete:</b> Import licensing questionnaire is completed and submitted.</li> </ol>		

<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	Work on assisting Tajikistan in preparing replies to follow-up questions from the WTO Working Party members regarding documents submitted and in preparing necessary updates will be continued in the next project year.		
No.	Objective	Start Date	End Date
<i>TJ WTO 06</i>	<i>Market access concerns expressed by Tajik businesses are submitted to the Ministry of Economy and Trade to take into account during the accession negotiations</i>	<i>1 Dec 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>Increased participation of the Tajik business community is needed in development of Tajikistan's trade policy and WTO accession offers to ensure that the positions taken by the Government are consistent with and support their interests.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Business associations trained on WTO market access issues.</li> <li>2. <b>Incomplete:</b> Proposals regarding WTO market access negotiations on goods and services from business associations developed and submitted to the Ministry of Economy and Trade.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	Trainings to business associations on WTO market access issues are provided. Grant application prepared and, since it is a joint effort by members of the Trade Council, discussions are being conducted on behalf of which association should the grant application be submitted and implemented.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
No.	Objective	Start Date	End Date
<i>TJ MAS-Q 01</i>	<i>Support necessary for reform of TajikStandard generated and applied to cause reforms to commence</i>	<i>1 Dec 03</i>	<i>31 May 04</i>
<i>Description</i>	<i>There is a lack of political will within TajikStandard to undertake necessary reforms. Therefore, it is necessary to create the necessary level of support for reform among government officials, parliamentarians and the private sector.</i>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Support for reform created among wide range of government officials, Parliamentarians and businesses through training and briefings.</li> <li>2. <b>Incomplete:</b> Working Group formed for development of Technical Regulations law.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	Members of TajikStandard technical staff participated in a two-week hands on metrology training program facilitated by TFI, sponsored by AED. This was part of the metrology equipment donation program.		

<b>June 1, 2004 – May 31, 2005</b>			
<b>Reduction of Investment Constraints (RIC)</b>			
No.	Objective	Start Date	End Date
<i>TJ RIC 01</i>	<i>Efficient and transparent business registration system established</i>	<i>1 Jun 04</i>	<i>31 May 05</i>
<i>Description</i>	<i>A new business registration law was enacted in Tajikistan but implementing regulations and reformed procedures are still required in order to create an efficient, simplified and transparent business registration process. A working group was established for development of implementing regulations.</i>		
<i>Intermediate Objectives</i>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Review local registration procedures in Sogd oblast and provide recommendations to implementing regulations. – <b>31 Aug 2004</b></li> <li>2. <b>INCOMPLETE.</b> - Implementing regulations that reduce the number of government agencies visited by applicants, the cost and time to register and the number of documents required prepared and submitted to the Government for review and approval. – <b>31 Mar 2005</b></li> <li>3. <b>INCOMPLETE.</b> - If approved, monitor implementation to ensure new rules are practiced. - <b>31 May 2005</b></li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2004 – May 2005</i>	The Ministry of Justice finalized their 2005 work plan in February, establishing target dates for completion of this work beyond the 31 May 2005 contract completion date. Therefore the work will be carried over into the new work plan. In the past quarter, strategy sessions with the working group tasked with completing the		

	Ministry's work plan were held to determine actions to be taken including the development of a draft Presidential Decree on simplification of business registration. A round table was conducted in May with business associations, donor organizations and governmental agencies involved in the registration process in attendance. The purpose of the round table was to receive participate feed back and ideas and to gauge donor support for the completion of the work plan.		
No.	Objective	Start Date	End Date
<i>TJ RIC 02</i>	<i>New Law On Licensing of Certain Types of Activities implemented and other laws brought into compliance with it</i>	<i>1 Jun 04</i>	<i>28 Feb 05</i>
<i>Description</i>	<i>Business licensing is currently regulated by individual ministries and agencies at their own discretion and is extremely burdensome for businesses. The Law On Licensing of Certain Types of Activities drafted with support from TFI was enacted on May 17, 2004 but implementing regulations as well as amendments to a number of existing laws and regulations are still required to effectively reduce this constraint.</i>		
<i>Intermediate Objectives</i>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Local licensing procedures in Sogd oblast reviewed, mapped and comments/recommendations to the drafts regulations on national implementation developed. – <b>28 Feb 2005</b></li> <li>2. <b>PARTIALLY COMPLETE.</b> - Amendments to certain laws to bring them into compliance with the newly adopted Law On Licensing drafted, submitted to Parliament and approved. – <b>31 May 2005</b></li> <li>3. <b>PARTIALLY COMPLETE.</b> - Implementing regulations drafted, submitted to the Government for approval and approved. – <b>31 May 2005</b></li> </ol>		
	<i>Status &amp; Comments</i>		
<i>June 2004 – May 2005</i>	The amendments to certain laws bringing them into compliance with the licensing law were drafted and submitted to the Government, but have not yet been submitted to the Parliament which comes after approval of the Government. The amendments are currently being reviewed by the appropriate agencies however their review is not expected to be completed until September 2005. Therefore this objective will be continued in next year's work plan. The implementing regulation regarding licensing of certain types of activity, the most important of the implementing regulations, was drafted and submitted to the Government. It is expected to be approved in June 2005.		
No.	Objective	Start Date	End Date
<i>TJ RIC 03</i>	<i>New Investment Law drafted and adopted</i>	<i>1 Jun 04</i>	<i>28 Feb 05</i>
<i>Description</i>	<i>The current legal base for foreign investment is inadequate to attract foreign investment. Reforms need to occur in order to improve the legal and regulatory framework to support expanded trade and investment. The Ministry of Economy and Trade established a working group in which a TFI representative is included as a member.</i>		
<i>Intermediate Objectives</i>	1. <b>COMPLETED.</b> - New Law On Investments allowing for equal treatment of foreign and domestic investments is drafted and submitted to the Government for approval. – <b>28 Feb 2005</b>		
	<i>Status &amp; Comments</i>		
<i>June 2004 – May 2005</i>	The new law was drafted and submitted to the Government for approval in February. The Government is still reviewing the draft law but it is expected to approve it in August 2005.		
<b>Reduction of Investment Constraints in the Ferghana Valley (FV)</b>			
No.	Objective	Start Date	End Date
<i>TJ FV 01</i>	<i>Trade and investment constraints at the Sogd oblast and Khujand city level are identified, mapped, and reduced</i>	<i>1 Jun 04</i>	<i>31 May 05</i>
<i>Description</i>	<i>Locally created rules, processes or procedures create constraints for SMEs in Tajikistan's oblasts. TFI will work with local governmental counterparts to identify those constraints and then form working alliances with both private and public sector counterparts to reduce the constraints identified.</i>		
<i>Intermediate Objectives</i>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Focus groups formed and interviews with local government representatives and business leaders conducted to identify trade and investment constraints in order to reduce legislative and procedural burdens. – <b>30 Nov 2004</b></li> <li>2. <b>COMPLETED.</b> - National legislation and local procedures pertaining to permitting, inspections and land site acquisitions are reviewed and mapped. – <b>30 Nov 2004</b></li> <li>3. <b>COMPLETED.</b> - Specific constraints identified in the given areas and work plans for their reduction developed. – <b>30 Nov 2004</b></li> <li>4. <b>COMPLETED.</b> - At least three constraints reduced as a result of TFI's intervention. – <b>31 May 2005</b></li> </ol>		
	<i>Status &amp; Comments</i>		
<i>June 2004 –</i>	Cumulatively 5 constraints have been reduced as a result of TFI's intervention. These were in the areas of business registration, licensing, and taxation. For more		

<b>May 2005</b>	details on these constraints reductions please see the Tajikistan Constraint Reduction Chart attached.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ FV 02</b>	<b><i>Cross-border trade zones established and functioning in Sogd oblast</i></b>	<b><i>1 Jun 04</i></b>	<b><i>28 Feb 05</i></b>
<b>Description</b>	<i>On September 29, 2003 the Government of Tajikistan adopted Resolution #429 On Establishing Near-Border Trade Zones with Uzbekistan and the Kyrgyz Republic. The objective of the Near-Border Market initiative in Tajikistan is to facilitate trade through a simplified regulatory regime in designated areas, under which traders use simplified customs procedures including streamlined declaration requirements and a reduction or elimination of customs duties and value added tax for imports. These Zones are mainly located in Sogd oblast. Proper implementation of the Resolution is necessary to ensure that it helps to facilitate cross-border trade. Detailed recommendations and draft implementation language have been generated and work is underway with government officials to effectively implement cross-border procedures.</i>		
<b>Intermediate Objectives</b>	1. <b>INCOMPLETE.</b> - Regulation enacted. - <b>28 Feb 2005</b> 2. <b>COMPLETED.</b> - Near-border markets operating on at least a bi-weekly basis. – <b>28 Feb 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	The regulation was erroneously reported as enacted last quarter in fact it has not been enacted. While the original Resolution #429 has been enacted, the draft implementation regulation, which was prepared by TFI regarding cross-border procedures and privileges for traders was submitted to the Government but not adopted. The Government was waiting for the new Customs Code to be adopted which it was in December 2004. In February, Customs decided that they did not want adopt the draft regulation as they felt it was contradictory to the new Customs law. The near-border markets however are operating on a weekly basis, but they are not very popular due to their inconvenient locations.		
<b>Trade Facilitation (TF)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ TF 01</b>	<b><i>Identify and reduce at least two constraints related to trade with Afghanistan</i></b>	<b><i>1 Jun 04</i></b>	<b><i>31 May 05</i></b>
<b>Description</b>	<i>Changes in conditions in Afghanistan provide new opportunities for trade and economic cooperation between Tajikistan and Afghanistan. It is necessary to foster a dialogue between businesses and governments of both countries and identify and reduce barriers in order to increase trade. Under new country management, TFI will assemble a team to identify, analyze, and reduce constraints related to trade between Tajikistan and Afghanistan.</i>		
<b>Intermediate Objectives</b>	1. <b>COMPLETED.</b> - Identify and analyze constraints related to trade between Tajikistan and Afghanistan. – <b>30 Nov 2004</b> 2. <b>COMPLETED.</b> - Develop an action plan to reduce constraints identified. – <b>30 Nov 2004</b> 3. <b>PARTIALLY COMPLETE.</b> - Action Plan implemented and at least two constraints reduced. – <b>31 May 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	While the constraints were identified and the action plan prepared, only one constraint has been addressed at this time. The development and installation of an informational border stand which details the border crossing process and export-import procedures has been completed. Information is provided in both Russian and Dary languages and is located on the Tajik-Afghan border at Nizhniy Pyanj.		
<b>World Trade Organization (WTO)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 01</b>	<b><i>Progress toward WTO accession achieved through technical support and training</i></b>	<b><i>1 Jun 04</i></b>	<b><i>31 May 05</i></b>
<b>Description</b>	<i>In order to have successful bilateral negotiations with WTO members and substantive results from Working Party meetings, it's essential to be well prepared. This includes informal preparatory contacts with WTO members and the proper preparation and submission of required documentation (ACC forms and questionnaires) and answers to WTO member countries' questions. Technical assistance to the government of Tajikistan is essential to ensure that the required documentation is properly submitted. TFI anticipates the next Working Party meeting will be within this contract year.</i>		
<b>Intermediate Objectives</b>	1. <b>COMPLETED.</b> - Replies to questions from WTO Working Party members are prepared and submitted. – <b>30 Nov 2004</b> 2. <b>COMPLETED.</b> - Responses to WTO Working Party Members' questions on market access to goods reviewed and suggested answers provided. - <b>28 Feb 2005</b> 3. <b>COMPLETED.</b> - Technical support and advice provided in preparation for the Second Working Party meeting and bilateral negotiations. – <b>31 May 2005</b> 4. <b>COMPLETED.</b> - WTO Legislative Action Plan updated and submitted to the WTO Secretariat prior to the Second Working Party meeting. - <b>31 May 2005</b>		

	5. <b>INCOMPLETE.</b> - State Trading Questionnaires for all state trading enterprises completed and submitted to the WTO. – <b>31 May 2005</b> 6. <b>INCOMPLETE.</b> - Replies to WT/ACC4 follow-up questions/requests completed and submitted to the WTO Secretariat. – <b>31 May 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	The Second Working Party Meeting was held in Geneva in April. TFI assisted members of Tajik WTO accession negotiating team in preparing for the meeting, which included reviewing and revising the draft Factual Summary of Points Raised, consulting the members on the revised market access offers on goods and services and preparation of the revised legislative action plan. The Working Party members noted the progress made by Tajikistan since the first WP Meeting was a significant step towards accession. Also the updated WTO Legislative Action Pan was submitted to the WTO Secretariat during the Second Working Party Meeting. The State Trading Questionnaires objective was not applicable as the WTO never requested the questionnaires. The follow-up questions on the WT/ACC4 were only received in April at the last Working Party Meeting, and therefore will be included in TFI's work plan for the coming year.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 02</b>	<b>WTO-compliant customs legislation drafted and adopted</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Tajikistan's Customs legislation does not satisfy the requirements of the Revised Kyoto Convention and WTO Agreements. The adoption of the Customs Code and other customs legislation that is compliant with WTO requirements and Revised Kyoto Convention principles will be a foundation for implementation of internationally accepted customs practices and is essential for Tajikistan's WTO accession.</i>		
<b>Intermediate Objectives</b>	1. <b>COMPLETED.</b> - Regulations on IPR border measures drafted and submitted to the Government for approval. - <b>28 Feb 2005</b> 2. <b>COMPLETED.</b> - WTO compliant-Customs Code drafted and submitted to the Government for approval. – <b>28 Feb 2005</b> 3. <b>COMPLETED.</b> - WTO Customs Valuation Interpretative Notes prepared and submitted to the Government for approval. – <b>31 May 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	Tajikistan's new Customs Code was adopted into law on 1 January 2005. TFI reviewed the new Code and discovered that there were deficiencies in the Code's compliance with the Revised Kyoto Convention, but it was in compliance with most of the WTO Agreements. The Code will be submitted for review to the WTO Working Party in the coming contract year. TFI provided support in developing the draft regulations on Customs Valuation and IPR border measures which are key implementing regulations for the new Customs Code. TFI will continue to provide support review and comment process of these regulations in its new work plan.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 03</b>	<b>Complete steps required for TRIPS implementation</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Compliance with the requirements of the WTO Agreement on Trade Related Intellectual Property Rights (TRIPS) is one of the key conditions for acceding countries. Tajikistan's IPR laws and mechanisms do not meet minimal standards set by the WTO TRIPS Agreement. Therefore, Tajikistan must bring its IPR legislation into conformity with the TRIPS Agreement, which includes revision of existing laws and joining international conventions on IPR. The current status of Tajikistan's IPR legislation and practices is reported to the WTO in WT/ACC/9 – Information on implementation of TRIPS agreement.</i>		
<b>Intermediate Objectives</b>	1. <b>PARTIALLY COMPLETE.</b> - The Law on Trademarks and Service Marks drafted and adopted. – <b>31 May 2005</b> 2. <b>PARTIALLY COMPLETE.</b> - The Law On Geographical Indication drafted and adopted. – <b>31 May 2005</b> 3. <b>PARTIALLY COMPLETE.</b> - Accession to Rome Convention completed. – <b>31 May 2005</b> 4. <b>INCOMPLETE.</b> - Amendments to the Law for Copyright and Related Rights drafted and adopted. – <b>31 May 2005</b> 5. <b>INCOMPLETE.</b> - ACC/9 checklist updated and submitted to WTO Secretariat as necessary. – <b>31 May 2005</b> 6. <b>INCOMPLETE.</b> - ACC/9 follow-up questions replied to if necessary. – <b>31 May 2005</b>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	TFI has provided comments to the draft law on Trademarks and Service Marks and proposed to merge this law with the draft law on Geographical Indications. Officials at Tajik Patent Office agreed with the substantive comments made on the draft Trademark law but no action has been taken to merge the two laws, it is still being considered. TFI will continue to work on gaining approval of these recommendations. The draft regulation on joining the Rome Convention is going through the approval process within the Tajik Government. Generally, TFI feels that the regulation will be adopted in the next contract year. With regard to the Copyright law, TFI was not involved in the development of the current draft amendments nor were we provided with a copy of the amendments. However, informal comments we received on the amendments from WIPO indicate that the draft amendments need to be significantly reworked. TFI will continue to try to persuade the Tajik Copyright Agency to reconsider their draft and rewrite the amendments. The Tajik Government never received a request from the WTO for		



	ACC/9 revision. Should the request come in the next contract year, TFI will provide the necessary support to update it.		
No.	Objective	Start Date	End Date
<i>TJ WTO 04</i>	<b>Complete TBT and SPS implementation steps required for WTO accession</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Tajikistan's legislation and practices in the areas of standardization and sanitary and phytosanitary measures do not meet requirements set by the WTO's TBT and SPS Agreements, implementation of which is one of the key conditions for acceding countries. Achieving compliance with the TBT and SPS Agreements requires fundamental transition of Tajikistan's standardization system from mandatory standards to voluntary. The implementation of the latter will require the adoption of a WTO-compliant Law on Technical Regulations and establishment of the Information Inquiry Points required by the TBT and SPS Agreements. The current status of Tajikistan's legislation and practices in the area of standards and sanitary and phytosanitary measures is reported to the WTO in WT/ACC/8a and ACC/8b – information on TBT and SPS implementation.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Working group on the Law on Technical Regulations established - <b>30 Nov 2004</b></li> <li>2. <b>COMPLETED.</b> - TBT Inquiry Point established and WTO Working Party notified. -<b>30 Nov 2004</b></li> <li>3. <b>COMPLETED.</b> - SPS Inquiry Point established and WTO Working Party notified. – <b>31 May 2005</b></li> <li>4. <b>PARTIALLY COMPLETE.</b> - Law on Technical Regulations drafted and submitted to Parliament for approval. - <b>31 May 2005</b></li> <li>5. <b>INCOMPLETE.</b> - Code of Good Practice submitted to the Government for approval. – <b>31 May 2005</b></li> <li>6. <b>INCOMPLETE.</b> - ACC/8 checklist updated and submitted to WTO Secretariat as necessary. – <b>31 May 2005</b></li> <li>7. <b>INCOMPLETE.</b> - Membership in <i>Codex Alimentarius</i> completed. – <b>31 May 2005</b></li> </ol>		
<b>Status &amp; Comments</b>			
<i>June 2004 – May 2005</i>	The TBT and SPS Inquiry Points have been established within the WTO Information Center. TajikStandard does not have an English speaking person to field inquiries at this time and therefore the WTO Information Center has been serving as the TBT and SPS inquiry points as well. However, this location maybe temporary as the Government is still considering whether or not to establish these inquiry points at a separate location outside MET. A first draft of the law on technical regulations was prepared by TFI and submitted to the members of the working group for review. While the first draft was prepared and submitted in March the review process took longer than expected and should be completed in the next contract year. This delay also affected TajikStandard's acceptance of the Code of Good Practice. Adoption of the law on technical regulations is a more logical sequence to the acceptance of the Code of Good Practices as it creates conditions that would allow TajikStandard to accept and comply with the Code. TFI will continue to work toward achieving both of these goals in the next work plan. Membership in <i>Codex Alimentarius</i> was determined to be an optional membership and not an obligatory one for countries wishing to join the WTO. While TFI provided information on the <i>Codex Alimentarius</i> , the Tajik Government considered it a low priority and focused on other achievable objectives.		
No.	Objective	Start Date	End Date
<i>TJ WTO 05</i>	<b>Establish a WTO Information Center</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>A WTO Information Center will be an important tool for providing information from WTO to interested parties in governmental and non-governmental institutions. The Ministry of Economy and Trade of Tajikistan has established a WTO Unit with a full-time staff but must also set up a WTO Information Center for collecting, processing and disseminating relevant information to interested parties. The Information Center will also serve as the Government's Inquiry Point on GATS (General Agreement of Trade in Services).</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - WTO Information Center established and accessible to government officials from the other ministries and agencies as well as to non-governmental institutions, business community representatives and interested persons. – <b>30 Nov 2004</b></li> <li>2. <b>COMPLETED.</b> - Conduct round table discussion with Government officials to explain the roles and functions of the WTO Information Center. – <b>30 Nov 2004</b></li> <li>3. <b>COMPLETED.</b> - Equipment necessary to operate the WTO Information Center provided. – <b>30 Nov 2004</b></li> <li>4. <b>COMPLETED.</b> - Website for the Ministry of Economy and Trade created. – <b>30 Nov 2004</b></li> <li>5. <b>COMPLETED.</b> - Information Center personnel trained on on-line access to WTO and CD ROM Information resources. – <b>31 May 2005</b></li> <li>6. <b>COMPLETED.</b> - Information Center accepted as an official WTO/GATS Inquiry Point for Tajikistan and WTO Working Party notified. - <b>31 May 2005</b></li> </ol>		
<b>Status &amp; Comments</b>			
<i>June 2004 – May 2005</i>	In April, at the Second Working Party Meeting WTO member countries were officially notified of the WTO Information Center in Tajikistan.		

<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
No.	Objective	Start Date	End Date
<i>TJ MAS-Q 01</i>	<i>Steps taken by TajikStandard to bring their MAS-Q infrastructure and practices into compliance with international norms</i>	<i>1 Jun 04</i>	<i>31 May 05</i>
<i>Description</i>	<i>In addition to legislative changes, the transition to an internationally-recognized MAS-Q system will require certain institutional reforms.</i>		
<i>Intermediate Objectives</i>	<ol style="list-style-type: none"> <li><b>INCOMPLETE.</b> - Action plan and a time-table developed and agreed upon by TajikStandard for specific TajikStandard activities to be brought into conformity with international norms. – <b>31 May 2005</b></li> <li><b>COMPLETED.</b> - International third-party accreditation and certification bodies recognized and accepted by TajikStandard, including the ILAC and IAF. – <b>31 May 2005</b></li> <li><b>INCOMPLETE.</b> - ILAC and IAF requirements for accreditation of laboratories and certification bodies accepted by TajikStandard. – <b>31 May 2005</b></li> </ol>		
	<i>Status &amp; Comments</i>		
<i>June 2004 – May 2005</i>	While TFI worked throughout the contract year, reviewing TajikStandard documents and the practical implementation of standardization, certification, and accreditation TFI received very little cooperation from TajikStandard officials. Though they agreed to a few meetings, they were not interested in implementing any of TFI's recommendations. ILAC and IAF conditional memberships were achieved through TajikStandard's involvement in the regional MAS-Q CAC, and they did assist in the translation of documents of laboratory certification they have not yet accepted them officially but it is expected that they will by the end of 2005.		

<b>June 1, 2005 – May 31, 2006</b>			
<b>Reduction of Investment Constraints (RIC)</b>			
No.	Objective	Start Date	End Date
<i>TJ RIC 01</i>	<i>Simplification of Business Registration Procedures</i>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<i>Description</i>	<i>TFI provided recommendations on creating a “one-stop-shop” business registration process in Tajikistan. Through TFI support, a working group developed a draft Regulation “On Business Registration”. This Regulation, when adopted, will coordinate the activities of several government agencies involved in the registration process, thus reducing registration costs, time and the number of documents required. Limiting the number of officials with whom entrepreneurs have direct contact with will also help reduce corruption by reducing opportunities for unofficial payments.</i>		
<i>Intermediate Objectives</i>	<ul style="list-style-type: none"> <li>Draft (a) Presidential Decree directing the establishment of a “one-stop-shop” for business registration; (b) required amendments to the Law on Registration; (c) Government regulation on approval of the State Program on Measures for Simplifying Registration and Introduction of a “one-stop-shop” – <b>31 Aug 2005 - COMPLETED</b></li> <li>If the proposed normative acts are approved, conduct seminars with government and private sector representatives to disseminate information on the new procedures - <b>28 Feb 2006 - PARTIALLY COMPLETED</b></li> <li>Through a survey of at least 15 new registrants following implementation of new procedures, businesses indicate procedures have improved and the registration process conforms to the law – <b>31 May 2006 - INCOMPLETE</b></li> </ul>		
	<i>Status &amp; Comments</i>		
<i>June 2005 – May 2006</i>	TFI in conjunction with the working group on simplification of business registration, drafted multiple normative legal acts, including the Presidential Decree adjusting the establishment of a “one stop shop” for business registration, amendments to the Law “On State Registration of Legal Entities”, the Government Regulation “On approval of the State Program on Measures for Simplifying Registration and Introduction of a ‘one-stop-shop’” and submitted the drafts to the Ministry of Justice of the Republic of Tajikistan for consideration. In support of the drafts, a round table was conducted with members of working group and related ministries and state agencies, including representatives from international organizations and the private sector. The drafts remain under consideration by the Ministry of Justice.		

	<p>To promote and disseminate information regarding the drafts, a round table was held with members of the working group, other donors, and government representatives involved in the process.</p> <p>TFI, in conjunction with FIAS MIGA, drafted a budget on computerization of state bodies and conducted a video conference in order to interest international organization and donor companies to uphold this project.</p> <p>As the drafts are still under consideration, implementation was not possible. Future assistance may include implementation of improved procedures as well as computerization support.</p>		
No.	Objective	Start Date	End Date
<i>TJ RIC 02</i>	<b>Harmonization of Laws and Regulations with New Law “On Licensing”</b>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<b>Description</b>	<i>The Law On Licensing was drafted with TFI’s support and enacted on May 17, 2004. While this is the most important legal act, over 40 existing laws still require amendments to comply with the new law on licensing. Regulations to implement the Law on Licensing are still pending approval by the Government. Once approved, they will require continued monitoring to ensure full implementation.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Amendments to bring all non-conforming laws into compliance with the newly adopted Law On Licensing drafted and submitted to Parliament for approval – <b>31 Oct 2005 - COMPLETED</b></li> <li>• Public seminars held to educate the public and government officials on key features of the new licensing regulation and to ensure its full implementation – <b>30 Nov 2005 - COMPLETED</b></li> <li>• Monitor implementation of new licensing rules and if necessary work with counterparts to take corrective action – <b>31 May 2006 –COMPLETED</b></li> </ul>		
<b>Status &amp; Comments</b>			
<i>June 2005 – May 2006</i>	<p>The regulation on licensing of separate types of activities as promoted by TFI was approved by the Government. A package of 40 legal amendments was presented to the government to harmonize other laws with the Law “On Licensing”. To date, 23 changes have been adopted by Parliament and the remainder are pending adoption.</p> <p>Public seminars have been held in Dushanbe, Sogd and Khatlon with representatives from the government and the private sector to promote knowledge of new licensing provisions. Monitoring with private-sector counterparts indicates the changes are being effectively implemented.</p>		
No.	Objective	Start date	End date
<i>TJ RIC 03</i>	<b>Simplification of Procedures for Issuance of Seals and Stamps for Businesses</b>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<b>Description</b>	<i>A seal provided by the Ministry of Internal Affairs is required for opening bank accounts or signing contracts and is critical for conducting transactions, particularly with foreign businesses. Unfortunately, the Ministry of Internal Affairs is not authorized to provide stamps and seals to individual entrepreneurs. To address this deficiency TFI prepared a preliminary draft of an instruction to be passed by the MIA to modify the procedure and allow individual entrepreneurs to engage in foreign economic activity.</i>		
<b>Intermediate objectives</b>	<ul style="list-style-type: none"> <li>• The final draft of the new instruction for issuing seals and stamps completed and presented to the Ministry of Internal Affairs - <b>30 Sep 2005 - COMPLETED</b></li> <li>• New procedures published and distributed to government and businesses - <b>28 Feb 2006 - COMPLETED</b></li> <li>• Monitor implementation of the new instruction and if necessary work with counterparts to take corrective action – <b>31 May 2006 - COMPLETED</b></li> </ul>		
<b>Status &amp; Comments</b>			
<i>June 2005 – May 2006</i>	<p>The new Instruction “On the Order of Establishment of Stamps, Engraver Enterprises and Issues of Permission to Make Stamps and Seals” and the analysis of normative legal acts of the RT regulating the making of stamps and seals were developed by TFI and subsequently approved by the Minister of MIA for the Republic of Tajikistan.</p>		

	Following adoption, TFI facilitated the publication of 150 copies of the Instruction and organized meetings with government and businesses in Dushanbe, Khatlon and Sogd Oblasts to promote effective implementation. Monitoring with entrepreneurs and MIA indicate the changes are being effectively implemented.		
No.	Objective	Start Date	End Date
<i>TJ RIC 04</i>	<i>Establish and Promote Sustainable Public-Private Working Groups that Identify and Reduce Burdensome Regulations</i>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<b>Description</b>	<i>Many regulations adopted by local government bodies are ambiguous and often conflict with superior legislation. Through the establishment of public-private working groups that employ consultative practices proven successful elsewhere in Central Asia, businesses will be able to raise and advocate for the elimination of illegal and burdensome regulations while fostering constructive dialogue with regional government bodies.</i>		
<b>Intermediate objectives</b>	<ul style="list-style-type: none"> <li>• Establish at least 3 local working groups with entrepreneurs and local administrations, beginning in Khujand – <b>31 Jan 2006 - COMPLETED</b></li> <li>• Working groups are trained on the RIC methodology and how to properly conduct a Consultative Council – <b>31 Jan 2006 – COMPLETED</b></li> <li>• Surveys of participants indicate at least 2/3 of respondents find Working Groups effective in resolving issues of concern - <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<i>June 2005 – May 2006</i>	<p>In accordance with the work plan, TFI facilitated the establishment of three public-private working groups in Khujand, Khorog and Kurgan-Tube and trained participants on the RIC methodology and the Consultative Council process.</p> <p>The Tax Consultative Council was established with the support of the Tax Department of Sogd oblast with the goal of establishing a constructive dialogue between entrepreneurs and tax bodies. In addition to facilitating information exchange, including information about import-export operation and customs declaration procedures, the group promoted the adoption of a new list of technology machines which are free from VAT and customs duty. Based on recommendations the list of pharmaceutical products which free from VAT and customs duty was amended. The group also developed and presented to the Customs Department instructions for full implementation of the Customs Code.</p> <p>The TFI project in Sogd facilitated the establishment of a permanent group addressing issues related to land allocation and construction. As land reforms are promoted, the group provides a valuable mechanism for public involvement and implementation monitoring.</p> <p>Public-Private Working Groups under the Khukumat of GBAO was created and established in Khorog. Previously, no mechanism existed for dialogue and communication between the government and citizens was very limited. The group has begun a dialogue on business and trade development of Pamirs as well as encouraged the development of markets promoting and facilitating trade with Afghanistan.</p> <p>The training on the methodology for elimination of administrative barriers was conducted within the frameworks of multiplication program for members of the working groups in Sogd, members of GBAO Working Group and Dushanbe private sector.</p>		
<b>Trade Facilitation (TF)</b>			
No.	Objective	Start date	End date
<i>TJ TF 01</i>	<i>Promote the Sustainability of Customs Consultative Councils</i>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<b>Description</b>	<i>A critical factor in modern trade administration is the inclusion of all stakeholders in the development of trade policy and administrative procedures. Requiring customs administrators to consult with their “clientele” is a principle of the revised Kyoto Convention and has also been added, through TFI’s efforts, to the new Customs Code in Tajikistan. TFI established Customs Consultative Councils in Khujand and Dushanbe in the previous contract year but sustainability requires continued support from TFI and greater private-sector ownership of the forums.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Identification and training of private sector counterparts to coordinate Customs Consultative Councils in Khorog, Kurgan-tube and Khujand –<b>30 Nov 2005 - COMPLETED</b></li> </ul>		

	<ul style="list-style-type: none"> <li>Surveys of participants indicate at least 2/3 of respondents find Customs Consultative Councils effective in resolving issues of concern - <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>The study tour by government and private-sector representatives to the Kyrgyz Republic was conducted to build cross-border relationships and experience effective dialogue mechanisms. The series of meetings gave participants the opportunity to receive experience and new ideas regarding effective procedures for conducting Customs Consultative Councils and building relationships and dialogue. As a result of the study tour, TFI facilitated the creation of a formalizing instruction and further development of dialogue mechanisms in the Customs Code of Tajikistan.</p> <p>The Councils have focused on providing private-sector input regarding export-related VAT, tax and duty policy and developed recommendations submitted to and adopted by the Tax Department and other government agencies, including the development of lists of technical and medical equipment exempt from VAT and other import fees.</p> <p>Additional Customs Consultative Councils were established in Khatlon Oblast and GBAO, and the creation of another in Tursunzade is expected.</p> <p>The interview of participants of Council showed good result. Participants of Council noted that conducting of this kind of councils IAE give an opportunity to receive the information and develop recommendations regarding questions pertinent to majority of entrepreneurs of Sogd oblast.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ TF 02</b>	<b>International Trade Guide (ITG) of Tajikistan is Developed and Launched</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>One of the main constraints to trade in Central Asia is the dearth of accurate information on the obligations and rights that traders have in relation to import, export, transit and other processes. The development of an International Trade Guide (ITG) and the integrated on-line tariff for each country is intended to eliminate this constraint and also help each customs administration to provide more uniform (equal treatment of competing traders), consistent (over time, and from office to office) and equitable (fair application and enforcement of level playing field) administration of trade legislation.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>Test version of the ITG completed – <b>28 Feb 2006 - COMPLETED</b></li> <li>Final version approved and launched – <b>31 Mar 2006 - COMPLETED</b></li> <li>Public Information Sessions on the ITG held – <b>31 Mar 2006 - COMPLETED</b></li> <li>Monitor usage and, if feasible, survey users to determine overall usefulness of the site and its content – <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>The draft of the ITG test version was compiled by the working group that includes representatives from the private sector, the Customs Service and transporters.</p> <p>The final version of the ITG was approved and launched in Russian and English languages and is posted on the unified ITG website (<a href="http://www.ca-trade.com">http://www.ca-trade.com</a>).</p> <p>Customs has agreed with a private company to develop and past updated information to ensure the website remains current and accurate.</p>		
<b>World Trade Organization (WTO)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 01</b>	<b>Progress Toward WTO Accession Achieved through Technical Support and Training</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>The Tajik Government successfully completed the first two WTO Working Party Meetings and made significant progress in bringing its legislation into WTO compliance. While Tajikistan's target date for achieving WTO membership is within the next two or three years, it is important to continue the progress made thus far and assist in ensuring that the required documentation is properly submitted. It is anticipated that the 3rd Working Party Meeting will be held in early 2006.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>Customs Code is translated and submitted to the WTO Secretariat – <b>31 Dec 2005 - COMPLETED</b></li> <li>Replies to questions from WTO Working Party members are prepared and submitted as needed – <b>31 Dec 2005 - COMPLETED</b></li> </ul>		

	<ul style="list-style-type: none"> <li>• WT/ACC4 document updated and submitted to the WTO Secretariat – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Replies to WT/ACC4 follow-up questions/requests completed and submitted to the WTO Secretariat – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Comments and revisions to the Factual Summary of Points Raised prepared – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Responses to WTO Working Party Members’ questions on market access to goods reviewed and answers provided – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Responses to WTO Working Party Members’ questions on market access to services reviewed and answers provided – <b>31 Dec 2005 - COMPLETED</b></li> <li>• WTO Legislative Action Plan updated and submitted to the WTO Secretariat prior to the 3rd Working Party Meeting – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Technical support and advice provided in preparation for the 3rd Meeting of the Working Party and bilateral negotiations – <b>28 Feb 06 - COMPLETED</b></li> <li>• Trainings on WTO agreements provided as needed - <b>COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>TFI translated the new Customs Code and provided it to the Ministry of Economy and Trade. The Code was submitted to the WTO Secretariat.</p> <p>Assistance was provided in preparing replies to questions posed by the United States, European Commission and Australia. All replies were submitted to the WTO Secretariat.</p> <p>Assisted the Ministry of Finance, Ministry of Agriculture and Ministry of Economy and Trade representatives in preparing an updated version of the ACC4 document as well as in preparing answers to ACC4 related questions. The revised ACC4 and answers to questions were submitted to the WTO Secretariat.</p> <p>Assisted Ministry of Economy and Trade in review and comment of the Draft Factual Summary. The document has been distributed for comments among the ministries and agencies.</p> <p>Offers on market access on goods and on services were revised taking into account comments and requests made by the WTO Working Party members and submitted to the WTO Secretariat.</p> <p>The Legislative Action Plan was revised and submitted to the WTO Secretariat.</p> <p>Technical advice and consultations were provided in preparation for the third Meeting of the Working Party and multilateral negotiations on Agriculture. Prepared a policy paper on Tajik Universal Commodity Exchange practices’ compliance with WTO requirements and submitted it the USAID/Dushanbe and the Ministry of Economy and Trade for further actions to bring it into compliance.</p> <p>Training was provided on WTO Agreement on Agriculture and on preparation of Agriculture domestic support and export subsidy tables. Conducted a seminar-briefing on the issues of the Doha Round of the negotiations for the government officials as part of the preparations for the Hong Kong Ministerial Conference. Supported participation of the Tajik government delegate at the Ministerial Conference and provided technical advice and support during the conference.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 02</b>	<b>Secondary Customs Legislation Drafted, Adopted and Implemented</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<i>Tajikistan’s new Customs Code was enacted and entered into force on January 1, 2005. After thorough TFI analysis, it was determined that the Customs Code is not fully compliant with the Revised Kyoto Convention but meets most of the WTO Agreements’ requirements. TFI is now involved with Tajik authorities in the development of the regulations (by-laws) pursuant to the new Code. In this regard, we are continuing our efforts to improve transparency in customs administration in Tajikistan and to introduce measures to facilitate trade.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Regulations on IPR border measures approved by the Government – <b>31 Oct 2005 – PARTIALLY COMPLETED</b></li> <li>• WTO Customs Valuation Interpretative Notes submitted for approval to the Government – <b>31 Oct 2005 - COMPLETED</b></li> <li>• Regulations establishing cost-based customs fees developed and submitted to be adopted – <b>31 Oct 2005 - INCOMPLETE</b></li> </ul>		

	<ul style="list-style-type: none"> <li>Monitor implementation through Customs Consultative Councils and, if necessary, work with counterparts to take corrective action – <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>Assisted in drafting the Regulation on IPR border measures which was adopted by the Ministry of Revenues and now pending registration/approval by the Ministry of Justice.</p> <p>Regulation containing Customs Valuation Interpretative Notes was drafted with TFI assistance and submitted to the Ministry of Revenues for approval.</p> <p>Regulation establishing customs fees for clearance was enacted but is not in full compliance with the WTO requirements. The Ministry of Revenue wants to postpone revision of the fees until the last moment in the accession process to minimize loss of revenue.</p> <p>Nine meetings of the Customs Consultative Councils were conducted in various regions of Tajikistan where issues of implementation of customs legislation were discussed. TFI and the USAID Law Commercial Project conducted training seminars in Dushanbe, Khatlon and Sogd discussing and promoting implementation of customs legislation.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>TJ WTO 03</b>	<b>Complete Steps Required for TRIPS Implementation</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<p><i>Compliance with the requirements of the WTO Agreement on Trade Related Intellectual Property Rights (TRIPS) is one of the key conditions for acceding countries. Tajikistan's IPR laws and mechanisms do not meet minimal standards set by the WTO TRIPS Agreement. Therefore, Tajikistan is continuing to bring its IPR legislation into conformity with the TRIPS Agreement, which includes revision of existing laws and joining international conventions on IPR.</i></p>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>Draft regulations on patent duties and duties levied for trademark registration drafted and enacted – <b>31 Dec 2005 – PARTIALLY COMPLETE</b></li> <li>Accession to the Rome Convention completed – <b>31 Dec 2005 - COMPLETED</b></li> <li>The Law on Trademarks and Service Marks drafted and submitted for Government approval – <b>31 Jan 2006 - COMPLETED</b></li> <li>The Law On Geographical Indication drafted and submitted for Government approval – <b>31 Jan 2006 - COMPLETED</b></li> <li>IPR enforcement provisions are drafted and introduced in relevant legislation – <b>28 Feb 2006 – PARTIALLY COMPLETE</b></li> <li>Amendments to the Copyright Law and Related Rights drafted and submitted for Government approval – <b>28 Feb 2006 - COMPLETED</b></li> <li>The Law on Topology of Integrated Circuits drafted and submitted for Government approval – <b>31 May 2006 - COMPLETED</b></li> <li>Should any of these acts be adopted in a WTO-compliant form, conduct trainings for government and business in proper implementation – <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>Draft Regulations on Patent Duties were found not to be in conformity with the National Treatment requirements of the WTO. Adoption of a new regulation establishing equal fees for foreign and domestic applicants was postponed until adoption of the new Law On Other Payments to the State Budget.</p> <p>Accession to Rome Convention has passed approval from the Parliament and pending submission of the instrument of ratification.</p> <p>The Law on Trademarks and Service Marks, the Law On Geographical Indication, and the Law on Topology of Integrated Circuits have been drafted by the National Patent Center. TFI provided comments and recommendations which were accepted by the Patent Center and included in their latest version. The draft Laws were submitted to the Government for approval.</p> <p>Provisions on destruction are included in the draft amendments to the Trademarks and Service Marks Law. The draft law On Geographical Indications also contains enforcement provisions. Amendments to the Civil Procedure Code, Economic Procedure Code and Criminal Procedure Code envisage temporary measures as required by TRIPs. These draft laws are submitted to the Government and are planned to be enacted in 2007.</p>		

	Amendments to the Copyright and Neighboring Rights Law were enacted and following its adoption a seminar was conducted on implementation and enforcement of TRIPs, other international agreements and Tajik legislation.		
No.	Objective	Start Date	End Date
<i>TJ WTO 04</i>	<b>Complete TBT and SPS Implementation Steps Required for WTO Accession</b>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<b>Description</b>	<i>With TFI's assistance, the Tajik Government has made some progress in TBT and SPS compliance. For example, the WTO Information Center is serving as the interim TBT and SPS Inquiry Point and a first draft law on technical regulations was prepared and submitted to the members of the working group for review. However, much more needs to be done. TFI will continue to support the Tajik Government in its WTO accession efforts and help ensure that the work done thus far will not be negated.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>WTO-compliant law on Technical Regulations drafted and submitted to Parliament for approval - <b>30 Apr 2006 –COMPLETED</b></li> <li>Permanent TBT and SPS Inquiry Point established and WTO Working Party notified – <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<i>June 2005 – May 2006</i>	TFI supported the drafting and review process of the law on technical regulating in Tajikistan. Trainings were provided to the government working group for drafting of the law. In addition, technical advice and consultations were provided in drafting and reviewing of the law by the Working group as well as during the review and comment process among various ministries and agencies. At this point, the Ministry of Economy and Trade has received all comments by the relevant ministries and agencies and shall submit it to the Cabinet of Ministers. The draft law was also submitted to the WTO Working Party for review and comments. Consistent with TFI recommendations, submission to Parliament is expected in the near future with only minor changes anticipated.  The draft Law On Technical Regulation provides for setting up of TBT and SPS Enquiry Point.		
No.	Objective	Start Date	End Date
<i>TJ WTO 05</i>	<b>Implement the WTO Legislative Action Plan</b>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<b>Description</b>	<i>WTO legislative compliance is a pre-requisite for the WTO membership. Tajikistan has submitted to the WTO its updated Legislative Action Plan listing legislation it intends to revise or adopt for the purpose of bringing them into compliance with the requirements of WTO agreements. A number of legislative acts were adopted and remaining acts are being drafted. TFI will focus on the specific items of the Action Plan where target dates for adoption before May 31 were set by the Tajik Government. Depending on the plans of the Government, the work plan could be revised to add new legislation.</i>		
	<ul style="list-style-type: none"> <li>New regulations eliminating restrictions on export and import of precious metals and stones drafted, enacted, and submitted to the WTO Secretariat – <b>31 Dec 2005 - INCOMPLETE</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<i>June 2005 – May 2006</i>	Drafting and adoption of the new regulation on export and import of precious metals and stones was deferred by the Government, therefore, drafting and submission of the regulation was postponed.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
No.	Objective	Start Date	End Date
<i>TJ MAS-Q 01</i>	<b>Illegal, Unjustified and Non-WTO-compliant Practices in Standardization, Certification and Accreditation Eliminated</b>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<b>Description</b>	TFI conducted a full review of the legal acts and practices of TajikStandard in the areas of standardization, certification and accreditation and found that some of them contradict international practice and, in some cases, violate Tajik legislation. The practices are regularly cited by businesses as some of the most intrusive and costly, not to mention unnecessary as they duplicate other forms of regulation. TFI plans, therefore, to work closely with USAID and other donor organizations, in addition to TajikStandard, to encourage reforms that will have an immediate and positive impact on local businesses.		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>Prepare and present analysis of certification system to the Tajik Government, USAID, and other donor organizations involved in SME and trade development - <b>31 Jul 2005 - COMPLETED</b></li> <li>Prepare a package of recommendations for approval by the Government that address, at a minimum, the legalization, registration and publication of</li> </ul>		



	<p>TajikStandard fees; the exclusion of all services from the List of Goods and Services Subject to Mandatory Certification; reduction in the number of goods subject to mandatory certification; and the legalization, registration and publication of the List of Goods and Services Subject to Mandatory Certification – <b>31 Oct 2005 - COMPLETED</b></p> <ul style="list-style-type: none"> <li>• If these recommendations are approved, conduct a series of seminars to disseminate information to promote full implementation – <b>28 Feb 2006 - INCOMPLETE</b></li> <li>• Survey EDP clients and other counterparts to monitor implementation and, as necessary, work with counterparts to take corrective action – <b>31 May 2006 - INCOMPLETE</b></li> </ul>
<b><i>Status &amp; Comments</i></b>	
<b><i>June 2005 – May 2006</i></b>	<p>Analysis of the system of certification in the RT was prepared for submission to USAID, Government and other donor organizations. TFI consistently raised the importance of reform of the certification system with counterparts and supported comments made by Ambassador Hoagland in March 2006 calling for effective implementation of improvements and greater transparency.</p> <p>TajikStandard developed a new List of goods and services subject to mandatory certification that has been distributed among ministers and agencies for their review and approval by the Government. TFI provided assistance in the development of the analysis and conclusion on the list with the Ministry of Justice. Currently, list is undergoing revisions and further development based on comments.</p> <p>TFI prepared recommendations and presented them to Government agencies and other donor organizations for continuation of reforms of the GOST system. The recommendations have been accepted by FIAS-MIGA, who has incorporated them in the Tajik Government’s Action Plan on Climate Reform.</p>

Attachment F: Tajikistan Constraint Reduction Tables (2003 – 2006)

Tajikistan					
Constraint Reductions					
2003 – 2004					
#	City / Project	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
1	<b>Khujand - Local Revenue Tax Reduced</b>  Date: Dec 2003	Local revenue tax in Khujand was 4%, which was burdensome for entrepreneurs and redundant with the national value-added tax.	TFI prepared analysis of economic benefit and submitted recommendations to the Economic department of Khujand Khukumat to reduce or eliminate local revenue tax in Khujand	<b>\$2,520,000</b> is the potential annual savings from this constraint reduction.  As a result, the Parliament issued a Decree that stipulated that local revenue tax in the city of Khujand be 1% (food) and 2% (non-food), except for Panjshanbe market traders, where it remained the same in an effort to reduce overcrowding at the main bazaar. According to information from the government, in 2003, \$3,360,000 was collected from the tax. The decrease will result in a savings to entrepreneurs no longer required to pay the tax of up to \$2,520,000 annually.	<b>8/8</b>
2	<b>Khujand - Business Registration</b>  Date: Sep 2003	The only place to get information regarding registration was the Ministry of Justice Office in Khujand and procedures were not clearly published.  Entrepreneurs were required to make several trips at from neighboring areas.  Businesspeople outside of Khujand incurred significant expense in traveling to Khujand from their respective homes.	Recommendations were presented to formalize the business registration procedure and regulations and publish them on information boards installed at the Hukumats of Isfara, Istaravshan and Penjikent, as well as the Ministry of Justice office in Khujand. The boards set out the registration procedure in detail in order to provide businesspeople with the proper information in regions other than Khujand.	<b>\$16,500</b> is the potential annual savings from this constraint reduction.  The recommendation was accepted, the process was mapped, relevant legislation was compiled and the final guides were published at government offices in Khujand and neighboring areas. As a result, over 300 entrepreneurs save up to \$16,500 since they no longer have to make repeated trips to Khujand to obtain information regarding the registration procedures and required documents.	<b>21/21</b>
3	<b>Dushanbe - Adoption of Business Licensing Law</b>	The time periods for obtaining licenses are unnecessarily long.  List of the activities subject to licensing is too long.	TFI worked with the GOT Working Group on the draft licensing Law and made recommendations to: Reduce the time period of considering applications on 12 different licenses;	The Law on Licensing of Certain Types of Activities was enacted on May 17, 2004, which establishes that:  <b>12 types of licenses are issued in a shorter period of time.</b> Most within a maximum of 30 days and shorter	<b>10/15</b>

Tajikistan					
Constraint Reductions					
2003 – 2004					
#	City / Project	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
	Date: May 2004	<p>High cost of obtaining licenses.</p> <p>Terms of validity of licenses is too short</p>	<p>Eliminate licensing for certain types of activities;</p> <p>Reduce and establish single fee for issuance of the licenses;</p> <p>Increase terms of validity of licenses.</p>	<p>periods may be established by individual agencies;</p> <p>As a result of reduction of the legally established maximum periods for issuing licenses, total time saved by applicants account for <b>3036</b> month per year. (Reduced time multiplied by number of licenses issued in 2002). Note: total time saved would increase. Due to the lack of information, calculations are yet to be done for certain licenses.</p> <p><b>9 types of licenses and permits will no longer be required;</b></p> <p><b>\$50.00 and 20 month</b> saved by entrepreneurs by elimination of one type of license. Note: Calculations for the rest of eliminated licenses (8) postponed due to the lack of information on a number of licenses issued and their costs.</p> <p><b>23 licenses cost less;</b></p> <p>As a result of reduction of the fees, total amount of direct costs saved by applicants account for <b>\$1,313,001</b> per year. (Reduced fees multiplied by number of licenses issued in 2002). Note: total time saved would increase. Due to the lack of information, calculations are yet to be done for certain types of licenses.</p> <p><b>24 licenses are valid for longer periods reducing the cost for license renewal from annually to every five years;</b></p> <p>Term of validity of licenses is minimum 5 years and in limited cases - minimum of 3 years;</p> <p>Increase in the terms of validity affects frequency of applying for licenses and saves direct costs for</p>	

Tajikistan					
Constraint Reductions					
2003 – 2004					
#	City / Project	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
				entrepreneurs in a total amount of <b>\$603,031</b> per year. Amount of total time saved by entrepreneurs is <b>13,758</b> month per year (amount of time saved by each applicant per year multiplied by a number of licenses issued in 2002). Note: total costs and time saved would increase. Due to the lack of information, calculations are yet to be done for certain types of licenses.	

Tajikistan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
1	<i>Khujand - Customs Consultative Council Established in Khujand (PP)</i> Date: Aug 2004	Due to a lack of transparency, lack of information on the customs regulations, and lack of communication between customs and businesses, traders were having difficulty complying with customs rules and were subject to a great deal of corruption in the form of unofficial payments.  (Increased transparency – 1)	Although the decision to establish the CC was made in 2001, it was never implemented. TFI worked with the Customs Officials and traders in Khujand to gain support for establishing business-customs consultative councils.	The first consultative council was established in Khujand and had the first meeting on August 19, 2004.	For the first time, open dialogue was held between Customs Officials and those most affected by their policies – traders. CCCs improve transparency through private sector participation in development of the customs policy. Councils will identify trade constraints and work cooperatively towards reducing or eliminating those constraints. The Secretariat of the Khujand Council was established and will now meet on a quarterly basis.	<b>12/12</b>
2	<i>Sogd - Removing an administrative barrier in the Sogd oblast Registration process</i> Date: Sep 2004	The Department of Internal Affairs required entrepreneurs to present certificates from Hukumat before issuing permission to make seals and /or stamps. Businesses spent 2 - 7 days acquiring this certification.  (Increased transparency, reduced cost, reduced	TFI and representatives of the Sogd Department of Internal Affairs convinced the Head of the Department to remove barrier and instructed all territorial agencies	Starting in September territorial agencies of Internal Affairs removed the Hukumat certification requirement from the process.	<b>\$12,000</b> is the potential annual savings from this constraint reduction.  Elimination of administrative barrier for entrepreneurs will discourage corruption in the registration process, and decrease	<b>10/10</b>

Tajikistan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		time – 3)	of the Department of Internal Affairs of Sogd oblast to do the same.		unnecessary time costs related to the extra process step. Entrepreneur will save 2 -7 days in opportunity costs, 7 USD each for documentation copies, and 5 USD each in informal payments to speed up the process. Annually round 500 enterprises are registered and 580-600 enterprises are reregistered in Sogd Oblast 1000 * \$12 = \$12,000 USD	
3	<b>Dushanbe - Business Registration Application Redesigned</b>  Date: Oct 2004	Entrepreneurs had to fill out several forms at the MoJ's department of legal entities registration for registration, reregistration and registration of branch offices and representatives of the legal entity making the process time consuming and complicated.  (Increased transparency, reduced cost, reduced time – 3)	TFI introduced a single – page application form for each function.	The new forms were introduced in April 2004. The less complicated and cumbersome forms make it much easier for applicants to submit the forms and for department employees to process applications. The new forms promote clarity and consistency in the application process and reduce the opportunity for solicitation of unofficial payments. Also it eradicates delays related to mistakes made by applicants in filling out the forms	Daily applications increased from 4.3 to 5.8. Daily issuance of certificates increased from 3.3 to 4.95. The period of legal examination decreased from 10 days to 3 days. Less time is spent by employees checking for document inconsistencies or applicant errors and has reduced the process time to between 2 to 4 days.	<b>12/12</b>
4	<b>Sogd - Simplification of Sogd Statistics Department's registration process</b>  Date: Oct 2004	The Sogd Statistics Department issued informational cards but not registration cards to individual entrepreneurs. Entrepreneurs had to apply to Rayon and town Statistics Departments to obtain registration cards which took a lot of time and opportunity costs for entrepreneurs.	TFI recommended that the Central Statistics Agency coordinate with the Sogd Statistics Department to remove the practice.	The Statistics Department of Sogd Oblast started to issue informational cards and registration card simultaneously.	<b>\$35,500</b> is the potential annual savings from this constraint reduction.  Entrepreneurs have shortened the time spent on obtaining registration cards increasing their opportunity to conduct business.	<b>8/10</b>

Tajikistan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		(Increased transparency, reduced cost, reduced time – 3)			Entrepreneur's traveling from Isfara to Khujand spent 40 USD for the journey, or 35 USD to get from Istaravshan to Khujand register with Oblast's Department of Statistics. Last year, approximately 500 entrepreneurs registered and 580-600 enterprises are currently reregistered in Sogd Oblast $1000 * 35 = 35,500$ USD in travel costs saved	
5	<b>Khujand</b> - <i>Registration of the Union of pharmaceutical commercial organizations (PP)</i>  Date: Oct 2004	The Union of Commercial Pharmaceutical Organizations, experienced problems while trying to register their association due to the lack of information about the process, which resulted in the loss of time and money. Governmental officials delayed the review of applications and documents, in order to solicit unofficial payments for faster processing. Consequently, entrepreneurs had to go through one step in the process several times and the preparation of necessary registration documents took 4 and a half months.  (Increased transparency, reduced cost, reduced time – 3)	TFI provided a legal analysis of the Union (Association) registration procedure and informed the Union of the necessary registration procedures. TFI recommended that the Department of Justice of SO update the information board to include a list of materials necessary for registration, a detailed map of the registration process of Unions (Associations), and a description of the registration procedure in layman's terms.	Implementing TFI recommendations, the Union of pharmaceutical commercial organizations was registered October 1, 2004 and received a Certificate of state registration.	TFI's assistance resulted in the avoidance of further delays and bribes to expedite the process. Also, information regarding registration procedures will be readily available for other Associations registering in the future, which will reduce delays and the requests for bribes.	<b>9/10</b>
6	<b>Sogd</b> - <i>Reduction of administrative barrier for pharmaceutical licensing in Sogd oblast</i>	While monitoring the May 2004 law on licensing, TFI discovered the branch office of State scientific center of medicine expertise (SSCME) of Sogd oblast was not in compliance with the new law on issuing licenses for pharmaceutical activity.	TFI made recommendations to the antimonopoly agency for SSCME compliance with the new law.	TFI's recommendations were accepted and the Sogd Oblast SSCME resumed issuing licensing activity in compliance with the new law in October 2004.	<b>\$4,958</b> is the potential annual savings from this constraint reduction.  Pharmaceutical entrepreneurs were able to obtain licenses and	<b>5/10</b>

<b>Tajikistan</b>						
<b>Constraint Reductions</b>						
<b>2004 - 2005</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
	Date: Oct 2004	Therefore the entrepreneurs of Sogd oblast could not get licenses to continue their activity.  (Increased transparency, reduced cost, reduced time – 3)			resume their business activities.  128 pharmaceutical organizations that have in total 258 trading points could be fined of 15-17 USD for not having Licenses 128 * 16 = <b>\$2,048</b> .  Travel costs for individual entrepreneurs to SCDE are saved at a 97 * \$30 = <b>\$2,910</b>	
7	<b>Dushanbe - Creation of Customs Consultative Council (PP)</b>  Date: Nov 2004	Modern economic development and increased foreign economic investments require private-sector participation in the development of trade policy, open and constructive cooperation the Government and private business to improve and simplify customs administration. Providing consultations to business representatives with regard to customs issues is one of the principles of Revised Kyoto Convention and is stipulated by the Customs Code.  (Increased transparency - 1)	TFI recommended establishing a Customs Consultative Council to the Dushanbe Customs Administration to address foreign economic activity issues.	The Council was created and the first meeting took place in November 2004. During the first Council comprised of 16 business representatives and 9 customs officials. A schedule of meetings was developed in which Councils are held once per quarter and alternately organized and facilitated by business representatives and Customs.	Creation of CC will facilitate constructive dialog between the customs body and business and will lead to joint problem solving with regard to customs administration of foreign economic activity	<b>N/A</b>
8	<b>Sogd - Removal of illegal licensing barrier for cars</b>  Date: Jan 2005	When the licensing law was implemented in May 2004, it canceled licensing requirements for vehicles with a 1.5 ton carrying capacity. However, TFI discovered that licenses were in fact still being issued for these vehicles after the law came into effect.  (Reduced cost, reduced time – 2)	TFI Khujand sent recommendations to the Anti-monopoly Agency on December 12, 2004 in order to eliminate the illegal licenses.	All subdivisions of the Transport Inspection Office of Sogd oblast stopped practice of illegal licensing.	<b>\$17,344</b> potential annual savings from this constraint reduction.  Based on data from the government, it is estimated that 1,084 car owners register their vehicles annually. 1084 x \$16 = savings of \$17,344.	<b>13/13</b>
9	<b>Khujand - Reduction of retail turnover tax on</b>	The retail turnover tax, according to the tax code, and established by the Local Hukumat with approval of People's Deputies of Khujand city was set at 3% per transaction.	TFI and the Association of Commercial Pharmaceutical	The People's Deputies of Khujand accepted the recommendations and issued convocation #182 on	<b>\$38,289</b> potential annual savings from this constraint reduction.  Approximately each of the 97	<b>12/12</b>

Tajikistan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<i>pharmaceuticals and medicines (PP)</i> Date: Jan 2005	This maximum rate was burdensome to entrepreneurs in the medical pharmaceutical sector, as sales in this area are comparatively expensive and a carry a low profit margin.  (Reduced cost – 1)	Organizations recommended to the People’s Deputies of Khujand City to decrease the retail turnover tax from 3% to 1% for entrepreneurs engaged in the trade of medicines and operation of drug stores.	December 23, 2004 entitled “About establishment of local taxes in Khujand and approval of instruction about local taxes” implementing a fixed retail turnover tax rate of 1%.	drug store operating in the Khujand city can save 100 Somoni monthly on average, making the potential savings 9,700 somoni (3,190 USD)a month or 116,400 somoni (38,289 USD) per year.	
10	<i>Sogd - Removal of illegal Certification of vehicles by Sogd Oblast Transport Inspection</i> Date: Feb 2005	JS “Sorbon” a transportation company was issuing Vehicle Quality Certificates jointly with a representative of Transport Inspection of city and rayon representative departments of Transport Inspection. The Transport Inspection Agency was charging 2-3 dollars per entrepreneur for the certificate. The Certificate took and 1-2 days to issue. In case of Negative decision and not getting the Certificate an entrepreneur cannot get the license for transportation activity.  (Increased transparency, reduced cost - 2)	TFI addressed the illegal inspections and certificates to the Sogd Oblast Department of Transport Inspection. The Inspection Department organized a general meeting of its representatives from all sub-departments in Sogd Oblast and ordered them to stop issuing Certificates. After this official action, TFI met with the Director of JS Sorbon and provided him with the Transport Inspection Department’s letter.	Sogd Oblast Transport Inspection responded by officially canceling the practice of joint issuing of the Vehicle Quality Certificate.	<b>\$187,500</b> potential annual savings from this constraint reduction.  There are 15,000 vehicles that were Certified in Sogd Oblast in 5 months, from September 2004 to January 2005. As a result of the removal of this Certificate, vehicle owners save 2-3 USD per quarter and 1-2 days. On average, each entrepreneur earns 10 USD per day. Therefore the approximate savings through the removal of this constraint 2.5 USD x 15,000 vehicle owners =37,500 USD in unofficial payments per quarter. 10 USD per day of opportunity costs x 15,000=15,000 USD 15,000+ 37,500=187,500 USD saved for entrepreneurs.	<b>11/11</b>
11	<i>Sogd - Development of landsite acquisition and building process maps and</i>	Procedures for obtaining Land Use Certificates for building farms is complicated and a large number of legal and normative acts regulate this activity. The reorganization of collective farms (kolkhoz) into Dekhan farms has been extremely slow and lack of	TFI consultants in Sogd Oblast analyzed the land legislation and held focus groups in order to draw up procedures for getting	1. Process maps (legal and as is) were presented to ACTED and MEDA – organizations working in Sogd Oblast on agri-sector development by assisting	By clarifying the process, entrepreneurs should avoid unnecessary delays understanding the process and the maps should assist future efforts to improve the process.	<b>N/A</b>



<b>Tajikistan</b>						
<b>Constraint Reductions</b>						
<b>2004 - 2005</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
	<i>drafting Land Right Certificate</i>  Date: Mar 2005	information or in some cases misinformation on the Land Certification steps makes the process long and burdensome for businesses and farmers. There are cases in which obtain Land Certificates took up to 3 years and cost several thousand dollars.  (Increased transparency, reduced cost, reduced time – 3)	the Certificate. TFI developed “as is” and “legal” process maps which demonstrate the steps in the Certification process and analyzed the final version of the legislation and made recommendations to improve land regulatory system.	framers in acquiring land and creating private farms. 2. In cooperation with another USAID-funded project implemented by ARD, TFI provided its analysis and process maps as well as recommendations in improvement of the land legislation of RT to the project.		
12	<b>Sogd - Creation of Tax Consultative Council in Khujand (PP)</b>  Date: May 2005	On January 1, 2005 the new Tax Code was implanted in Tajikistan. However, application of Code’s regulations and requirements remained a mystery to entrepreneurs unfamiliar with the new Code. Assistance was needed in helping them to understand the new rules and requirements and to provide them with an opportunity to provide comments on Tax Code. Limited knowledge of the new law and its requirements were hindering entrepreneurs’ ability to comply with it and putting them at greater risk for corruption by officials.  There are 16, 400 individual entrepreneurs in Sogd Oblast subject to the new law. Association research of entrepreneurs in the Panjshanbe market revealed many legislation violations in the enforcement of the new Tax Code.  (Increased transparency, reduce costs – 2)	TFI and the Sogd Association of Entrepreneurs recommended the establishment of a Tax Consultative Council to the Tax Department of Sogd Oblast.	On May 10, 2005 official approval from the Tax Department Chairman was given to create Tax Consultative Council. The first meeting of the Working group of the Tax Consultative Council was organized, with participation of Tax Department representatives, business associations and local Hukumats and held on May 20, 2005. The Council decided to invite Mass Media to sessions to fully and objectively publicize its results. They also decided increase the number of participants.	Entrepreneurs were averaging \$20 per month in unofficial payments (or \$240 per year). While no data has yet been gathered as to the benefit of this Council to entrepreneurs, it is quite possible to reduce official expenses related to Tax Code compliance by 50% and eliminate unofficial payments.	<b>12/12</b>
13	<b>Dushanbe - Development of new Customs</b>	The previous Customs Code did not comply with WTO Agreements and Revised Kyoto Convention.	TFI provided technical assistance in re-writing the Customs Code to	The new Code came into effect on January 1, 2005. The majority of TFI’s	New Customs Code, while mainly compliant with WTO Agreements and Revised Kyoto Convention on	<b>14/14</b>

Tajikistan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<i>Code in Dushanbe</i> Date: June 2004	(Increased transparency – 1)	make it compliant with WTO Agreements and Kyoto Convention Principles.	recommendations was adopted and are reflected in the new Code however, the Tajik Government chose to keep aspects of the Russian Customs Code, instead of taking TFI's advice which do not make it entirely compliant with Kyoto Convention Principles.	Simplification and Harmonization of customs procedures, will be submitted to the WTO Secretariat at the next Working Party Meeting for review.	
14	<i>Nijniy Pyandj - Development and Creation of a Customs Information Board</i> Date: May 2005	TFI analyzed trade links between Tajikistan and Afghanistan and discovered the main constraint to trade between the two countries lack of information about basic legal regulations concerning trade activity such as customs procedures, customs and border control, migration, obtaining visas, transportation of goods and so forth.  (Increased transparency, reduced cost, reduced time – 3)	In order to eliminate the constraint TFI created an information board, which includes the information on all Customs border crossing procedures in both Dari and Russian.	In June 2005 Information board was set at Nijniy Pyandj, customs check point at the border with Afghanistan	The Information board will help Afghan entrepreneurs to be aware of normative acts and procedures of customs administration, customs payments and other procedures when implementing trade between these two countries. It will save time and money of the entrepreneurs.	7/7
15	<i>Khujand - Registration of the individual entrepreneur working with Certificate (PP)</i> Date: Jan 2005	The Decree of the Government "About the Order of Issuing of Patents and Certificates for Individual Enterprise Activity of Physical Bodies" № 140, enacted 1 <sup>st</sup> May 2004, which decreased number of kinds of activities under Patent from 110 to 49. Now 7.000 businessmen who worked under the Patent earlier should work on the basis of the Certificate. Also, the Decree requires advance payment after the first quarter of activity under the Certificate. Tax bodies are collecting 300 somoni (100 USD) from entrepreneurs who take Certificates as advance payment at the moment of registration, violating requirements of the Decree.	USAID TFI assisted the Association of Entrepreneurs of Sogd Oblast and the Association of Businessmen of Panjshambe Market in preparing recommendations to the Agency on Antimonopoly Policy to eliminate the requirement of collecting a 300 Somoni advance payment against future	The Chairman of the Tax Department of Sogd Oblast authorized an expert to work with TFI to investigate the requirement and determine whether it violates the law. The Tax body in Sogd Oblast concluded that advance payment is collected only from those who were working already with Patent previously and they are not considered as new entrepreneurs under the Certificate.	<b>129,900 USD</b> is potential annual savings from this constraint reduction.  Each of 1299 individual entrepreneurs, who had to get Certificates can save 300 somoni (\$100), making the potential savings 1299*100\$ = 129,900	<b>8/10</b>

Tajikistan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			tax liability.			

Tajikistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
1	<i>Khujand - Illegal Inspections (PP)</i>  Date: June 2005	Controlling bodies were conducting inspections without official orders, or even documentation confirming their authority. Pharmacies were being inspected without permission of owners and authorities were making illegal house-checks. These illegal actions by tax officials obstructed normal business activities and negatively affected profit earnings as the inspections were taking up to 3-4 business days  (Reduce time, cost – 2)	TFI immediately reviewed the normative and legal acts regulating the tax inspection procedures and established a focus group with entrepreneurs. TFI then recommended that the Union of Pharmacists file suit in the Sogd Oblast court. TFI consultants assisted the Union in filing its claim, and with other issues associated with substantive and procedural laws	On June 16, 2005, the Economic Court of Sogd Oblast ruled in favor of the plaintiff's demands and determined that the inspections made by Khujand Tax Police were illegal and unjustified, and based on the Court's decision the inspections by the Tax Police were ordered to stop.	<b>\$39,576</b> is the potential annual savings from this constraint reduction.  Estimated cost savings to pharmaceutical entrepreneurs is calculated through costs saved from interruption of business activities due to the inspections, imposition of penalties, and unofficial payments. All tolled, the approximate cost savings to the 97 pharmacies affected by these inspections is \$39,576, however, that figure can be substantially higher given the fact that the illegal inspections were occurring up to 5 times per year.	<b>10/10</b>
2	<i>Khujand - Service Certifications (PP)</i>  Date: June 2005	TFI conducted an analysis of the certification process for establishing a service related business and found that to get a certificate entrepreneurs had to complete duplicative and contradictory steps, which caused unnecessary costs and time delays for entrepreneurs.  (Reduce time, cost, transparency – 3)	TFI analyzed all of the legal documents regulating the process and conducted a focus-group with the participation of entrepreneurs who receive certificates to render services. The	The Khujand Prosecutor accepted TFI's recommendations and sent a protest to the Hukumat. As a result, the Hukumat eliminated redundancies and illegal steps in the processes creating more efficiency and transparency.	<b>\$570,000</b> is the potential annual savings from this constraint reduction.  Through the cancellation of the old practice, every entrepreneur on average saves 5 to 7 days at a daily wage rate of \$10 USD and in the Sogd region there are 6000	<b>10/10</b>

Tajikistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			focus group provided a detailed set of recommendations to the Khujand Public Prosecutor which outlined specific redundancies and other illegal procedural steps to be eliminated from the process.		<p>registered entrepreneurs that need certificates. This change has a potential savings to entrepreneurs of \$510,000 USD.</p> <p>6000 businessmen require certification. The certificates cost approximately \$10 and 5-7days to obtain. According to the businessman he can earn \$8 to 10 per day. In the 7-10 days, he could earn \$70-100</p> <p>Consequently, businessman can save \$85 on average, in money and time.  <math>6000 * 85 = 510\ 000</math> US dollars  <math>6000 * 10 = 60\ 000</math> US dollars  Total: <math>510\ 000 + 60\ 000 =</math>  \$570,000.</p>	
3	<p><b>Dushanbe - Regulation on licensing of separate types of activity</b></p> <p>Date: Sep 2005</p>	<p>Although the Law on Licensing Separate Types of Activity was adopted in May 2004, the new Law required accompanying regulations to ensure its proper implementation. Long delays in the adoption of the Regulation led licensing agencies to take advantage of unclear procedures and in some cases to stop issuing licenses or to issue unnecessary licenses which was constraint to any entrepreneur whose business operations required licenses.</p> <p>(Reduced time, increased transparency – 2)</p>	<p>TFI recommended the creation of an interdepartmental working group to develop the draft Regulation. Working as members of the Working Group TFI representatives provided technical assistance in drafting the new Regulation, conducting working group meetings and round tables. TFI's recommendations included: 1) outlining</p>	<p>As a result the Government approved the Regulation of the Government "On peculiarities of licensing of separate types of activity" in September 1, 2005 and included all of TFI's recommendations in the final version.</p>	<p>Adoption of the Regulation will help entrepreneurs to get licensing for all types of activities faster and with a greater degree of transparency. Prior to the Regulation adoption, Licensing agencies had stopped issuing licenses.</p>	<b>18/20</b>

<b>Tajikistan</b>						
<b>Constraint Reductions</b>						
<b>2005 - 2006</b>						
<b>#</b>	<b>City / Project</b>	<b>Constraint Details</b>	<b>Recommendations</b>	<b>Result</b>	<b>Impact</b>	<b>Monitoring Ratio</b>
			the licensing procedure in detail to promote transparency; 2) setting standard licensing fees; 3) stating clear and fixed licensing agency functions to prevent abuse of power; 4) providing clear and detailed revision procedure to promote transparency 5) developed detailed lists of licensing requirements and conditions for each type of activity.			
4	<b>Gorno Badakshan Autonomous Oblast - Public-Private Working Group Created (PP)</b>  Date: Oct 2005	Many regulations adopted by local government agencies are ambiguous and often conflict with national legislation. Through the establishment of public-private working groups that employ consultative practices businesses are successfully able to advocate for the elimination of illegal and burdensome regulations while fostering constructive dialogue with regional government representatives.  (Transparency – 1)	TFI recommended GBAO Oblast Khukumat Administration to establish Public-Private Working Group under the Khukumat of GBAO Oblast in Khorog city.	The Working Group was created and the first meeting was held on October 28th of 2005. The first Session comprised of business representatives, Khukumat officials and representatives from other state agencies. A schedule of meetings for this working year was developed in which Sessions are planned to be held once per quarter and alternately organized and facilitated by business representatives and Khukumat.	Creation of Working Group will facilitate constructive dialog between the GBAO Khukumat officials and business circles and will lead to joint problem solving with regard to identify and reduce burdensome regulations.	N/A
5	<b>Khatlon Oblast, Gorno</b>	Modern economic development and increased foreign economic investments require private-	TFI recommended Khatlon and Gorno	Khatlon Oblast and Gorno Badakshan Autonomous	Creation of CCs will facilitate constructive dialogue between the	12/12

Tajikistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<i>Badakshan Autonomous Oblast - Creation of Customs Consultative Council (PP)</i> Date: Oct 2005	sector participation in the development of trade policy, open and constructive cooperation the Government and private business to improve and simplify customs administration. Providing consultations to business representatives with regard to customs issues is one of the principles of Revised Kyoto Convention and is stipulated by the Customs Code.  (Transparency – 1)	Badakshan Autonomous Oblasts Customs Administration to establish Customs Consultative Councils.	Oblast Customs Administration established the CCs and the first meeting took place on October 5 and 28, 2005. The Councils comprised business representatives, customs officials and representatives from other state bodies. CCs were established in accordance with the requirements of Revised Kyoto Convention and new Customs Code of RT. CCs are the bodies that solve actual issues of entrepreneurs in order to find the reasonable balance of interests of business representatives and state bodies. As a result of first meeting a schedule of CC meetings was developed. They will be held once per quarter and will be organized and facilitated by business representatives and Customs.	customs body and business and will lead to joint problem solving with regard to customs administration of foreign economic activity	
6	<i>Khujand - Licensing of Transportation Activities</i> Date: Sep 2005	In the course of monitoring the new licensing laws, TFI distributed questionnaires among the Sogd Oblast entrepreneurs and discovered that the Transport Inspection Agency of Sogd Oblast was violating the provisions of the law on licensing by charging higher fees and issuing unnecessary licenses for taxi drivers in the Oblast. This practice was leading to additional time and costs for entrepreneurs.	TFI petitioned the Transport Inspection Agency of Sogd Oblast to stop issuing licensing until the new Regulation on licensing was approved by the Government, to ensure proper licensing	As a result of TFI's recommendations, the Transport Inspection Agency made a decision to temporarily suspend taxi licenses from January 2005 until adoption of the Regulation on licensing of separate types of activity.	<b>\$391,300</b> is the potential annual savings from this constraint reduction.  According to statistical data 3010 vehicles subject to this license are registered in Sogd Oblast. Elimination of this constraint saved each entrepreneur an	<b>9/11</b>

Tajikistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		(Reduction of Cost, Time, Increased Transparency – 3)	procedures were followed.	After the adoption of the new licensing Regulation in September 2005 the issue of licenses resumed with more transparency.	average \$49 per year and 24 working days. Making the total annual savings to entrepreneurs in Sogd Oblast <b>\$391,300</b>	
7	<i><b>Khujand - Revision of the List of Technical Equipment Free from VAT and Customs Duties at Import (PP)</b></i>  Date: Oct 2005	The Tajik Government adopted a Regulation which approved a list of technical production equipment and parts imported free from VAT and customs duties in June 2004. Unfortunately the list was incomplete and did not take into account the peculiarities of the Sogd manufacturing cycle. Also, the List was not compliant with the Tajik Tax Code. The constraint created by the list was negatively impacting investment flow into Tajikistan, especially in the Sogd Oblast which is the industrial center of the country.  (Reduction of Cost, Transparency – 2)	TFI through its involvement in the Customs Consultative Council analyzed the legislation under which the list was created. Then, working through the Sogd Customs Consultative Councils, with the cooperation of the Sogd Oblast Pharmaceutical Organization, and local entrepreneurs affected by the constraint, recommendations were made to add certain items to the list such as medical, surgical, and veterinary equipment, sewing machines and industrial baking equipment. Recommendations were submitted to Ministry of State Revenue and Income.	Based on the Consultative Council's recommendations, the Government passed a new resolution that created a commission to develop a new list of technological production equipment free of VAT and customs duties that included all of the recommended additions to the list and was in compliance with the Tax Law. The commission approved the new list and the Government adopted it on August 1, 2005.	Based on information provided by Customs, for the period October 2005 - February 2006, equipment (included in the list on the basis of the recommendation) valued at \$2,000,000 has been imported into Sogd Oblast. As a result of calculation VAT and customs registration duty, 2,000,000 x 36.5% = <b>\$730,000</b> has been saved by entrepreneurs in Sogd Oblast.	<b>10/10</b>
8	<i><b>Khujand - Reduction of retail tax for Panjshanbe Market Traders</b></i>	In 2004, TFI's work reduced the local sales tax in Khujand. At that time it was determined that the new lower rate would not be applied to Panjshanbe market traders in order to reduce overcrowding in the main	Working with the Panjshanbe Market Association, TFI facilitated meetings between the	The recommendation was accepted and the Khujand Majilis reduced the sales tax for Panjshanbe traders to the universal rate of 2%.	<b>\$458, 660</b> is potential annual savings from this constraint reduction.  The total number of entrepreneurs	<b>7/7</b>

Tajikistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	(PP) Date: Dec 2005	<p>bazaar.</p> <p>In the course of monitoring that constraint, TFI discovered that the Panjshanbe market traders were still being affected by this decision.</p> <p>The retail tax is 2% all Sogd entrepreneurs but for the Panjshanbe market traders the retail tax was 3%. The Panjshanbe market traders found this discriminatory and difficult to pay.</p>	<p>Association representatives and the Heads of the Khujand Khukumat Tax Inspection and Economic Departments.</p> <p>Recommendations were made to stop the discriminatory practice of charging a higher sales tax for Panjshanbe traders.</p>	TFI, together with the Association held a meeting for entrepreneurs to inform them of the new lower retail tax rate	<p>affected = <b>1,349</b></p> <p>Each entrepreneur will save 7 somoni per month which is 84 somoni per year (which is \$28).</p> <p>Total savings = total number of entrepreneurs 1349*saved money of one entrepreneur per year (\$28) = <b>\$37,772</b></p> <p>Entrepreneurs made unofficial payments in the amount of 80 somoni per month which is \$26 due to complicated tax procedures. Total amount saved = (1349) * unofficial payments per entrepreneur (\$26) * a year (12 months) and receive: 1349*26*12= <b>\$420,888</b></p> <p><b>\$37,772 + \$420,888 = \$458,660</b></p>	
9	<b>Kanibadam - Reduction of retail tax for entrepreneurs in Kanibadam.</b>  Date: Jan 2006	<p>One of the key constraints for entrepreneurs in Kanibadam was a high retail tax. According to TJ legislation retail tax is an indirect tax fixed by the state bodies every year. The Tax Code of Tajikistan fixes the responsibility of local Majilis of Deputies of corresponding regions according to which they can independently establish a retail tax. For example: Sogd oblast consists of 18 cities and areas (and all these areas independently establish a retail tax). In 2005 retail tax in Kanibadam was 3%, which most entrepreneurs found difficult to pay. On top of the tax, the entrepreneurs were making unofficial payments as the procedure was complicated.</p>	<p>TFI analyzed the retail tax. During the meetings with the chief of tax inspection of Kanibadam and representatives of Hukumat, TFI presented recommendations for necessities of reduction of the retail tax on 1 %, i.e. from 3 % up to 2 %. These recommendations have been supported by local</p>	In December 2005 local state representative body in Kanibadam and tax inspection supported proposals provided by TFI. The retail tax was reduced by 1% effective January 1, 2006.	<p><b>\$142,387</b> is the potential annual savings of this constraint reduction.</p> <p>Number of affected entrepreneurs = 576. Each entrepreneur will save 14 somoni per month (which is \$4.6), per year (12 months) an entrepreneur will save 4.6*12= \$55.2 Total amount saved = (576) * saved amount of an entrepreneur per year (\$55.2) = <b>\$31,795</b></p> <p>Each entrepreneur made unofficial</p>	<b>8/8</b>



Tajikistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			Majilis of Deputes during the establishment of the retail tax.		payments in the amount of 50 somoni (\$16). Total amount of on unofficial payments = 576* average unofficial fees of an entrepreneur 16* per year (12 months) and receive = <b>\$110,592</b>  Total amount of saved money is: <b>110,592+31,795 = \$142,387</b>	
10	<i>Isfara - Removal of retail tax on entrepreneurs selling wheat and flour by the Khukumat of Isfara</i>  Date: Jan 2006	Entrepreneurs involved in selling of flour and wheat in Isfara pay various taxes. However they were finding it difficult to pay the retail tax, due to high interest rates.  When calculating the retail tax they owed, many entrepreneurs were uncertain of the rules on how to calculate it.	TFI developed recommendations on retail tax elimination and held meetings with the head of the tax inspection office and the Khukumat Deputy Chairman in Isfara.  Corresponding recommendations were provided by TFI during the meetings.	The local Majilis of Deputies in Isfara supported TFI's recommendations and decided that entrepreneurs involved in wheat and flour selling were fully free from retail tax from July 1, 2006.	<b>\$ 9,261</b> is the potential savings for the 6 months period of the tax exemption. <b>\$9 261.</b>  68 entrepreneurs selling flour and wheat in Isfara were exempted from retail tax payment for the period of 6 months.  Retail tax = 20 somoni (\$6.7) per month. $68*6.7*6 = \$ 2 733$ .  Entrepreneurs made unofficial payments in the amount of 50 somoni (\$16) per month. $68*16*6 = \$ 6 528$  Total amount of saved money is: <b>2,733 + 6,528 = \$ 9,261</b>	<b>7/7</b>
11	<i>Kayrokkum - Reduction of retail tax for entrepreneurs in Kayrokkum</i>	In 2005 retail tax in Kayrokkum was 2%, which entrepreneurs were finding difficult to pay. The process was also confusing and many entrepreneurs were making unofficial payments just to get through the process.	TFI project jointly with tax inspectorate of Kayrokkum has developed recommendations and has presented it in local Majilis of deputies of Kayrokkum.	In December 2005, the local Majilis of Kayrokkum supported TFI's recommendations the retail tax rates were lowered from 2% to 1% in general.  Businesses involved in the	<b>\$98,904</b> is the potential annual savings from the reduction of this constraint.  The number of affected entrepreneurs in Kairokkum = 563. Each entrepreneur will save 9 somoni (\$3) per month. (563) *	<b>7/7</b>

Tajikistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	Date: Jan 2006		It was recommended to reduce the tax to 1% for most businesses, and for entrepreneurs selling flour, butters, sugar and wheat to reduce the retail tax to 05 %.	retail of flour, wheat, sugar and butter will pay a tax rate of 0.5% (the decision local Majilis of deputies from December 26, 2005 № 37)	<p>(\$36) = <b>\$20,268</b></p> <p>65 Entrepreneurs sell flour and wheat, sugar and butter. Accordingly one entrepreneur from mentioned above group will save 12.5 somoni (\$4.2) per month. <math>(65) * (\\$4, 2) * (12) = \\$3,276</math></p> <p>Totally tax savings = <b>\$ 23,544</b>  <math>(20,268 + 3,276 = 23,544)</math></p> <p>Each entrepreneur made unofficial payments in the amount of 30 somoni (\$10) per month. Total amount of saved money from unofficial payments = <math>628 * 10 * 12 = \\$75,360</math> (<math>628 * 10 * 12 = 75,360</math>)</p> <p>Total amount of saved money is:  <math>23,544 + 75,360 = \\$98,904</math></p>	
12	<i><b>Khujand</b></i> - <i>Registration and appropriation of an Individual Number for a Taxpayer (INT)</i>  Date: Feb 2006	According to the law of the Republic of Tajikistan all entrepreneurs before starting entrepreneurial activity should be registered and receive an Individual Number of Taxpayer (INT). The law does not stipulate any payment for issuing an INT. But according to entrepreneurs, payments of 3-5 somoni were illegally being charged when registering and receiving an INT.	TFI conducted an analysis of the legislation of the Republic of Tajikistan and recommended to the Tax Inspectorate in Khujand that fees not be charged.	The Tax Inspectorate reviewed the recommendation with the participation of all employees and decided to accept it.	<p><b>\$20,880</b> is the potential annual savings from the reduction of this constraint.</p> <p>According to data from the Tax Inspectorate in Khujand, 17,400 entrepreneurs receive an INT annually. As a result of this constraint elimination, each entrepreneur may save \$1.2 on average. Taking into account the number of registered entrepreneurs in a year, 17400 who received an INT,</p>	<b>10/10</b>

Tajikistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
					average annual savings is estimated at \$20,880. (17,400 x 1.2= \$20,880).	
13	<b>Dushanbe</b> - <i>Instruction on stamp making</i>  Date: Mar 2006	Individual entrepreneurs were prevented from conducting foreign economic transactions, making agreements, contracts and other commercial documents because internal instructions of the Ministry of Domestic Affairs did not provide for issuance of seals and stamps to individual entrepreneurs.	TFI reviewed normative legal acts that regulate the procedure of stamps and seals issue, focus groups with entrepreneurs were held, and the analysis was developed. Based on the analysis, a draft order and instruction of the Ministry of Domestic Affairs were developed. TFI recommendations were submitted to the MDA of RT and other ministers (Min Jus, MSRI, antimonopoly agency).	As a result of the joint work with the Ministry, the Minister of Domestic Affairs of RT adopted an order of the Minister of MDA of RT #138 on February 28, 2006 "On Approving the New Instruction on the Order of Opening of Stamp Engraving Enterprises and Issuance of Permission to Make Stamps and Seals. The Project provided technical assistance in the publication of 150 copies of the Instruction for the employees of the Ministry of Domestic Affairs.	Individual entrepreneurs will now be able to acquire stamps and seals necessary to conduct international trade operations.	N/A
14	<b>Khujand</b> – <i>Adoption of the list of medicines and medical equipment exempt from VAT and Customs duties (PP)</i>  Date: May 2006	According to the Tajik Customs Code, the list of medicines and medical equipment exempt from VAT and Customs duties are to be defined by Government regulations. Unfortunately, development and adoption of the list was delayed by Government resistance. As a result, businesses were focused to pay fees that would otherwise have been waived for importation of valuable and necessary medical supplies.	TFI, through involvement in the CCC, conducted an analysis of the Customs and Tax Codes and provided recommendations to the CCC and the Sogd Oblast Pharmaceutical Organization. The group drafted a list of products for exemption and submitted it to the Ministry of Revenue.	As a result of recommendations developed through the Custom Consultative Council, the Government adopted the list in Resolution 193 on May 3, 2006.	With the list adopted, businesses will now know which products are exempt for fees. Economic impact would be possible to determine through monitoring following implementation.	N/A

*Attachment G: Tajikistan WTO Checklists (2003 – 2006)*

<b>Tajikistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
<b>Application</b>				
1	Submission of application for membership in the WTO	Application submitted in May 2001	Application submitted in May 2001	Application submitted in May 2001.
2	WTO General Counsel meeting: Review of the application for membership – setting up the Working Party on accession.	WTO General Council met in July 2001 and established a WP on accession of Tajikistan	WTO General Council met in July 2001 and established a WP on accession of Tajikistan	WTO General Council met in July 2001 and established a WP on accession of Tajikistan.
3	Appointment of Chairman of the WTO Working Party on accession.	Mr. Klyde Kull, Ambassador of Estonia to the WTO, was appointed as a Chairman of the WP on accession of Tajikistan	Mr. Klyde Kull, Ambassador of Estonia to the WTO, was appointed as a Chairman of the WP on accession of Tajikistan	Mr. Klyde Kull, Ambassador of Estonia to the WTO, was appointed as a Chairman of the WP on accession of Tajikistan.
<b>Accession Documentation</b>				
4	Preparation and submission of the memorandum on foreign trade regime (FTM).	Foreign Trade Memorandum was submitted to the WTO Secretariat in February 2003	Foreign Trade Memorandum was submitted to the WTO Secretariat in February 2003	Foreign Trade Memorandum was submitted to the WTO Secretariat in February 2003.
5	Preparation of answers to FTM follow-up questions posed by WTO Working Party members.	<p>Answers to Questions posed by EU and Australia were submitted to the WTO Secretariat in September 2003</p> <p>Answers to Questions posed by US were submitted to the WTO Secretariat in January 2004</p>	<p>Answers to Questions posed by EU and Australia were submitted to the WTO Secretariat in September 2003</p> <p>Answers to Questions posed by US were submitted to the WTO Secretariat in January 2004</p> <p>Replies to additional questions from US were submitted on February 20, 2005</p> <p>Replies to additional questions from EC were submitted on February 20, 2005</p> <p>Replies to additional questions from Australia were submitted in March 2005</p>	<p>Answers to Questions posed by EU and Australia were submitted to the WTO Secretariat in September 2003.</p> <p>Answers to Questions posed by US were submitted to the WTO Secretariat in January 2004.</p> <p>Replies to additional questions from US were submitted on February 20, 2005.</p> <p>Replies to additional questions from EC were submitted on February 20, 2005.</p> <p>Replies to additional questions from Australia were submitted in March 2005.</p>

<b>Tajikistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
				Replies to additional questions from US were submitted in April 2006.  Replies to additional questions from EC were submitted in April 2006.  Replies to additional technical questions from Australia were submitted in April 2006.
6	Information on Domestic Support and Export Subsidies in Agriculture is prepared and submitted to the WTO WP.	Document in WT/ACC/4 format was submitted in February 2004	Document in WT/ACC/4 format was submitted in February 2004	Document in WT/ACC/4 format was submitted in February 2004.
7	Prepare answers to ACC/4 follow-up questions			Replies to ACC/4 questions from Australia submitted in April 06.
8	Submit updated the ACC/4 document as necessary			Document updated and submitted in April 2006.
9	Plurilateral Working Party meetings review the data in the ACC/4 tabulations.			Expected in 2006.
10	Information on Policy Measures Affecting Trade in Services is prepared and submitted to the WTO WP	Submitted as part of the FTM	Submitted as part of the FTM	Submitted as part of the FTM.
11	Prepare answers to ACC/5 follow-up questions			
12	Submit updated the ACC/5 document as necessary			
13	Checklist of Illustrative SPS Issues for Consideration in Accessions is prepared and submitted to the WTO WP	Document in WT/ACC/8a format was submitted in February 2004	Document in WT/ACC/8a format was submitted in February 2004	Document in WT/ACC/8a format was submitted in February 2004.
14	Prepare answers to ACC/8a follow-up questions			
15	Submit updated the ACC/8a document as necessary			
16	Checklist of Illustrative TBT Issues for Consideration in Accessions is prepared and submitted to the WTO WP	Document in WT/ACC/8b format was submitted in February 2004	Document in WT/ACC/8b format was submitted in February 2004	Document in WT/ACC/8b format was submitted in February 2004.
17	Prepare answers to ACC/8b follow-up questions			

<b>Tajikistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
18	Submit updated the ACC/8b document as necessary			
19	Implementation of the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS)	Document in WT/ACC/9 format was submitted in February 2004	Document in WT/ACC/9 format was submitted in February 2004	Document in WT/ACC/9 format was submitted in February 2004.
20	Prepare answers to ACC/9 follow-up questions			
21	Submit updated the ACC/9 document as necessary			
<b>WTO Legislative Compliance</b>				
22	Review of the foreign trade and investment legislation for compliance with requirements of the WTO Agreements	Initial review conducted and a memo provided to the MET in March 2003.	Initial review conducted and a memo provided to the MET in March 2003.	Initial review conducted and a memo provided to the MET in March 2003.
23	Translate and submit existing and draft legislation to the WTO WP.	Ongoing.	Ongoing.	Ongoing. The Customs Code and other legislation was translated and submitted in April 2006.
24	Prepare WTO Legislative Action Plan and submit to the WTO WP.	General legislative action plan was submitted in February 2004.	General legislative action plan was submitted in February 2004.	General legislative action plan was submitted in February 2004.
25	Prepare Legislative Action Plans for implementation of specific WTO agreements and submit them to the WTO WP			
26	Draft and enact necessary laws and regulations necessary for WTO compliance	Excise tax rates are brought into compliance with the WTO National treatment principle by the Resolution No. 153, "On Setting up excise tax rates on selected goods originated in the RT and imported into the territory of RT" adopted in April 2003  The Law On Normative-Legal Acts #54 adopted in December, 2003  The Law On Inventions was adopted in February 2004	Excise tax rates are brought into compliance with the WTO National treatment principle by the Resolution No. 153, "On Setting up excise tax rates on selected goods originated in the RT and imported into the territory of RT" adopted in April 2003  The Law On Normative-Legal Acts #54 adopted in December 8, 2003  The Law On Inventions was adopted in February 2004  The Law On Industrial Designs was adopted in February 2004	Excise tax rates are brought into compliance with the WTO National treatment principle by the Resolution No. 153, "On Setting up excise tax rates on selected goods originated in the RT and imported into the territory of RT" adopted in April 2003.  The Law On Normative-Legal Acts #54 adopted in December 8, 2003.  The Law On Inventions was adopted in February 2004.  The Law On Industrial Designs was adopted in February 2004.

Tajikistan				
WTO Checklist				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
		<p>The Law On Industrial Designs was adopted in February 2004</p> <p>The Law On Amendments to the Law on Foreign Economic Activity of December 27, 1993 was adopted in February 2004</p> <p>The Law On Amendments to the Criminal Code (TRIPs compliance) was enacted on May 17, 2004</p> <p>The Law On Licensing of Certain Types of Activities was enacted on May 17, 2004</p>	<p>The Law On Amendments to the Law on Foreign Economic Activity of December 27, 1993 was adopted in February 2004</p> <p>The Law On Amendments to the Criminal Code (TRIPs compliance) was enacted on May 17, 2004</p> <p>The Law On Licensing of Certain Types of Activities was enacted on May 17, 2004</p> <p>Amendments to the Law “On copyright and neighboring rights” enacted on August 7, 2003 Customs Code adopted by Parliament in November 2004 and entered into force on January 1, 2005</p> <p>New Tax Code enacted and entered into force on January 1, 2005</p> <p>Tajikistan has officially accepted the obligations of Article VIII of the IMF Agreement on 9 December 2004. Civil Code (Part III) enacted and entered into force on March 15, 2005.</p>	<p>The Law On Amendments to the Law on Foreign Economic Activity of December 27, 1993 was adopted in February 2004.</p> <p>The Law On Amendments to the Criminal Code (TRIPs compliance) was enacted on May 17, 2004.</p> <p>The Law On Licensing of Certain Types of Activities was enacted on May 17, 2004.</p> <p>Amendments to the Law “On copyright and neighboring rights” enacted on August 7, 2003.</p> <p>Customs Code adopted by Parliament in November 2004 and entered into force on January 1, 2005.</p> <p>New Tax Code enacted and entered into force on January 1, 2005.</p> <p>Tajikistan has officially accepted the obligations of Article VIII of the IMF Agreement on 9 December 2004.</p> <p>Civil Code (Part III) enacted and entered into force on March 15, 2005.</p> <p>Regulations on IPR Border Measures were enacted on October 4, 2005.</p>
27	Regularly update the Legislative Action Plan and other specific action plans to show the progress in enacting necessary legislation and submit to the WTO WP		A revised WTO Legislative Action Plan was submitted to the WTO WP in April 2005.	A revised WTO Legislative Action Plan was submitted to the WTO WP in April 2005.

<b>Tajikistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
<b>Multilateral and bilateral negotiations</b>				
28	Conduct WTO Working Party meeting (multilateral) on accession	1st Meeting of the WP was conducted on March 18, 2004.	1st Meeting of the WP was conducted on March 18, 2004. 2nd Meeting of the WP was conducted on April 26, 2005.	1st Meeting of the WP was conducted on March 18, 2004.  2nd Meeting of the WP was conducted on April 26, 2005.
29	Participation in preparation of the Report of the Working Party on accession which contains description of commitments taken by the acceding country		The initial draft of the Factual Summary of Points Raised is issued in April 2005.	The initial draft of the Factual Summary of Points Raised is issued in April 2005.  A review of the draft Factual Summary was completed in April 2006.
30	Initial offer on market access on goods is prepared and submitted to the WTO WP;	Initial offer on market access on goods was submitted to the WTO in February 2004.	Initial offer on market access on goods was submitted to the WTO in February 2004.  Revised offer on market access on goods was submitted to the WTO in April 2004.	Initial offer on market access on goods was submitted to the WTO in February 2004.  Revised offer on market access on goods was submitted to the WTO in April 2004.
31	Conduct bilateral market access negotiations on goods	First round of bilateral negotiations with US, EU, Switzerland; Turkey, Canada, and Australia were conducted in March 2004.	First round of bilateral negotiations with US, EU, Switzerland; Turkey, Canada, and Australia were conducted in March 2004  Second round of bilateral negotiations with US, EU, Australia and Japan were conducted in April 2005.	First round of bilateral negotiations with US, EU, Switzerland; Turkey, Canada, and Australia were conducted in March 2004.  Second round of bilateral negotiations with US, EU, Australia and Japan were conducted in April 2005.
32	Signing of bilateral protocols that reflect results of negotiations and submit to the WTO Secretariat			
33	Initial offer on market access on services is prepared and submitted to the WTO WP;	Initial offer on market access on services was submitted to the WTO in February 2004.	Initial offer on market access on services was submitted to the WTO in February 2004.  Revised offer on market access on services was submitted to the WTO in April 2004.	Initial offer on market access on services was submitted to the WTO in February 2004.  Revised offer on market access on services was submitted to the WTO in April 2004.
34	Conduct bilateral market access negotiations on services	First round of bilateral negotiations with US, EU, Switzerland; Turkey, Canada, and Australia were conducted in March 2004.	First round of bilateral negotiations with US, EU, Switzerland; Turkey, Canada, and Australia were conducted in March 2004.	First round of bilateral negotiations with US, EU, Switzerland; Turkey, Canada, and Australia were conducted in March 2004.



<b>Tajikistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
			Second round of bilateral negotiations with US, EU, Australia and Japan were conducted in April 2005.	Second round of bilateral negotiations with US, EU, Australia and Japan were conducted in April 2005.
35	Signing of bilateral protocols that reflect results of negotiations and submit to the WTO Secretariat			
36	Preparation of the Consolidated Schedule of Specific Commitments on Goods and Services.			
37	Approval and submission of the Working Party Report and draft Protocol of accession to the WTO General Council			
<b>Institutional</b>				
38	Inquiry point on TBT is established			
39	Inquiry point on SPS is established			
40	Inquiry point on services in established		The WTO Information/Reference Center, which was launched on December 29, 2004, will serve as a GATS Enquiry point.  The WTO Information/Reference Center was officially notified to the WTO WP as Tajikistan's Enquiry Point on services.	The WTO Information/Reference Center, which was launched on December 29, 2004, will serve as a GATS Enquiry point.  The WTO Information/Reference Center was officially notified to the WTO WP as Tajikistan's Enquiry Point on services.
41	WTO Library/Information center established		The WTO Information/Reference Center was launched on December 29, 2004.	The WTO Information/Reference Center was launched on December 29, 2004.
<b>Accession to Plurilateral Agreements</b>				
42	Agreement on Government Procurement	Not obligatory unless acceding country agrees to accede.	Not obligatory unless acceding country agrees to accede.	Not obligatory unless acceding country agrees to accede.
43	Agreement on Trade in Civil Aircraft	Not obligatory unless acceding country agrees to accede.	Not obligatory unless acceding country agrees to accede.	Not obligatory unless acceding country agrees to accede.
<b>Doha Development Agenda Negotiations</b>				
44	Participation in the Negotiating Groups established under the Doha Development Agenda negotiations. Acceding country may be requested to join and implement new agreements and provisions to be developed as a result of Doha Round multilateral negotiations.			Workshop: "Doha Development Agenda Negotiations – facing Hong Kong Ministerial" was conducted for the members of the Inter-Ministerial Commission on Accession to the WTO.  Provided support for participation of a Tajik

<b>Tajikistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
				delegate at the Hong Kong Ministerial Conference in December 2005.
<b>Final Accession Procedures</b>				
45	Approval by the General Council of the Working Party Report and the Protocol of Accession			
46	The WTO Director General issues certified copies of the Protocol of Accession to WTO Members. The Protocol of Accession is registered with the United Nations.			
47	Internal ratification procedures by the acceding country			
48	Submission of the ratification instrument to the WTO Secretariat.			
49	Thirty days after the submission of ratification instrument acceding country becomes a member.			
<b>Public Information and Consultation</b>				
50	Throughout the accession process - regular meetings and round-table discussions on benefits and challenges of the WTO membership with industry representatives and private sector institutions.	Trade Consultative Council meeting was conducted with participation of MET representative in January 2004.	Trade Consultative Council meeting was conducted with participation of MET representative in January 2004.	Trade Consultative Council meeting was conducted with participation of MET representative in January 2004.  Training workshop held in March 2006 for staff of Ministry of Agriculture, Finance and Economy to update Domestic Support and Export Subsidies documents in preparation for negotiations
51	Public information campaign upon accession	Interviews, articles and etc.	Interviews, articles and etc.	Interviews, articles and etc.
<b>Post-WTO Accession Implementation Issues</b>				
52	Institutional structures for post WTO accession implementation are established.			
53	Notifications required under various WTO agreements are submitted on a timely basis			
54	Implementation of various commitments reflected in the protocol accession of a particular member.			

<b>Tajikistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
55	Review of various legislation of a member by relevant WTO committees.			
56	Constant monitoring of legislative compliance – all trade related draft laws and regulations are reviewed for WTO compliance			
57	Regional trade agreements – review by the WTO Committee on Regional Trade Agreements of a member’s compliance with the WTO requirements			
58	Participation in the new Doha round of multilateral negotiations			
59	Implementation of results of the Doha Round of WTO negotiations by making necessary domestic policy changes			
60	Accession to the plurilateral agreements if committed in the protocol of accession			
61	WTO review of a member’s trade policy.			

Attachment H: Uzbekistan Work Plan Reports (2003 – 2006)

June 1, 2003 – May 31, 2004			
World Trade Organization (WTO)			
No.	Objective	Start Date	End Date
UZ WTO 01	<i>Critical legislation reviewed and, as necessary, amended for WTO compliance</i>	1 Jun 03	31 May 04
<b>Description</b>	<i>In order to accede to the WTO, a country's legislation must be WTO-compliant. The key areas of compliance are standards (TBT/SPS), Intellectual Property (IPR) and Customs. Uzbekistan is still in the early stages of seriously reviewing its legislation to determine areas where improvement is required.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> SPS Checklist completed, together with legislative action plan on SPS, and submitted for first review by the Interagency Commission.</li> <li>2. <b>Complete:</b> TBT Checklist completed, together with legislative action plan on TBT, and submitted for first review by the Interagency Commission.</li> <li>3. <b>Complete:</b> ACC-9 prepared by the Uzbek Patent Agency reviewed by TFI, and questions prepared by TFI for the IP Working Group on items that are not in compliance with TRIPS.</li> <li>4. <b>Complete:</b> GOU's answers to the WTO's IP-related questions reviewed by TFI and list of questions presented by TFI to the GOU's IP Working Group about any unsatisfactory answers by the GOU to the WTO's IP-related questions.</li> <li>5. <b>Complete:</b> IP Working Group meeting held with TFI after the arrival of the long-term resident WTO Advisor.</li> <li>6. <b>Complete:</b> GOU's answers to WTO's customs-related questions reviewed by TFI.</li> <li>7. <b>Complete:</b> WTO's customs-related questions reviewed by Uzbek Customs together with the TFI Customs Advisor.</li> </ol>		
	<b>Status &amp; Comments</b>		
<i>June 2003 – May 2004</i>	<i>TBT/SPS/IP checklists revised, GOU earlier submitted replies to WTO revised and re-submitted before the next WP Meeting in June 29 in Geneva. The impact is positive for the purposes of having better results from the second WP Meeting. GOU submitted to WTO revised replies in documents WT/ACC/UZB/8/Add and WT/ACC/UZB/9/Add. May 18 –19, TFI revised SPS/TBT checklists during the meeting with the working groups on SPS and TBT. Revised checklists translated into English and sent to the Agency of Foreign Economic Relations. TFI revised ACC-9 (Intellectual Property) checklist, translated it into English and sent to the Agency of Foreign Economic Relations.</i>		
No.	Objective	Start Date	End Date
UZ WTO 02	<i>Establish a WTO Information Center</i>	1 Jun 03	31 May 04
<b>Description</b>	<i>If the Government of Uzbekistan establishes a permanently-staffed technical secretariat to support Uzbekistan's WTO accession, set up a WTO information center for internal government support and to provide a link to Geneva.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>Incomplete:</b> TFI educates the GOU (AFER) (letters, formal conversation and discussion) on the role and functions of WTO Information Center to GOU (Agency of Foreign Economic Relations).</li> <li>2. <b>Incomplete:</b> Equipment provided necessary to operate the center following the GOU's decision to establish the WTO Information Center.</li> <li>3. <b>Incomplete:</b> GOU (Agency) WTO website developed.</li> <li>4. <b>Incomplete:</b> WTO Information Center personnel trained on access to WTO online and CD ROM Information resources.</li> </ol>		

<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	The Government of Uzbekistan has not yet established a full time technical secretariat to support Uzbekistan's WTO accession. Therefore, no undertakings were made as to setting up a WTO Information Center. However, TFI addressed to the GOU the importance of establishing the WTO Information Center as soon as possible in order to support Uzbekistan's accession process. It's expected that the GOU makes a decision on setting up the WTO Information Center in 2004 and it will be based at and supported by the staff of the Agency of Foreign Economic Relations.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 03</b>	<b>Provide technical support and training for WTO accession</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>The Government of Uzbekistan has asked for assistance specifically in the areas of Negotiations, TIR, IP, SPS, TBT, and Risk Management (Customs).</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Two presentations conducted on TBT and SPS Agreement for TBT and SPS working groups (20 persons) at the Agency of Foreign Economic Relations.</li> <li><b>Incomplete:</b> TIR seminar conducted in Ferghana for 25 Uzbek, Kyrgyz and Tajik freight forwarders, businesses and customs officials.</li> <li><b>Complete:</b> Negotiations training (3 days) conducted for the members of the newly established group of 12 WTO negotiators comprised of representatives of various GOU Ministries and Agencies (Small Council).</li> <li><b>Complete:</b> IP seminars held following completion of ACC-9 checklist review with the IP Working Group. Group participants from Uzbekistan sent to the IPR Enforcement seminar in Almaty in April.</li> <li><b>Complete:</b> GOU delegation to Geneva advised on questions that may arise during upcoming informal bilateral discussions by WTO Advisors.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	Except for TIR training, all planned trainings and seminars held. As a result, the second WP Meeting scheduled, all necessary documentation revised and re-submitted. TFI nominated candidates to participate at OECD funded seminar on WTO accession impact to be held in Almaty during June 3-4. Two participants from GOU took part at the IPR seminar in Almaty in May 12-13.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 04</b>	<b>Implement Small Council (WTO Negotiations Team)</b>	<b>1 Sep 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>The Uzbek accession process to WTO has been mostly dormant for the last several years. To a large extent, this has been due to inefficient organization of WTO accession-related work. USAID contacted AFER to suggest an improved organization of the accession work and AFER agreed. TFI has been charged by USAID to improve the organization used by the GOU to manage and direct its WTO accession efforts. The heart of the effort is a small group made of persons from various affected agencies that are dedicated full-time to Uzbekistan's accession process and to support negotiations.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Small Council (WTO Negotiations Team) comprised of representatives of the various agencies and ministries working full time on WTO accession issues approved and offices set up by the GOU.</li> <li><b>Complete:</b> Functions of the Small Council (WTO Negotiations Team) members clearly defined.</li> <li><b>Complete:</b> Work plan adopted to Implement Small Council (WTO Negotiations Team).</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	Small Council established and has been operational. As a result, all technical work related to revision of WTO documents and GOU replies had been completed on time. TFI had informal meetings with the members of the Small Council on the revision of checklists and review of Draft Laws. May 19, TFI had a formal meeting with the Deputy Prime Minister E. Ganiev to discuss preparatory work for the next Working Party Meeting in June (Report of the meeting is attached).		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 05</b>	<b>Bilateral meetings held and Second Working Party Meeting scheduled</b>	<b>1 Sep 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>Successful bilateral meetings with WTO members and substantive results in Working Party meetings are essential for moving forward with the Uzbek accession process and ensuring the good will and support of WTO members during the process. Good results require good preparation. This includes informal preparatory contacts with WTO members and the proper preparation and submission of required documentation (ACC forms) and answers to WTO member countries' questions. If the content of the documents and answers are satisfactory to the WTO member countries, then the next Working Party Meeting can be</i>		

	<i>scheduled.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> WTO Agreements compliance checklists reviewed by TFI and submitted to GOU in the areas of SPS, TBT, and IP.</li> <li><b>Complete:</b> GOU's answers to WTO questions reviewed by TFI and recommendations for revisions submitted to GOU.</li> <li><b>Complete:</b> New head of Uzbekistan Working Party named.</li> <li><b>Complete:</b> Training in Geneva on conducting bilateral negotiations completed.</li> <li><b>Complete:</b> Second Working Party Meeting scheduled.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	Bilateral meetings held in Geneva. As a result, the Second WP Meeting scheduled for June 29, and the Chairman of the Uzbek WP appointed. Second Working Party Meeting scheduled for June 29, 2004. New Head of Uzbekistan Working Party was officially announced during the General Council Meeting on May 19. TFI reviewed and revised SPS, TBT and IP checklists and submitted to GOU. At the request of Deputy Prime Minister Ganiev, TFI prepared and submitted a list of questions (and suggested answers) that may be posed by WTO member countries during the Second Working Party Meeting in June. TFI drafted and submitted a Legislative Action Plan for GOU.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 06</b>	<b>Interagency Commission reactivated and supported</b>	<b>1 Sep 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>The organization of work associated with WTO accession and implementation is wide ranging and complex. It must be efficiently managed in order to produce consistent results across the full spectrum of sectors in the economy. An overall work plan is also necessary to be able to execute accession-related tasks in a coordinated manner. The Interagency Commission provides a vehicle for regular consultation between the various state entities involved with the trade policy formulation process. Among the tasks to be completed are a formulation of a trade agenda, overall accession work plan and support in coordinating the working groups. TFI's role is to advise the Interagency Commission on organizational issues and implementation of GOU's trade agenda.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Specific proposals drafted for meeting agendas for Interagency Commission meetings.</li> <li><b>Complete:</b> Assistance provided to the Interagency Commission in drafting a National Trade Agenda.</li> <li><b>Complete:</b> Policy statements of Uzbek officials researched as background for proposed basic structure for National Trade Agenda.</li> <li><b>Complete:</b> Advice provided on policy decisions and Working Group recommendations that the GOU should act upon.</li> <li><b>Incomplete:</b> WTO accession plan produced by Interagency Commission.</li> <li><b>Incomplete:</b> Plans for WTO accession timeframe announced by the Interagency Commission.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	TFI has provided recommendations to the Interagency Commission as to Uzbekistan's WTO accession plan and preparations for the Second Working Party Meeting. However, the National Trade Agenda including timeframe for accession yet remain to be determined by the Interagency Commission.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 07</b>	<b>IPR assistance designed to help remove Uzbekistan from the Special 301 Watch List provided</b>	<b>1 Dec 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>Inclusion of a country on the Special 301 Watch List indicates the United States' determination that a country's IP laws and enforcement mechanisms do not meet minimum international standards. It is unlikely that the United States would permit a country on the Special 301 Watch List to accede to the WTO. The GOU needs to develop and implement a plan of action for removing Uzbekistan from the watch list and demonstrate its commitment to meeting WTO bilateral obligations.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Action plan for removal from the Special 301 Watch List prepared by the GOU.</li> <li><b>Complete:</b> GOU's action plan for removal from the Special 301 Watch List reviewed by TFI and recommendations for changes submitted to the GOU.</li> <li><b>Complete:</b> Specific recommendations submitted to bring GOU legislation into compliance with International IP obligations.</li> </ol>		

<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	Action plan for removal from the 301-watch list drafted, recommendations to GOU on IPR legislation submitted. TFI translated revised ACC-9 (IP) into English and submitted to the Agency of Foreign Economic Relations. TFI is in the process of reviewing the Draft of the new edition of the Law for Copyright and Related Rights.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ MAS-Q 01</b>	<b>Provide assistance to help ensure Uzbekistan’s compliance with the WTO’s “Technical Barriers to Trade Agreement” (TBT) and “Agreement on Sanitary and Phytosanitary Measures” (SPS)</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>The WTO has formally submitted a questionnaire (to which a response is required) to the Government of Uzbekistan requesting information on “how, what and when” Uzbekistan will meet the requirements of the TBT and SPS Agreements. In order to meet the requirements of the TBT and SPS Agreements, the Government of Uzbekistan will be required to form working groups to address specific issues.</i>		
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li><b>Complete:</b> Working groups formed to address issues relating to compliance with WTO TBT and SPS Agreements.</li> <li><b>Complete:</b> Authority, mission and responsibility of the working groups established and agreed.</li> <li><b>Complete:</b> Training provided to working groups on TBT and SPS Agreements and “do’s” and “don’ts.”</li> <li><b>Partially Complete:</b> Points of inquiry to respond to requests for information from WTO members, as required by the WTO TBT and SPS Agreements, are established with the GOU.</li> <li><b>Complete:</b> Response to WTO’s questionnaire prepared by the GOU, reviewed by TFI, revised as necessary by the GOU and formally submitted by the GOU to the WTO Secretariat.</li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	TBT/SPS Inquiry Point yet to be established. The impact of having trainings and revising checklists with the TBT/SPS working groups was positive. As a result, two draft Laws have been on Technical Regulations and Conformity Assessment drafted by the Uzbek Standards Agency and draft Resolution on Inquiry Points drafted. TFI revised checklists on TBT and SPSTFI provided comments and recommendations to the Draft Law on Technical Regulations TFI provided comments and recommendations to the Draft Law on Conformity Assessment TFI held a joint SPS/TBT working group meeting on May 18.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ MAS-Q 02</b>	<b>Initiate discussion on the Draft Law on “ Technical Regulation”</b>	<b>1 Jun 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>Establishment of an internationally-recognized MAS-Q infrastructure requires a legislative base that complies with the requirements of the WTO Agreements and international norms. Adoption of a WTO-compliant law on Technical Regulations is important because it establishes the legal basis for distinguishing between mandatory health and safety regulations and voluntary quality standards, thereby removing from SMEs the substantial burden of complying with the host of mandatory quality regulations that are imposed on them under the current standards regime.</i>		
<b>Performance Indicators</b>	1. <b>Partially Complete:</b> Round table forum (public discussion) conducted on the draft Technical Regulations law with all relevant ministries and agencies. (Public discussion of the draft law is required before its adoption in order to accomplish consensus between all relevant government agencies and associations of consumers and manufacturers, so that the Law does not become a restriction on trade and production.)		
<b>Status &amp; Comments</b>			
<b>June 2003 – May 2004</b>	Round table held on the discussion of the Draft TR Law. As a result, more comments generated from the interested ministries and agencies on the Draft Law. TFI had a meeting with the author of the Draft Law on Technical Regulations to discuss TFI’s comments to the Draft.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ MAS-Q 03</b>	<b>UzStandard MAS-Q infrastructure and procedures improved consistent with WTO and international norms</b>	<b>1 Nov 03</b>	<b>31 May 04</b>
<b>Description</b>	<i>In addition to legislative changes, the transition to an internationally-recognized MAS-Q system will require certain institutional reforms, most notably the transition of UzStandard to a non-regulatory standard and metrology institute and the development of qualified specialists in various MAS-Q fields. The result will be less government intervention in the activities of businesses and the creation of an organization that provides needed services to business and</i>		

	<i>government.</i>
<b>Performance Indicators</b>	<ol style="list-style-type: none"> <li>1. <b>Complete:</b> Complete an assessment on structure of UzStandard.</li> <li>2. <b>Partially Complete:</b> Three months of training in technical English conducted for 15 technicians.</li> <li>3. <b>Complete:</b> UzStandard agrees to accept ILAC and IAF requirements for accreditation of laboratories and certification bodies.</li> <li>4. <b>Partially Complete:</b> International third-party accreditation and certification bodies recognized and accepted by UzStandard.</li> </ol>
	<b>Status &amp; Comments</b>
<b>June 2003 – May 2004</b>	The assessment of UzStandard was completed in September 2003. TFI is now 6 weeks into the three-month technical English course for UzStandard technicians. The head of UzStandard's accreditation department has agreed to accept ILAC and IAF requirements of laboratories and certification bodies. UzStandard is currently in the process of drafting regulations to recognize and accept international third-party accreditation. Those regulations should be adopted in CY 04-05.

<b>June 2004 – May 2005</b>			
<b>Reduction of Investment Constraints in the Ferghana Valley (RIC FV)</b>			
No.	Objective	Start Date	End Date
<b>UZ RIC FV 01</b>	<b>Regulations and procedures governing land site acquisition and construction activities improved</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>The process of acquiring permission to engage in construction or even repair of a building is lengthy, expensive, non-transparent and involves multiple government agencies. Initial review of procedures for land site acquisition and construction shows the processes are overly burdensome, require excessive time and money to complete and are not transparent. Also, new regulations are under consideration in Tashkent.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Data gathered at the local and national level and opportunities to streamline the existing process identified. - <b>31 Mar 2005</b></li> <li>2. <b>COMPLETED.</b> - Recommendations forwarded to the TFI group in Tashkent considering improved mechanisms for national framework as needed. - <b>30 Apr 2005</b></li> <li>3. <b>INCOMPLETE.</b> - Amendments compliant with national laws prepared and presented for adoption to the local Government.- <b>30 Apr 2005</b></li> <li>4. <b>INCOMPLETE.</b> - If adopted, assist in the implementation and monitoring of the new amendments. - <b>31 May 2006</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	In the last contract year, TFI analyzed land acquisition procedures in Ferghana and Andijan in collaboration with businesses and relevant government agencies. As a result, TFI identified the following constraints related to this process: 1) lack of regulatory framework in the regions, 2) lack of transparency in existing procedures, and 3) absence of clear criteria for granting/ revoking/ suspending land rights. TFI is in the process of drafting regulations for Ferghana and Andijan that will address the constraints identified. This is unfortunately a very sensitive political issue on the local level as it is in the best interest of the local government officials to maintain the status quo by controlling the process. There is no clear political will to collaborate on this issue. The recent political events in May 2005, strained the working relationship between TFI and the local government even further. However TFI plans to continue to work on this issue through collaboration with progressive lawyers in the Ministry of Justice and the Tashkent Khokimiyat to complete the draft regulation, and present it and having it approved on the local level. This work will continue in the coming contract year.		
No.	Objective	Start Date	End Date
<b>UZ RIC FV 02</b>	<b>Collaboration with local partners to identify and reduce barriers to business operation continued</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>In Uzbekistan, in order to effectively advocate for business interests of their members, local associations and Chambers of Commerce often require technical and methodological assistance. Through the continuing cooperation of TFI, the activities of these partners will be enhanced in order to identify existing constraints, develop recommendations and implement solutions.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - National legislation and local procedures reviewed and mapped.</li> <li>2. <b>COMPLETED.</b> - Through collaboration with TFI, local partners identify barriers to business activity in the cities of Ferghana and Andijan.</li> <li>3. <b>PARTIALLY COMPELTE.</b> - Work plans developed for reduction of specific constraints identified and at least one constraint in each city reduced. – <b>30 Nov</b></li> </ol>		



	<b>2004</b> 4. <b>PARTIALLY COMPLETE. (FERGHANA).</b> - In collaboration with new Chamber of Commerce leadership, business-government councils established and regularly operating in Ferghana and Andijan to promote public-private dialogue, and continually working to identify barriers to business operation and remove constraints. – <b>31 May 2005</b>		
	<i>Status &amp; Comments</i>		
<b>June 2004 – May 2005</b>	In collaboration with the district Khokimiyat of Andijan Region and Coordination Council of Andijan Khokimiyat, TFI assisted in introduction of a more advanced software program in the process of business registration. As a result of setting up new software, less time is spent for applicants when registering with the district inspection. In collaboration with Osh (KG) and Andijan (UZ) branches of Kyrgyz Chamber of Commerce and Uzbekistan Chamber of Trade and Industry, Swiss government funded project “Goodwill Ambassadors” TFI assisted in setting up an Interagency Public Consultative Council aimed at promoting trade between Andijan and Osh regions of KG and UZ. First meeting was held on February 19, 2005, during which three main areas of work, such as: development of tourism (tourism for kids from KG to UZ), development of trading houses between two regions, processing of agricultural products from Osh in factories in Andijan. Preliminary period of the Council’s term is five months. In the event of successful outcome of the first five months work of the Council (i.e. concrete achievement of trade deals, etc.) it will be considered for further prolongation of its term. Due to recent political events, it remains to be seen whether or not the Goodwill Ambassadors will continue their efforts in Andijan. In collaboration with Ferghana region Khokimiyat, TFI assisted in having the state fee for business registration (five minimal wages) reduced by three minimal wages. Resolution of the Ferghana region on the fee reduction was issued on January 18. In collaboration with Ferghana region Khokimiyat, TFI assisted in setting up a Consultative Council, representative of members of the Regional Khokimiyat, Customs, Tax Committee, other relevant state agencies, Commerce of Trade and Industry and businesses. Resolution of the Regional Khokim on setting up a Council was issued in February 23. In collaboration with the Coordination Council of Andijan Khokimiyat, TFI assisted in identifying barriers in the process of obtaining two kinds of licenses, such as trading in pharmaceuticals and transportation services. Coordination Council worked out recommendations on removing the barriers by proposing the following: 1) setting up a representative office of the Ministry of Health in Andijan region in order to businesses in Andijan to avoid extra trips to Tashkent; reducing the fee for transportation services license in Andijan region. In the coming contract year, TFI plans to continue its Consultative Council work in Ferghana, and closely monitor the situation in Andijan to determine when and how we can collaborate once again in Andijan.		
<b>Trade Facilitation (TF)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ TF 01</b>	<b>Expand TIR carnet availability to at least 1 city in the Uzbek portion of the Ferghana Valley</b>	<b>1 Jun 04</b>	<b>31 Jan 05</b>
<b>Description</b>	<i>The TIR Convention introduces an internationally accepted guarantee mechanism for transit facilitation. Customs is protected against diverted goods while transporters are relieved of other means of control, such as cash deposits and customs escorts. In Uzbekistan, the TIR system has been established. The International Freight Forwarders Association of Uzbekistan is authorized to implement TIR in Tashkent. Currently, Carnets are only issued in Tashkent, requiring businesses based in the Ferghana Valley to incur significant costs and invest time to travel to Tashkent to get the Carnets. TFI will work with the Association to expand the availability of TIR Carnets to the Ferghana Valley. TFI will facilitate the expansion process by providing technical assistance, and educating transport companies, customs authorities, businesses and government on TIR operations.</i>		
<b>Intermediate Objectives</b>	1. <b>COMPLETED.</b> - The International Freight Forwarders Association agrees to issue TIR Carnets in a city in the Uzbek portion of Ferghana Valley. – <b>30 Nov 2004</b> 2. <b>COMPLETED.</b> - TIR Carnets issued in at least 1 city in the Uzbek portion of the Ferghana Valley.- <b>30 Nov 2004</b> 3. <b>COMPLETED.</b> - Seminars held to encourage usage and inform the public about the benefits of TIR Carnets. - <b>31 Jan 2005</b>		
	<i>Status &amp; Comments</i>		
<b>June 2004 – May 2005</b>	Through a TFI/EDP grant, the Association of Freight Forwarders held a seminar for 25 participants to encourage TIR use. TIR carnets are currently being issued in the Tashkent City and Oblast and in the following towns in the Ferghana Valley: Ferghana; Kokand; Chust; Termez; Namangan; and Andijan. In all there have been over 440 carnets issues. In 2004 the National Office in Tashkent issued 2000 TIR Carnets, before any of the Ferghana Valley offices had opened. TFI considers this objective completed and from now on, the Association of Freight Forwarders intends to continue to implement and sustain the objective.		
<b>World Trade Organization (WTO)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>

<b>UZ WTO 01</b>	<b>Progress toward WTO accession achieved through technical support and training provided</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>In order to have successful bilateral negotiations with WTO members and substantive results from Working Party meetings, it's essential to be well prepared. This includes informal preparatory contacts with WTO members and the proper preparation and submission of required documentation (ACC forms and questionnaires) and answers to WTO member countries' questions. If the content of the documents and answers are satisfactory to the WTO member countries, then the next Working Party Meeting can be scheduled.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Review of enterprises conducted to identify state trading monopolies among them.- <b>31 Aug 2004</b></li> <li>2. <b>PARTIALLY COMPLETE.</b> - State Trading Questionnaires for selected enterprises drafted and submitted to WTO Secretariat. – <b>31 Dec 2005</b></li> <li>3. <b>COMPLETED.</b> - Trainings to government officials provided as necessary. - <b>31 May 2004</b></li> <li>4. <b>COMPLETED.</b> - Replies to WTO member countries' questions drafted and submitted to WTO Secretariat. – <b>31 Mar 2005</b></li> <li>5. <b>INCOMPLETE.</b> - Initial offers on market access for goods submitted to WTO Secretariat. - <b>30 Sep 2005</b></li> <li>6. <b>INCOMPLETE.</b> - Initial offers on market access for services submitted to WTO Secretariat. - <b>30 Sep 2005</b></li> <li>7. <b>COMPLETED.</b> - English language courses continued for UzStandard and Small Council members. - <b>28 Feb 2005</b></li> <li>8. <b>INCOMPLETE.</b> - Bilateral market access negotiations on goods and services held. - <b>31 May 2006</b></li> <li>9. <b>COMPLETED.</b> - Training provided to business associations, journalists, and academicians to create public support for WTO accession.- <b>31 May 2005</b></li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2004 – May 2005</b>	<p>TFI provided trainings to GOU on Antidumping – Countervailing Duties (AD-CVD), Copyright, Customs, replies to WTO questions, market offers for goods and services. TFI provided round tables to business associations on WTO accession matters in Tashkent, Bukhara and Urgench. TFI organized participation of GOU officials as well as academicians at the WTO Public Symposium.</p> <p>While great strides toward Uzbekistan's WTO Accession were made over the last contract year, there still remain items that the Government needs to address before the next working party meeting. For instance, despite TFI's urgings and assistance the GOU still has not submitted to the WTO Secretariat initial offers on goods and services. There are vested interest among the various senior level officials in the Government with regards to the necessity to formulate a trade regime in compliance with WTO principles which have significantly slowed the legislative changes necessary to prepare and submit the initial offers on goods and services. Unfortunately, due to the recent political unrest, the Vice-Prime Minister/ Minister of Foreign Affairs Elyor Ganiev who TFI was working with closely on these matters, has had to shift his attention to other matters as have many other high Government officials. Bilateral market access negotiations on goods and services held until the initial offers of goods and services are submitted. TFI will continue to work on Uzbekistan's WTO Accession efforts in the coming contract year.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 02</b>	<b>Legislative Action Plan drafted, submitted and updated</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>In order to accede to the WTO, a country's legislation must be WTO-compliant. The Legislative Action Plan is a document that can be used as a framework for legislative reform. It includes the laws and regulations that must be brought into compliance with WTO Agreements and indicates the schedule for review and revision of the listed legislation. The Legislative Action Plan must be submitted to WTO and regularly updated as necessary.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li>1. <b>COMPLETED.</b> - Legislative action plan drafted and submitted to WTO Secretariat. - <b>31 Aug 2004</b></li> <li>2. <b>COMPLETED.</b> - Dates for adoption of certain legislative acts indicated in the Legislative Action Plan shortened. – <b>31 Mar 2004</b></li> <li>3. <b>PARTIALLY COMPLETE.</b> - Updates to legislative Action Plan prepared if necessary and submitted to WTO Secretariat.- <b>31 May 2006</b></li> </ol>		
<b>Status &amp; Comments</b>			
<b>June 2004 – May 2005</b>	<p>TFI has provided continued assistance to the GOU on updating their legislative action plan in preparation of the next working party meeting throughout the contract year. Recommendations on updating the Legislative Action Plan with regard to TBT and SPS laws were submitted to the Cabinet of Ministers. However, they are still being reviewed by the Cabinet of Ministers and cannot be submitted to the WTO Secretariat until approved by the Cabinet. They are expected to be approved in first quarter of the next contract year, and previous to the next Working Party which is anticipated in no sooner than October 2005.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 03</b>	<b>WTO-compliant Customs legislation drafted and adopted</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Uzbekistan's Customs legislation does not satisfy the requirements of the Revised Kyoto Convention and WTO Agreements. The adoption of the Customs Code</i>		

	<i>and other customs legislation that is compliant with WTO requirements and Revised Kyoto Convention principles will be a foundation for implementation of internationally accepted customs practices and essential for Uzbekistan's WTO accession.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li><b>PARTIALLY COMPLETE.</b> - Customs Code drafted and presented to Government for review. - <b>31 May 2005</b></li> <li><b>INCOMPLETE.</b> - WTO Customs Valuation Interpretative Notes drafted, presented to the Government for approval. – <b>31 May 2006</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	TFI has been providing assistance in drafting the new Customs Code to the GOU, which will include the provisions on Customs Valuation. Following the expected submission of the completed draft Customs Code to the Cabinet of Ministers in July 2005, TFI's further assistance is needed in providing presentations on the new Customs Code in the Parliament, among various GOU ministries and agencies and business community. The WTO Customs Valuation Interpretative Notes cannot be drafted or presented to the Government for approval until the Customs Code is completed and approved. Therefore TFI plans to continue its efforts to finalize the Custom Code in the coming contract year.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 04</b>	<b>TRIPS Implementation steps taken</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Compliance with the requirements of the WTO Agreement on Trade Related Intellectual Property Rights (TRIPS) is one of the key conditions for acceding countries. Uzbekistan's IPR laws and mechanisms do not meet minimal standards set by the WTO TRIPS Agreement. Therefore, Uzbekistan must bring its IPR legislation into conformity with the TRIPS Agreement, which includes revision of existing laws and joining international conventions on IPR. The current status of Uzbekistan's IPR legislation and practices is reported to the WTO in WT/ACC/9 - Information on implementation of TRIPS Agreement.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - The Bern Convention on Protection of Literary and Artistic works adopted. – <b>31 Jan 2005</b></li> <li><b>PARTIALLY COMPLETE.</b> - ACC/9 checklist updated and submitted to WTO Secretariat as necessary – <b>31 Mar 2005</b></li> <li><b>INCOMPLETE.</b> - The Law on IPR changes drafted and adopted. – <b>31 May 2006</b></li> <li><b>INCOMPLETE.</b> - ACC/9 follow-up questions replied to if necessary. – <b>31 May 2006</b></li> <li><b>PARTIALLY COMPLETE.</b> - The Law for Copyright and Related Rights drafted, submitted to the Parliament and adopted. – <b>31 May 2005</b></li> </ol>		
	<b>Status &amp; Comments</b>		
<b>June 2004 – May 2005</b>	<p>Thanks to TFI's assistance, the GOU joined the Bern Convention on protection of artistic and literary works in January 2005. TFI has been providing assistance to the Uzbekistan Copyright Agency on drafting the new edition of the Law on Copyright and Related Rights. As a result, the draft Law was submitted to the Parliament. Once approved by the Parliament it will officially be adopted.</p> <p>Currently the updated ACC/9 checklist is being reviewed by the Cabinet of Ministers. It is expected to be submitted to the WTO Secretariat in the first quarter of the next contract year. Once that is submitted, and if follow up questions are asked, TFI will continue to assist in the preparation of those answers. TFI held a workshop on Copyright laws with the participation of WIPO experts on the revision of the draft Copyright Law and made specific recommendations to the GOU on bringing the law into conformity with the WTO requirements including the implementation of Article 18 of Bern Convention, to which the GOU had reservations concern retroactive protection of pre-existing works. On May 19th, there was the first reading of the draft Law in the Parliament. It's expected that TFI's recommendations will be adopted. TFI will continue to assistance in drafting provisions for IPR related legislation on IPR enforcement mechanisms. The draft law is expected to be adopted by September 2005.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 05</b>	<b>TBT and SPS implementation steps taken</b>	<b>1 Jun 04</b>	<b>31 May 05</b>
<b>Description</b>	<i>Uzbekistan's legislation and practices in the areas of standardization and sanitary and phytosanitary measures do not meet requirements set by the WTO's TBT and SPS Agreements, implementation of which is one of the key conditions for acceding countries. Achieving compliance with the TBT and SPS Agreements requires fundamental transition of Uzbekistan's standardization system from mandatory standards to voluntary. The implementation of the latter will require the adoption of a WTO-compliant Law on Technical Regulations and establishment of the Information Inquiry Points required by the TBT and SPS Agreements. The current status of Uzbekistan's legislation and practices in the area of standards and sanitary and phytosanitary measures is reported to the WTO in WT/ACC/8a and ACC/8b – information on TBT and SPS implementation.</i>		
<b>Intermediate Objectives</b>	<ol style="list-style-type: none"> <li><b>COMPLETED.</b> - Working group on the Law on Technical Regulating established with TFI participation. - <b>31 Aug 2004</b></li> <li><b>COMPLETED.</b> - Explanatory Memorandum with recommendations provided to the GOU on the necessity to reduce the list of products subject to mandatory</li> </ol>		

	certification. - <b>31 Aug 2004</b> 3. <b>COMPLETED.</b> - Accession to International Plant Protection Convention completed. – <b>30 Nov 2004</b> 4. <b>COMPLETED.</b> - ACC/8 checklist updated and submitted to the WTO Secretariat as necessary. – <b>31 Mar 2005</b> 5. <b>PARTIALLY COMPLETE.</b> - Membership in Codex Alimentarius achieved. - <b>30 Sep 2005</b> 6. <b>INCOMPLETE.</b> - Code of Good Practice adopted. <b>31 May 2006</b>		
	<i>Status &amp; Comments</i>		
<i>June 2004 – May 2005</i>	Thanks to TFI's assistance, the GOU decided to establish a single TBT/SPS Inquiry Point. It's expected that the GOU resolution will be issued during summer 2005. TFI has been providing assistance in drafting the Law on Technical Regulating that would include the provisions on Conformity Assessment. Currently, the GOU assigned AFER to draft the Law on Conformity Assessment. Following TFI recommendations, AFER will prepare the new draft as a unified version of the Law on Technical Regulating including the provisions on Conformity Assessment. Further TFI's assistance is needed in completing the preparation of the draft law. Membership in Codex Alimentarius is one of the prerequisites of the SPS Agreements. The necessary documentation for Membership was prepared and is currently being reviewed by the Ministry of Foreign Affairs. It is expected to be approved by the second quarter of the coming contract year. The Code of Good Practice can only be adopted once the Law on Technical Regulating is adopted. Therefore, TFI will continue its efforts in the coming year to get the Law and the Code adopted.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>UZ MASQ 01</i>	<i>Steps taken by UzStandard to bring MAS-Q infrastructure into compliance with international norms</i>	<i>1 Jun 04</i>	<i>31 May 05</i>
<i>Description</i>	<i>In addition to legislative changes, the transition to an internationally-recognized MAS-Q system will require certain institutional reforms. Namely, needed reforms include the creation of an internationally-recognized national accreditation program for laboratories, certification authorities and quality management systems and the adoption and application of international standards for certification.</i>		
<i>Intermediate Objectives</i>	1. <b>INCOMPLETE.</b> - Develop jointly with UzStandard an accreditation program that is internationally compliant. – <b>31 May 2005</b> 2. <b>INCOMPLETE.</b> -Develop jointly with UzStandard a certification program that is internationally compliant. – <b>31 May 2005</b>		
	<i>Status &amp; Comments</i>		
<i>June 2004 – May 2005</i>	Accreditation and certification systems can only be reformed according to international standards once a WTO-compliant Law on Technical Regulating is adopted. Since this has not yet occurred in Uzbekistan, TFI's assistance has been limited to informing the Cabinet of Ministers of the importance of including international principles in reforming their systems and the equal importance and dependence on a the Law on Technical Regulating.		

<b>June 1, 2005 – May 31, 2006</b>			
<b>Reduction of Investment Constraints (RIC)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>UZ RIC 01</i>	<i>Regulations and Procedures Governing Land Site Acquisition and Improvement for Commercial Purposes Revised and Adopted in Ferghana</i>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<i>Description</i>	<i>The process of obtaining permission to acquire land to engage in construction of commercial building or even repair of a building is lengthy and non-transparent. TFI studied the process of land acquisition in the Ferghana region and determined that the main barrier for businesses is the absence of a clear regulatory framework with identified criteria for the Mayor's office to issue or reject permission for land site acquisition and improvement.</i>		
<i>Intermediate Objectives</i>	<ul style="list-style-type: none"> <li>• Regulation containing procedures for land acquisition and improvement and establishing timeframes and criteria for refusal, revocation and suspension of the permits, and appeals procedures, prepared and presented for adoption – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Amendments to local acts compliant with national laws prepared and presented for adoption to the local Government - <b>28 Feb 2006 - COMPLETED</b></li> </ul>		

	<ul style="list-style-type: none"> <li>If adopted, assist in the implementation and monitoring of the new amendments and, as necessary, work with counterparts to take corrective action - <b>31 May 2006 - INCOMPLETE</b></li> </ul>		
	<i>Status &amp; Comments</i>		
<b>June 2005 – May 2006</b>	Prior to October 2005, TFI facilitated the development of the regulation and amendments and submitted the package to the Regional Khokim. However, in October 2005, the management of the office was replaced. Despite efforts by TFI to raise land issues and promote the reforms, the local government decided not to consider land reforms.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ RIC 02</b>	<b>Strengthen Collaboration with Local Partners to Identify and Reduce Constraints in Ferghana</b>	<b>1 Jun 2005</b>	<b>31 May 2006</b>
<b>Description</b>	<p><i>In order to effectively advocate for the interests of their members, local associations and Chambers of Commerce often require technical and methodological assistance. Through the continuing cooperation of TFI, the activities of these partners will be enhanced in order to identify constraints, develop recommendations and implement solutions. Thanks to TFI efforts in Ferghana, the Mayor's office approved the establishment of a Consultative Council with representatives of various government agencies as well as businesses to address business constraints. TFI also collaborated successfully with the Ferghana branch of the Chamber of Commerce and its members to prepare a draft regulation on obtaining business permits in Ferghana. TFI plans to focus its continuing efforts on these groups to strengthen their ability to identify and reduce constraints.</i></p>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>Together with the Chamber of Commerce and the Ferghana Consultative Council develop a work plan for reducing identified constraints in the area of import/export operations for local businesses. – <b>30 Nov 2005 - COMPLETED</b></li> <li>New regulation on obtaining permits for conducting certain types of businesses, including retail and wholesale trade in food products, personal services, opening food facilities (restaurants, cafes, etc.), small and medium size production sites (bakery, etc), adopted by the Ferghana Region Khokim. The new regulation shall include the timeframes for completion of permit review and approval procedures and criteria for rejection, revocation and suspension of permits – <b>31 Dec 2005 - COMPLETED</b></li> <li>Work plan implemented and at least four constraints reduced – <b>31 May 2006 – PARTIALLY COMPLETE</b></li> </ul>		
	<i>Status &amp; Comments</i>		
<b>June 2005 – May 2006</b>	<p>The new regulation prepared by TFI Ferghana in collaboration with the Ferghana Mayor's office, Chamber of Commerce and Ferghana Consultative Council was adopted by the Ferghana Mayor for implementation in Ferghana. TFI conducted a series of focus groups with local businesses and administrations to gain information on the permit process and prepare a comprehensive list of recommendations on how to improve it. Some of the recommendations on the new Regulation include:</p> <ul style="list-style-type: none"> <li>- Establishing a two day limit on application reviews;</li> <li>- Reduction of the number of required documents submitted with the application;</li> <li>- No permits required for paid personal services businesses;</li> <li>- Establishing an Administrative appeal procedure for applicants in the event of procedural or substantive violations of the application process;</li> <li>- Establishing clearer mechanisms for revocation, suspension and annulment of permits.</li> </ul> <p>The new regulation will save up to 8 working days for businesses in the application process and will save businesses a significant amount of money in unofficial payments.</p> <p>With the assistance of TFI, the Ferghana Consultative Council identified import payments for honey as a significant business constraint. From April-September Uzbek beekeepers from Uzbekistan move to a more favorable climate in the Kyrgyz Republic. The transportation of the bees in their hives is considered a temporary export. The purpose of the export is to produce honey. The final product – honey and the bees are brought back to Uzbekistan where the Uzbek Customs consider it an import subject to a 40% single customs payment and 10% excise tax. The beekeepers disagree with Customs classifying their honey as an export, because it's produced by the bees grown in Uzbekistan that belong to Uzbek beekeepers and they consider the temporary export of bees as a part in the production process of honey. The 40% single customs payment and 10% excise significantly reduces the volume the Uzbek honey industry and the Association requested the GOU to exempt honey from 40% single payment and 10% excise tax. As a result of the Consultative Council decision, a letter was drafted and signed by the Regional Khokim addressed to the Prime Minister on the issue of elimination of customs duties and other payment requirements for</p>		

	Uzbek beekeepers transporting honey to Uzbekistan. In response to the letter, the Prime Minister ordered the Ministry of Finance, Ministry of Foreign Economic Relations and Customs Committee to provide their recommendations on the proposal for exemption of the import payment for honey. A draft resolution on the exemption was prepared by the Association of Beekeepers, approved by the respective Ministries, and submitted to the Prime Minister's office for further approval by the President.		
<b>Trade Facilitation (TF)</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>UZ TF 01</i>	<i>Develop Informational Tools for Road Carriers and Freight Forwarders in Collaboration with the Association of International Freight Forwarders (AIFF)</i>	<i>1 Jun 2005</i>	<i>31 May 2006</i>
<b>Description</b>	<i>Absence or lack of information is a serious barrier to conducting import/export operations in Uzbekistan. To address this deficiency, TFI has agreed to work with the AIFF to develop informational tools containing data on existing rules and practices on the borders, customs, import/export regulations, route maps, TIR carnets and other relevant information for road carriers and freight forwarders that would be easily accessible to the Association's members.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Determine what information is required for businesses to conduct import/export operations in Uzbekistan – <b>30 Sep 2005 - COMPLETED</b></li> <li>• Place the available information on the AAIF website – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Publish booklets with Uzbek-English translation of Incoterms and commercial glossaries – <b>31 Dec 2005 - COMPLETED</b></li> <li>• Monitor the impact of publications distribution and website information by surveying Association members – <b>31 May 2006 - COMPLETED</b></li> </ul>		
<b>Status &amp; Comments</b>			
<i>June 2005 – May 2006</i>	<p>TFI assisted in organizing a round table for the members of the Freight Forwarders Association and others involved in the shipping industry to discuss proposed legislative changes directed toward the improvement of the conditions for freight forwarding business in Uzbekistan. Proposals discussed during the round table will be reviewed by TFI experts for compliance with international best practices and WTO agreements. Proposals discussed during the round table will be reviewed by TFI experts on their compliance with the international best practices and WTO agreements. The problems identified during the discussion included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- The state monopoly of railway and air shipments;</li> <li>- Incorrect taxation of freight forwarders and road carriers ( taxing profit, instead of only the fee);</li> <li>- Discriminatory VAT on domestic suppliers of services, whereas foreign suppliers are exempt from VAT under the Investment Law;</li> <li>- Unbearably high tariffs and excise taxes for importation of vehicles for road carriers, which put the domestic suppliers at a great disadvantage compared to foreign suppliers of services;</li> <li>- Domestic suppliers can't receive payments for their services in hard currency under the local regulations, which puts them at a disadvantage compare to foreign suppliers</li> </ul> <p>An Uzbek-Russian translation of "Incoterms 2000" was completed and 1000 copies printed for distribution through the Freight Forwarders Associations and other government and private sector partners. An Uzbek-English-Russian commercial glossary was prepared and 800 copies printed for distribution.</p>		
<b>World Trade Organization (WTO)</b>			
<i>UZ WTO</i>			
<b>Description</b>	<i>Should USAID funding become available to continue technical assistance to the Uzbekistan Central Government during the course of this contract year (2005-2006), and subject to modification based on discussions between USAID and TFI to take into account such factors as time remaining on the Project, personnel availability and other relevant factors, WTO accession-related objectives may be added to this work plan.</i>		
<b>Promotion of WTO accession process – Amended December 2005</b>			
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>UZ WTO 01</i>	<i>Promote the Adoption of a WTO-compliant law "On Technical Regulating and Conformity Assessment"</i>	<i>1 Oct 05</i>	<i>31 May 06</i>
<b>Description</b>	<i>In June 2005, TFI and the Agency on Foreign Economic Relations completed an alternative draft law "On Technical Regulating and Conformity Assessment" that addressed the WTO compliance issues missing in the draft law prepared by UzStandard. TFI will now work with its private sector partners and other</i>		

	<i>donors, such as the new EU-TACIS Project on Standards and WTO working directly with UzStandard, to promote the adoption of a WTO-compliant and more business-friendly law, improve the certification process and reduce the number of products subject to mandatory certification.</i>		
<b>Intermediate Objectives</b>	Conduct a presentation and discussion of the law On Technical Regulating, the Rules of Certification and the Cabinet of Ministers Resolution on the list of products subject to mandatory certification with the members of the Chamber in Tashkent. – <b>30 Nov 2005 - COMPLETED</b>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	<p>A presentation and discussion of the draft law on Technical Regulating, the Rules of Certification and the list of products subject to mandatory certification was prepared by TFI and the Ministry of Foreign Economic Relations and held in November 2005 for the members of the Chamber and other related state bodies.</p> <p>There are currently two alternative draft laws. Originally, only UzStandard was assigned by the GOU to prepare draft legislation compliant with the TBT and SPS Agreements. UzStandard prepared two draft laws, “On Technical Regulating” and “On Conformity Assessment”. Based on TFI review, neither draft is considered compliant with the TBT and SPS Agreements. Major principles of these Agreements are not contained in the UzStandard drafts and which include provisions retaining of standards and certification. As a result, the GOU tasked the Ministry of Foreign Economic Relations, Investment and Trade (MFERIT) to prepare an alternative draft law “On Technical Regulating” that would properly incorporate provisions on mandatory conformity assessment procedures, in accordance with the TBT and SPS Agreements. TFI assisted in preparation of this alternative draft and it was the subject of the presentation in November 2005. As a result of the presentation and discussion, additional changes were introduced into the draft and it was sent to Minister Shaykhov (MFERIT) and other key ministries for comment. The draft is currently under discussion within the government. TFI is advocating that this draft be sent to the WTO for review prior to the next WP meeting.</p> <p>Uzbekistan joined Codex Alimentarius (international standards for food products), one of three international conventions for implementation of the WTO SPS Agreement.</p>		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<b>UZ WTO 02</b>	<b>Promote the Adoption of WTO-compliant Amendments to the Civil Code</b>	<b>1 Oct 05</b>	<b>31 May 06</b>
<b>Description</b>	<p><i>Bringing laws into conformity with WTO rules and best business and regulatory practices cannot be done successfully without also reforming the major Codes that supersede such laws. The Civil Code is one of the primary sources of law in Uzbekistan, but many of its provisions do not conform to the requirements of the WTO and even to newly prepared legislation in specific areas, such as the Copyright Law and the Technical Regulation Law. At the same time, the Civil Code contains certain restrictions that do not conform to best international business practices in the area of land ownership, land acquisition, licensing, trading rights, etc. One of the main problems of the current Code is that it addresses the issues of regulating contractual disputes by public means, i.e. governmental intervention. Such fundamental provisions of the Code such as definitions of legal commercial entities are flawed and therefore have the potential for creating many administrative barriers. At the same time, restrictions and distinctions in the trade regime for physical and legal entities has become one of the major issues for import/export operations. This creates, and will continue to create, confusion and difficulty in properly implementing TFI reform efforts in Uzbekistan. For this reason, TFI believes it is important to promote amendments to the Civil Code in addition to WTO and RIC-related legislation. TFI plans to undertake this work together with the members (lawyers) of the Association of Advocates of Uzbekistan. The adoption of a new Civil Code is included in the President’s Reform Agenda for 2006.</i></p>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Identify areas of non-compliance with WTO Agreements and in contradiction to international best business practices in the current Civil Code. – <b>30 Nov 2006 - COMPLETED</b></li> <li>• Support the Association of Advocates in promoting the adoption of a revised Civil Code that supports the rule of law, market-oriented business practices and meets WTO requirements. – <b>31 May 2006 - COMPLETED</b></li> </ul>		
	<b>Status &amp; Comments</b>		
<b>June 2005 – May 2006</b>	TFI reviewed the Civil Code and supported the development of amendments to 665 articles to promote compliance with WTO Agreements and eliminate contradictions with generally accepted international business practices. To support changes to the Code, round tables have been conducted for members of Parliament, the Ministry of Justice, lawyers and other private sector representatives. The recommendations are currently pending in the government.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>

<b>UZ WTO 03</b>	<b>Promote Public Awareness of WTO Principles and Agreements and the Benefits and Challenges of Membership</b>	<b>1 Oct 05</b>	<b>31 May 06</b>
<b>Description</b>	<i>The WTO accession process requires public awareness of the benefits and challenges of WTO membership. Greater involvement of domestic industries, businesses, academia, journalists and NGOs is essential for successful accession and achieving the benefits that membership offers. Therefore, it is important to conduct awareness seminars for the public at large. In the previous project year, TFI conducted three such seminars in different regions of Uzbekistan with the participation of the Chamber of Commerce and Industry. TFI and the Chamber will continue these in other regions with the involvement of other local groups as well.</i>		
<b>Intermediate Objectives</b>	<ul style="list-style-type: none"> <li>• Promote other forms of public awareness such as publication of articles, lectures and dissemination of information on WTO-related issues. – <b>31 May 2006</b></li> </ul> <p>– <b>COMPLETED</b></p>		
<b>Status &amp; Comments</b>			
<b>June 2005 – May 2006</b>	<p>TFI supported the development of articles on WTO related issues which have been published in at least five separate editions of the nationally-distributed, widely-read magazine “Business Weekly” on subjects including: the WTO accession process, tariff regulation, services, trade facilitation, technical regulation, intellectual property rights, and agricultural support.</p> <p>TFI provided informational support to the Chamber of Commerce and Industry to support future presentations and seminars promoting WTO knowledge and the accession process.</p>		



Attachment I: Uzbekistan Constraint Reduction Tables (2003 – 2006)

Uzbekistan					
Constraint Reductions					
2003 – 2004					
#	City / Project	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio
1	<i>Ferghana - Publication of import / export procedures</i>	1. Procedures are not clearly published in a consolidated guide or readily available from the government. 2. To get necessary information and forms, entrepreneurs resort to paying a “facilitator” between \$50 and \$100 to act on their behalf per deal. These facilitators are often organizations at least partly supported by government representatives involved in the regulatory process. Also, entrepreneurs often have to make unofficial or in-kind payments to government representatives to get the required information or use their connections which can cost an additional \$12-20 per deal. 3. Entrepreneurs are required to spend up to 30 - 40 days traveling to the city and visiting up to 6 government bodies to get the necessary information regarding import and export procedures.	Based on information gathered from government officials and entrepreneurs and a review of existing legislation, procedures for getting permissions to export and import goods and obtain customs clearance were consolidated as one guide for ease of use and understanding.	This information was distributed to partner associations and Chambers of Commerce as well as through 200 booklets distributed to businessmen via the Customs Head Office, regional customs posts, and Ferghana Expertiza. EDP also distributes this guide to their clients and business associations as well as the Registration Department will distribute them the businesses directly. Additionally, information boards with the customs procedure and regulations were installed at Head office of Customs Committee and at 5 Customs Posts located in rural area mainly trading fruits and vegetables, and at Ferghana Expertiza which issues certificates of origin. The guides include telephone numbers and contract information within government agencies to allow remotely located businesses to contact representatives directly, to avoid unnecessary trips to the city. By making the information directly available to entrepreneurs in a consolidated document and with unambiguous language, the process now takes approximately 15-20 days, saving 15 – 20 days per impacted entrepreneur. By making the information available to entrepreneurs, an opportunity to collect unofficial payments has been removed, which will result in an average savings to entrepreneurs of \$12-20 per deal, or \$12,000 to \$20,000 annually. Entrepreneurs now know how to get permissions and necessary information they have the opportunity to choose whether use services of officials or complete the less time-intensive procedures themselves. It is expected that approximately 70% of businesses involved in trade will no longer pay for facilitation services, saving a total of approximately \$70,000 in former payments to the “facilitators”. The	N/A

Uzbekistan						
Constraint Reductions						
2003 – 2004						
#	City / Project	Constraint Details	Recommendations	Results / Impact	Monitoring Ratio	
				availability of contact information within the guides will reduce the need for entrepreneurs to travel to Ferghana (as they were previously required to do), reducing travel time and costs to consult with government official on trade questions. Total savings is estimated at 20,000 + 70,000 = <b>\$90,000</b> annually.		
2	<i>Ferghana - Publication of CIS Beekeeping regulations and forms</i>	1. Beekeepers do not have access to regulations regarding business activity and trade with other countries resulting in increased penalties and costs of trade. 2. Due to difficulty getting information, beekeepers are required to invest significant time acquiring foreign and domestic regulations.	The Association recommended the publication of a manual for the 3000 beekeepers in the Ferghana Valley.	The Project collected regulations and forms from Russia, Kazakhstan, Uzbekistan and the Kyrgyz Republic. The Association has published these materials in a single volume to their members as well as made them available for other beekeepers in the Ferghana Valley. There are over 3000 entrepreneurs engaged in beekeeping in the Ferghana Valley, including 600 members of the Ferghana City Association of Beekeepers. Through the dissemination of information in both printed and electronic form by the Association to its members, other associations and independent entrepreneurs, entrepreneurs will be better informed about regulations, lowering transaction costs and putting upward pressure on trading volumes and revenues. Actual economic impact will be monitored in concern with the association.	7/7	

Uzbekistan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
1	<i>Ferghana/Andijan - Business Registration Procedures Clarified and Published</i>  Date: Aug 2004	The business registration process lacks transparency as the process is not clearly articulated by the government. Businesses often pay bribes for information and expedience, make repeated trips to government bodies, and are charged fees in excess of those required by regulations.	TFI reviewed existing procedures for compliance with national legislation and developed “plain language” process instructions for entrepreneurs. It was	In July 2004 the Ferghana oblast government adopted TFI’s recommendations and agreed to publish the process instructions and distribute them via local institutions in each city and rayon. So far,	Based on statistics from the government, 4000 businesses and 7000 individual entrepreneurs are registered each year. Based on sampling, it is expected that the instruction will reduce registration time from 11 days to 10 days, a savings of 1 day. Taking into	5/7

## Uzbekistan

### Constraint Reductions

**2004 - 2005**

#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		(Reduced cost, reduced time, increased transparency – 3)	recommended that the government adopt the instruction and disseminate the information through government offices and the media.	entrepreneurs using the instruction stated that transparency of the process is improved, unofficial payments are expected to be reduced and official payments are expected to be brought into line with regulatory requirements.	account, that total daily income for businesses is \$12 and for individuals is \$5, operating 1 day earlier results in average increased revenue of \$83,000. Additionally, businesses will save an average of \$3 for businesses and \$1.5 for individuals, the total of \$22,500 to the notary offices due to overpayments due to confusion about regulatory fees. Therefore the total cost savings and increased revenue will be: <b>\$105,500.</b>	
2	<b><i>Ferghana - Issuance of Kyrgyz Visas in Osh</i></b>  Date: Nov 2004	With the exception of beekeepers, Uzbek entrepreneurs are required to obtain visas at the Kyrgyz embassy in Tashkent. This requirement generates additional travel costs for businesses in the Ferghana Valley. The embassy in Tashkent requires individual letters of invitations from each visa applicant. The Kyrgyz sponsor must register the invitation with the Representative of the Ministry of Foreign Affairs located in Osh. The letter is then sent to the Uzbek applicant who must take the letter to the Kyrgyz Embassy in Tashkent The process of preparing, registering and sending the letter to the Uzbek applicant takes on average 10 days. The Kyrgyz Embassy takes approximately 3 days to process a visa.  (Increased transparency, reduced cost, reduced time – 3)	Due to the successful implementation of the agreement to issue visas to Uzbek beekeepers in Osh, other business representatives expressed interest in getting similar treatment. TFI recommended to the Representative of the Ministry of Foreign Affairs in southern the Kyrgyz Republic that the visa agreement be extended to other businesses for consideration.	The recommendation to expand the Ferghana visa pilot project was accepted. The Kyrgyz government is now willing to consider requests from non-beekeeping groups to have Kyrgyz visas issued in Osh.	TFI will continue to evaluate the impact. It is estimated that 1,000 people requiring visas, including entrepreneurs, cross the border monthly. Each person who takes advantage of this change will save an average of 12 days and 26,000 Sums per visa application.	<b>32/32</b>
3	<b><i>Fergana/Andijan - Reduction of state fee for</i></b>	Business registration fees for legal entities cost about USD 39.18 or the equivalent of six months wages in Ferghana.	TFI recommended reducing the state fee for registration of legal	The Ferghana Khokim agreed to reduce the state fee for legal entities in	Exact numbers will be available in January 2006 when the information on the number of	<b>5/5</b>

Uzbekistan						
Constraint Reductions						
2004 - 2005						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
	<i>business registration of legal entities</i>	(Increased transparency, reduced cost, reduced time – 3)	entities.	urban areas to 32.65 (the equivalent of 5 months wages) and in regional districts (suburban and country sides) to 26.12 USD (the equivalent of 4 months wages). The Andijan Khokim reduced the state fee for legal entities in rural areas to 19.59 USD (the equivalent of three months wages).	registered businesses in 2005 will become available. However in 2004, there were 3980 legal entities registered. If the same numbers of businesses register this year, the minimum amount saved could potentially be <b>\$26,000</b> USD.	

Uzbekistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
1	<b>Ferghana - Adoption of the new business permit regulation</b>  <b>Date:</b> Nov 2005	There was no regulatory framework for obtaining permits for conducting retail and wholesale trade and rendering personal paid services in Ferghana region. As a result, every district or city mayor's office arbitrarily administered the process of permits issuance.  (Reduce Cost, Reduce Time, Increase Transparency – 3)	TFI prepared a draft Regulation which was submitted to the Regional Mayor's office for approval. TFI's recommendations included: 1.Set a 2 day limit for application review. Previously, it could take over two weeks for the application to be reviewed. 2.Reduction in the number of required documents a business must submit with the application. 3.Repeal permit	The new regulation was adopted on November 15, 2005.	There will be at least a 10% decrease in the permits to be issued, as paid personal services are exempt from the permits according to the regulation. According to rough estimates, there are about 1000 entities, providers of such kind of services. The new regulation will save up to 8 working days for businesses in the application process. The new regulation will save in significant expenses for businesses for unofficial payments.	N/A

Uzbekistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
			requirements for paid personal services such as laundry, dry cleaning, transportation, internet services, or restaurants. 4. Clearer administrative appeal procedures are now available in the event of procedural or substantive violations of the application process. 5. Clearer mechanisms for revocation, suspension and annulment of the permit are provided. The latter can be done only by the decision of the court.			
2	<b>Fergana - Exemption from customs honey import payment</b>  Date: May 2006	During the period of April-September each year, many Uzbek beekeepers transport bees out of the territory of Uzbekistan to the mountainous areas with more favorable climatic conditions located in the Kyrgyz Republic where pollen is still available during that period. They cross the border with the bees in their hives, which is considered a temporary export. After getting the pollen, they produce honey which is brought back to Uzbekistan with the bees. Uzbek Customs classifies it as "imported product" and subjects the honey to a 40% single customs payment and 10% excise tax according to the Resolution 355 of September 2002. The 40% single customs payment and 10% excise	The Fergana Consultative Council reviewed the problem during its second meeting at the request of the Association of Beekeepers of Uzbekistan. Members of the Council agreed that the current situation is not in favor of national producers of honey and should be changed. One of the ways is to introduce an amendment to	As a result, Vice Prime Minister Golyshev recommended a number of ministries review the draft and give recommendations. The Customs Committee, Ministry of Foreign Economic Relations, Ministry of Economy and Ministry of Finance all gave positive feedback to the draft. As of May, the final draft Decree containing the exemption from duties and taxes to the import of honey was submitted to Vice	If the Draft Decree is signed by the President, the honey produced by Uzbek beekeepers will be exempt from excessive payments and taxes which will significantly liberalize import/export of honey and facilitate production of and trade in honey for the members of the Uzbek Association of Beekeepers by increasing production volumes.	7/7

Uzbekistan						
Constraint Reductions						
2005 - 2006						
#	City / Project	Constraint Details	Recommendations	Result	Impact	Monitoring Ratio
		significantly reduce the volume of the production of honey in Uzbekistan. The Association of Beekeepers requested the GOU to exempt honey from the 40% single payment and 10% excise tax.	Resolution 355 with respect to honey by exempting it from the 40% payment and 10% excise tax. The Council recommended the Khokim of the region address a letter to the GOU on this problem. The letter was drafted on behalf of the Regional Khokim by TFI along with the draft Decree of the President and submitted to the Cabinet of Ministers in December 2005.	Prime Minister Azimov for his final review. It's expected that it will be submitted for the President's signature.		

*Attachment J: Uzbekistan WTO Checklists (2003 – 2006)*

<b>Uzbekistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
<b>Application</b>				
1	Submission of application for membership in the WTO	Application submitted in December 8, 1994.	Application submitted in December 8, 1994.	Application submitted in December 8, 1994.
2	WTO General Council meeting: Review of the application for membership – setting up the Working Party on accession.	WTO General Council met in December 21, 1994 and established a WP on accession of Uzbekistan.	WTO General Council met in December 21, 1994 and established a WP on accession of Uzbekistan.	WTO General Council met in December 21, 1994 and established a WP on accession of Uzbekistan.
3	Appointment of Chairman of the WTO Working Party on accession.	Mr. Supermanian, Ambassador of Malaysia to the WTO, was appointed as a Chairman of the WP on accession of Uzbekistan.	Mr. Supermanian, Ambassador of Malaysia to the WTO, was appointed as a Chairman of the WP on accession of Uzbekistan H.E. Mr. Hyuck Choi, Ambassador of the Republic of Korea appointed as a Chairman of the WP in 2004 May.	Mr. Supermanian, Ambassador of Malaysia to the WTO, was appointed as a Chairman of the WP on accession of Uzbekistan H.E. Mr. Hyuck Choi, Ambassador of the Republic of Korea appointed as a Chairman of the WP in 2004 May.
<b>Accession Documentation</b>				
4	Preparation and submission of the memorandum on foreign trade regime (FTM).	Foreign Trade Memorandum was submitted to the WTO Secretariat in 1998.	Foreign Trade Memorandum was submitted to the WTO Secretariat in 1998.	Foreign Trade Memorandum was submitted to the WTO Secretariat in 1998.
5	Preparation of answers to FTM follow-up questions posed by WTO Working Party members.	In document WT/ACC/UZB/3, dated of October 12, 1999, Uzbekistan submitted Replies to Questions posed by USA and EU.  In document WT/ACC/UZB/4, dated of April 20, 2001, Uzbekistan submitted additional Answers to Questions posed as a follow up by WTO Working Party members on Foreign Trade Regime (FTM) document.  In document WT/ACC/UZB/8, dated of September 16, 2003, Uzbekistan submitted additional Replies to Questions raised by EU and South	In document WT/ACC/UZB/3, dated of October 12, 1999, Uzbekistan submitted Replies to Questions posed by USA and EU.  In document WT/ACC/UZB/4, dated of April 20, 2001, Uzbekistan submitted additional Answers to Questions posed as a follow up by WTO Working Party members on Foreign Trade Regime (FTM) document.  In document WT/ACC/UZB/8, dated of September 16, 2003, Uzbekistan submitted additional Replies to Questions raised by EU and South Korea.  In document WT/ACC/UZB/9, dated of	In document WT/ACC/UZB/3, dated of October 12, 1999, Uzbekistan submitted Replies to Questions posed by USA and EU.  In document WT/ACC/UZB/4, dated of April 20, 2001, Uzbekistan submitted additional Answers to Questions posed as a follow up by WTO Working Party members on Foreign Trade Regime (FTM) document.  In document WT/ACC/UZB/8, dated of September 16, 2003, Uzbekistan submitted additional Replies to Questions raised by EU and South Korea.

<b>Uzbekistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
		<p>Korea.</p> <p>In document WT/ACC/UZB/9, dated of November 26, 2003, Uzbekistan submitted additional Replies to Questions raised by USA.</p> <p>In document WT/ACC/UZB/8/Add., Uzbekistan submitted revised Replies to Questions raised by EU.</p> <p>In document WT/ACC/UZB/9/Add., Uzbekistan submitted revised Replies to Questions raised by USA.</p>	<p>November 26, 2003, Uzbekistan submitted additional Replies to Questions raised by USA.</p> <p>In document WT/ACC/UZB/8/Add., Uzbekistan submitted revised Replies to Questions raised by EU.</p> <p>In document WT/ACC/UZB/9/Add., Uzbekistan submitted revised Replies to Questions raised by USA.</p> <p>In document WT/ACC/UZB/13, Uzbekistan submitted replies to questions raised by USA, EU, Australia, and the Kyrgyz Republic.</p>	<p>In document WT/ACC/UZB/9, dated of November 26, 2003, Uzbekistan submitted additional Replies to Questions raised by USA.</p> <p>In document WT/ACC/UZB/8/Add., Uzbekistan submitted revised Replies to Questions raised by EU.</p> <p>In document WT/ACC/UZB/9/Add., Uzbekistan submitted revised Replies to Questions raised by USA.</p> <p>In document WT/ACC/UZB/13, Uzbekistan submitted replies to questions raised by USA, EU, Australia, and the Kyrgyz Republic.</p>
6	Information on Domestic Support and Export Subsidies in Agriculture is prepared and submitted to the WTO WP.	ACC-4 Checklist on domestic support and export subsidies in Agriculture submitted to the WTO WP in May.	ACC-4 Checklist on domestic support and export subsidies in Agriculture submitted to the WTO WP in May.	ACC-4 Checklist on domestic support and export subsidies in Agriculture submitted to the WTO WP in May 2004.
7	Prepare answers to ACC/4 follow-up questions			
8	Submit updated the ACC/4 document as necessary			
9	Plurilateral Working Party meetings review the data in the ACC/4 tabulations.			
10	Information on Policy Measures Affecting Trade in Services is prepared and submitted to the WTO WP	Submitted as part of the FTM	Submitted as part of the FTM	Submitted as part of the FTM
11	Prepare answers to ACC/5 follow-up questions			
12	Submit updated the ACC/5 document as necessary			
13	Checklist of Illustrative SPS Issues for Consideration in Accessions is prepared and submitted to the WTO WP	Document in WT/ACC/8a format was submitted in September 16, 2003.	Document in WT/ACC/8a format was submitted in September 16, 2003.  Updated ACC/8a checklist in document	Document in WT/ACC/8a format was submitted in September 16, 2003.  Updated ACC/8a checklist in document



<b>Uzbekistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
			WT/ACC/5/Rev.1 was submitted to WTO.	WT/ACC/5/Rev.1 was submitted to WTO.
14	Prepare answers to ACC/8a follow-up questions			
15	Submit updated the ACC/8a document as necessary			
16	Checklist of Illustrative TBT Issues for Consideration in Accessions is prepared and submitted to the WTO WP	Document in WT/ACC/8b format was submitted in September 16, 2003.	Document in WT/ACC/8b format was submitted in September 16, 2003.  Updated ACC/8b checklist in document WT/ACC/6/Rev/1 was submitted to WTO.	Document in WT/ACC/8b format was submitted in September 16, 2003.  Updated ACC/8b checklist in document WT/ACC/6/Rev/1 was submitted to WTO.
17	Prepare answers to ACC/8b follow-up questions			
18	Submit updated the ACC/8b document as necessary			
19	Implementation of the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS)	Document in WT/ACC/9 format was submitted in September 16, 2003.	Document in WT/ACC/9 format was submitted in September 16, 2003.	Document in WT/ACC/9 format was submitted in September 16, 2003.  Updated ACC/9 checklist was submitted to WTO in October.
20	Prepare answers to ACC/9 follow-up questions			
21	Submit updated the ACC/9 document as necessary			
<b>WTO Legislative Compliance</b>				
22	Review of the foreign trade and investment legislation for compliance with requirements of the WTO Agreements	Initial review conducted and a memo provided to the MET in 1998.	Initial review conducted and a memo provided to the MET in 1998.	Initial review conducted and a memo provided to the MET in 1998.
23	Translate and submit existing and draft legislation to the WTO WP.	Ongoing.	Document WT/ACC/UZB13/Add.1 with the list and translation of existing and draft legislation submitted to WTO.	Document WT/ACC/UZB13/Add.1 with the list and translation of existing and draft legislation submitted to WTO.
24	Prepare WTO Legislative Action Plan and submit to the WTO WP.		The WTO Legislative Action Plan prepared and submitted to the WTO WP in June 2004.	The WTO Legislative Action Plan prepared and submitted to the WTO WP in June 2004.  Revised WTO Legislative Action Plan

Uzbekistan				
WTO Checklist				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
				submitted to WTO in October 2005.
25	Prepare Legislative Action Plans for implementation of specific WTO agreements and submit them to the WTO WP			
26	Draft and enact necessary laws and regulations necessary for WTO compliance	<p>The Law On Inventions and Industrial Designs was adopted in 1994.</p> <p>The Law on Copyright and Neighboring Rights adopted in August 30, 1996, with amendments made in 2000.</p> <p>The Law on Breeding Achievements adopted in August 1996, with amendments of April 25, 1997.</p> <p>The Law on Protection of Computer Programs and Electronic Databases was adopted in May 6, 1994.</p> <p>The Law on Integrated Circuits was adopted in 2001.</p> <p>The Law On Antidumping and Countervailing Duties adopted in December 2003.</p> <p>The Draft Law on Technical Regulations.</p> <p>The Draft Law on Conformity Assessment.</p> <p>The Draft Law on IPR legislative changes.</p> <p>The Draft Law on Copyright and Related Rights.</p>	<p>The Law On Inventions and Industrial Designs was adopted in 1994.</p> <p>The Law on Copyright and Neighboring Rights adopted in August 30, 1996, with amendments made in 2000.</p> <p>The Law on Breeding Achievements adopted in August 1996, with amendments of April 25, 1997.</p> <p>The Law on Protection of Computer Programs and Electronic Databases was adopted in May 6, 1994.</p> <p>The Law on Integrated Circuits was adopted in 2001.</p> <p>The Law On Antidumping and Countervailing Duties adopted in December 2003</p> <p>The Draft Law on Technical Regulations.</p> <p>The Draft Law on Conformity Assessment.</p> <p>The Draft Law on IPR legislative changes.</p> <p>The Draft Law on Copyright and Related Rights.</p> <p>The Draft Resolution on TBT/SPS Inquiry Point.</p>	<p>The Law On Inventions and Industrial Designs was adopted in 1994.</p> <p>The Law on Copyright and Neighboring Rights adopted in August 30, 1996, with amendments made in 2000.</p> <p>The Law on Breeding Achievements adopted in August 1996, with amendments of April 25, 1997.</p> <p>The Law on Protection of Computer Programs and Electronic Databases was adopted in May 6, 1994.</p> <p>The Law on Integrated Circuits was adopted in 2001.</p> <p>The Law On Antidumping and Countervailing Duties adopted in December 2003.</p> <p>The Draft Law on Technical Regulations.</p> <p>The Draft Law on IPR legislative changes.</p> <p>The Draft Law on Copyright and Related Rights.</p> <p>The Draft Resolution on TBT/SPS Inquiry Point.</p> <p>The Decision on joining the Bern</p>

<b>Uzbekistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
		The Draft Resolution on TBT/SPS Inquiry Point.	<p>The Decision on joining the Bern Convention taken by the Parliament on August 27, 2004.</p> <p>The Decision on joining the International Plant Varieties Protection taken by the Parliament on August 27, 2004.</p> <p>WIPO accepted Uzbekistan's decision to join Bern Convention on January 18, 2005.</p> <p>GOU resolution on authorization of the Agency of Foreign Economic Relations as an authorized government body to conduct antidumping investigations.</p> <p>The Draft Customs Code.</p>	<p>Convention taken by the Parliament on August 27, 2004.</p> <p>The Decision on joining the International Plant Varieties Protection taken by the Parliament on August 27, 2004.</p> <p>WIPO accepted Uzbekistan's decision to join Bern Convention on January 18, 2005.</p> <p>GOU resolution on authorization of the Agency of Foreign Economic Relations as an authorized government body to conduct antidumping investigations.</p> <p>The Draft Customs Code.</p> <p>Uzbekistan joined Codex Alimentarius in implementation of WTO SPS Agreement.</p>
27	Regularly update the Legislative Action Plan and other specific action plans to show the progress in enacting necessary legislation and submit to the WTO WP			The revised Legislative Action Plan prepared and submitted to WTO in September 2005 in the document WT/ACC/UZB/12/Rev.1
<b>Multilateral and bilateral negotiations</b>				
28	Conduct WTO Working Party meeting (multilateral) on accession	1st Meeting of the WP was conducted on July 19, 2002.	<p>1st Meeting of the WP was conducted on July 19, 2002.</p> <p>2nd Meeting of the WP was conducted on June 29-30, 2004.</p>	<p>1<sup>st</sup> Meeting of the WP was conducted on July 19, 2002.</p> <p>2<sup>nd</sup> Meeting of the WP was conducted on June 29-30, 2004.</p> <p>3d Meeting of the WP was conducted on October 14, 2005.</p>
29	Participation in preparation of the Report of the Working Party on accession which contains description of commitments taken by the acceding country			
30	Initial offer on market access on goods is			Initial offer on market access on goods is

<b>Uzbekistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
	prepared and submitted to the WTO WP;			prepared and submitted to WTO WP in September 2005.
31	Conduct bilateral market access negotiations on goods			Bilateral market access negotiations on goods commenced in October, 2005.
32	Signing of bilateral protocols that reflect results of negotiations and submit to the WTO Secretariat			
33	Initial offer on market access on services is prepared and submitted to the WTO WP;			Initial offer on market access on services is prepared and submitted to WTO WP in September 2005.
34	Conduct bilateral market access negotiations on services			Bilateral market access negotiations on services commenced in October, 2005.
35	Signing of bilateral protocols that reflect results of negotiations and submit to the WTO Secretariat			
36	Preparation of the Consolidated Schedule of Specific Commitments on Goods and Services.			
37	Approval and submission of the Working Party Report and draft Protocol of accession to the WTO General Counsel			
<b>Institutional</b>				
38	Inquiry point on TBT is established		Decision taken by the GOU to establish TBT/SPS Inquiry Point	Decision taken by the GOU to establish TBT/SPS Inquiry Point
39	Inquiry point on SPS is established		Decision taken by the GOU to establish TBT/SPS Inquiry Point	Decision taken by the GOU to establish TBT/SPS Inquiry Point
40	Inquiry point on services in established			
41	WTO Library/Information center established			
<b>Accession to Plurilateral Agreements</b>				
42	Agreement on Government Procurement	Not obligatory unless acceding country agrees to accede.	Not obligatory unless acceding country agrees to accede.	Not obligatory unless acceding country agrees to accede.
43	Agreement on Trade in Civil Aircraft	Not obligatory unless acceding country agrees to accede.	Not obligatory unless acceding country agrees to accede.	Not obligatory unless acceding country agrees to accede.
<b>Doha Development Agenda Negotiations</b>				
44	Participation in the Negotiating Groups established under the Doha Development			

<b>Uzbekistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
	Agenda negotiations. Acceding country may be requested to join and implement new agreements and provisions to be developed as a result of Doha Round multilateral negotiations.			
<b>Final Accession Procedures</b>				
45	Approval by the General Council of the Working Party Report and the Protocol of Accession			
46	The WTO Director General issues certified copies of the Protocol of Accession to WTO Members. The Protocol of Accession is registered with the United Nations.			
47	Internal ratification procedures by the acceding country			
48	Submission of the ratification instrument to the WTO Secretariat.			
49	Thirty days after the submission of ratification instrument acceding country becomes a member.			
<b>Public Information and Consultation</b>				
50	Throughout the accession process - regular meetings and round-table discussions on benefits and challenges of the WTO membership with industry representatives and private sector institutions.	Two week seminar on WTO Agreements and Accession process held in March 2004  Negotiation Team was established by the GOU in December 2003.	Two -week seminar on WTO Agreements and Accession process held in March 2004  Negotiation Team was established by the GOU in December 2003  One-week Trade Remedies and State Trading Enterprises Seminar held in July 2004  One day round table held on the Draft Copyright Law and Bern Convention requirements in June, 2004  One day round table held on the Certification Resolution in August, 2004	Two -week seminar on WTO Agreements and Accession process held in March 2004  Negotiation Team was established by the GOU in December 2003.  One-week Trade Remedies and State Trading Enterprises Seminar held in July 2004.  One day round table held on the Draft Copyright Law and Bern Convention requirements in June, 2004  One day round table held on the

Uzbekistan				
WTO Checklist				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
			<p>One day seminar on author's rights held in October 2004</p> <p>One week training on drafting the initial market offers for services held in November 2004</p> <p>Round tables for businesses on WTO held in Tashkent, Urgench and Bukhara</p> <p>5 GOU officials and 1 academician participated at WTO annual Symposium in April in Geneva WTO headquarters</p> <p>3 GOU officials took training on market offers for goods in Geneva</p> <p>International conference on Bern Convention held in May 2005.</p>	<p>Certification Resolution in August, 2004.</p> <p>One day seminar on author's rights held in October 2004.</p> <p>One week training on drafting the initial market offers for services held in November 2004.</p> <p>Round tables for businesses on WTO held in Tashkent, Urgench and Bukhara.</p> <p>5 GOU officials and 1 academician participated at WTO annual Symposium in April in Geneva WTO headquarters.</p> <p>3 GOU officials took training on market offers for goods in Geneva.</p> <p>International conference on Bern Convention held in May 2005.</p> <p>Two weeks training on Trade Remedies and Agricultural support held in WTI in Berne for one Uzbek participant.</p> <p>Three day seminar with WTO experts on services held in September for interested agencies.</p> <p>Participation of one non government member from the Chamber of Commerce at the 3'd WP Meeting.</p> <p>Two day round table on technical regulating held for Chamber members and interested agencies in November.</p>

<b>Uzbekistan</b>				
<b>WTO Checklist</b>				
#	Step	Status		
		2003 – 2004	2004 – 2005	2005 - 2006
				One day round table held for the members of the Freight Forwarders Association and Road carriers on the issues of transportation and transit.
51	Public information campaign upon accession	Interviews, articles and etc.		Ongoing Articles on WTO related issues being published in the Business Weekly Magazine.
<b>Post-WTO Accession Implementation Issues</b>				
52	Institutional structures for post WTO accession implementation are established.			
53	Notifications required under various WTO agreements are submitted on a timely basis			
54	Implementation of various commitments reflected in the protocol accession of a particular member.			
55	Review of various legislation of a member by relevant WTO committees.			
56	Constant monitoring of legislative compliance – all trade related draft laws and regulations are reviewed for WTO compliance			
57	Regional trade agreements – review by the WTO Committee on Regional Trade Agreements of a member's compliance with the WTO requirements			
58	Participation in the new Doha round of multilateral negotiations			
59	Implementation of results of the Doha Round of WTO negotiations by making necessary domestic policy changes			
60	Accession to the plurilateral agreements if committed in the protocol of accession			
61	WTO review of a member's trade policy.			

Attachment K: Work Plan Reports – Regional (2003 – 2006)

June 1, 2003 – May 31, 2004			
Trade Facilitation (TF)			
No.	Objective	Start Date	End Date
<i>RTF 01</i>	<i>Develop and make available one commercial insurance product to facilitate trade</i>	<i>1 Jun 03</i>	<i>31 Mar 04</i>
<i>Description</i>	Customs in all countries in the region has used costly and time consuming approaches to control the transit of goods through their countries. These include large deposits, escorts, and other outdated techniques. Use of insurance products has the potential to reduce delays and costs related to the transit of goods. TFI successfully lobbied for the inclusion of insurance as a risk tool in the new Kazakh Customs Code and is working to ensure that it is a part of the customs codes of other countries in the region. Kazakhstan Customs has agreed to support insurance as an alternative to escorts and deposits. No transit insurance currently exists in any of the countries. TFI, working with Customs, reinsurers, insurers and transit companies, will develop a product that can be offered on the commercial market to transport companies. If the product can be successfully launched in Kazakhstan, we will then work to expand its acceptance to other countries with assistance of commercial insurance companies.		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li><b>Complete:</b> TFI completes development of the logistics associated with the Transit Guarantee Mechanism.</li> <li><b>Incomplete:</b> The Customs Control Agency accepts the Transit Guarantee Procedures, including the logistics, and agrees to implement the guarantee.</li> <li><b>Incomplete:</b> The Transit Guarantee mechanism is implemented by the consortium of insurance companies and the CCA at border posts in Kazakhstan.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	Other priorities in the TFI Trade & Customs Component have made it impossible to make further progress on this activity. In May, TFI completed a draft of the logistics for the transit insurance guarantee mechanism, and internal discussions were held on the best way to further this important initiative. We are now thinking about engaging a local transport-consulting firm to complete the work with the Customs Control Agency, the Customs Brokers' Association, the Freight Forwarders' Association and the group of insurance companies.		
No.	Objective	Start Date	End Date
<i>RTF 02</i>	<i>Expand TIR carnet availability to two additional cities</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	In Kazakhstan and the Kyrgyz Republic, the TIR system is in place but carnets are only available in Almaty and Bishkek. Transporters must travel from the regions to the capitol cities to obtain the carnets. This adds costs and time to the TIR process making it less accessible to transporters and producers. This Objective targets expansion to two additional cities - especially targeting Southern the Kyrgyz Republic.		
<i>Performance Indicator</i>	1. <b>Incomplete:</b> TIR Carnets have been issued in the Kyrgyz Republic, and in Kazakhstan, in two cities in addition to Bishkek and Almaty.		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	The national transport associations have, so far, refused to issue TIR Carnets anywhere other than the main (single) office in each country. This flies in the face of practice in other countries that have acceded to the TIR Convention. For example, in Iran and Turkey, Carnets are issued from an office located in each of the main business centers. (See annual review for TFI's ongoing strategy).		
No.	Objective	Start Date	End Date
<i>RTF 03</i>	<i>Reduce nine cross border constraints at three border posts (at least one in Ferghana Valley)</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	The procedures at border crossings are cumbersome and time consuming. Traders must often wait for hours while numerous separate government officials review documents and argue with traders about regulatory requirements. Businesses often complain but often cannot articulate the specific bottleneck or identify the offending agency. TFI is adapting the road map methodology for investment constraints to specific trade processes and cross border procedures, and utilizing this trade-specific methodology to map, target, and reduce specific cross border constraints.		
<i>Performance Indicator</i>	1. <b>Partially Complete:</b> Recommendations made by TFI for the reduction or removal of an aggregate of at least nine specific constraints are implemented at no fewer than three border posts (at least one of which is in the Ferghana Valley).		



<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	TFI has been instrumental in reducing constraints mainly in the Kyrgyz Republic, Kazakhstan and the Ferghana Valley. In the Ferghana Valley, TFI was successful in reducing constraints related to the cross-border activities of bee keepers, the non-transparency of Uzbek trade regulations, the non-transparency and lack of availability of Kazakh and Russian trade regulations, and unnecessary customs requirements in Jalal-Abad Oblast (certificate from social fund). In Pavlodar, cross-border transit times and costs were greatly reduced with the establishment of Information and Advisory Points at State Motor Vehicle Checkpoints, the Pavlodar International Airport, the Pavlodar Rail Station, and the main Pavlodar customs checkpoint. TFI also reduced cargo transit times in Pavlodar. In Uralsk, TFI reduced constraints related to the certification of imported food products. <b>TFI thus reduced a total of seven specific cross-border trade constraints during the CY.</b>		
No.	Objective	Start Date	End Date
<i>RTF 04</i>	<b><i>Develop an International Trade Guide (ITG)</i></b>	<b><i>1 Jun 03</i></b>	<b><i>31 May 04</i></b>
<i>Description</i>	<i>Trade policy administration in Central Asia suffers from a dearth of information. Traders and administrators do not have access to up-to-date, accurate and complete information. This, in turn, results in the inconsistent application of trade law, encourages rent-seeking by officials and uncertainty for traders and an inability for them to exercise their rights. The ITG will be a tool to facilitate information, transparency and efficiency in trade.</i>		
<i>Performance Indicator</i>	1. <b>Complete:</b> The ITG for Kazakhstan is published in hard copy and in electronic format, in collaboration with a private sector partner and the CCA, and public information sessions are held in Kazakhstan to promote the use of the Guide.		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	The International Trade Guide for Kazakhstan has been completed and is now on the website <ca-trade.com>.		
No.	Objective	Start Date	End Date
<i>RTF 05</i>	<b><i>Consultative Councils and Joint Border Commissions established and functional in Kazakhstan</i></b>	<b><i>1 Jun 03</i></b>	<b><i>31 May 04</i></b>
<i>Description</i>	<i>National trade administration officials and traders need to establish fora in which traders can raise issues, administrators can receive submissions and solutions can be jointly developed in identifying and reducing trade constraints. The objective of the Councils is to build a sustainable capacity in the private sector to contribute to trade policy review and development and identify and reduce trade constraints. A National Consultative Council is also to be established to deal with national-level trade policies, procedures and systems.</i>		
<i>Performance Indicators</i>	1. <b>Complete:</b> Consultative Councils are established in Kazakhstan in all the oblasts that adjoin international borders, and at the national level. 2. <b>Complete:</b> Meetings of the Councils are held on a regular (at least quarterly) basis with the agendas set jointly by the private sector and government officials. 3. <b>Complete:</b> A total of three trade constraints are reduced through the efforts of Consultative Councils.		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	There are now over 27 Consultative Councils meeting regularly in Kazakhstan, and the existence and performance of these Councils is now entrenched in the normal operations of businesses and customs authorities. In addition, there are 3 Joint Border Commissions working between Russia and Kazakhstan (Uralsk, Aktobe, and Petropavlosk).		
No.	Objective	Start Date	End Date
<i>RTF 06</i>	<b><i>At least one agreement is reached between two countries in the region to establish a joint border post</i></b>	<b><i>1 Oct 03</i></b>	<b><i>31 May 04</i></b>
<i>Description</i>	<i>Jointly administered border posts, i.e., a single processing border center for both countries, have the potential to streamline border clearance procedures, improve service standards, provide transparency in the processing of persons, goods and vehicles and promote integrity in cross-border trade administration. It is a common practice in Western countries to operate border posts jointly. However, joint border posts do not operate anywhere in the FSU. Establishing an initial joint post could pave the way for more expansive use of the concept, facilitating trade throughout the region.</i>		
<i>Performance Indicators</i>	1. <b>Complete:</b> Detailed recommendations completed and presented to the Customs agencies in two countries. 2. <b>Complete:</b> A formal agreement is reached between two national Governments to jointly administer one border post in the region.		

<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	In fact, two agreements have been reached on Joint Border Administration in the region. The first pertains to the Kordai-Akjol border posts between the Kyrgyz Republic and Kazakhstan (on the main road between Bishkek and Almaty). This agreement was actually signed in March, but is waiting for approval for implementation from the Kyrgyz side. The second pertains to the Sharbakty border post between Russia and Kazakhstan. This border post is in the Kazakhstan oblasts of Pavlodar. A separate report is attached for the development of the agreement on Sharbakty, and the Protocol itself is also attached. It is expected that the technical scheme for introduction of joint controls at this post will be developed with one month.		
<b>Metrology, Accreditation, Standardization &amp; Quality (MAS-Q)</b>			
No.	Objective	Start Date	End Date
<i>R MAS-Q 01</i>	<i>Achieve regional and international mutual recognition of defined MAS-Q activities of the GosStandards of Central Asia (through the Central Asian Cooperation on MAS-Q (CAC-MAS-Q))</i>	<i>1 Jun 03</i>	<i>31 May 04</i>
<i>Description</i>	<p><i>Mutual recognition of accreditation and certification schemes facilitate access to international markets; provides technical underpinning to international trade by promoting cross-border stakeholder confidence and acceptance of accredited test data and certified results. This is made possible through a network of mutual recognition arrangements or agreements (MRAs and or MLAs) among international accreditation bodies. Accreditation to internationally agreed criteria by a recognized international accreditation body offers the most efficient way to permit test data and certification results produced in any country to be accepted in other countries. This will minimize duplication of re-testing and re-certification, reduce cost and eliminate non-tariff barriers to trade and market access delays.</i></p> <p><i>Achieving mutual recognition is a long-term goal that will require many steps that extend beyond the work plan year. All of the steps are being documented in a detailed Road Map and agreed with the members of the CAC. The Indicators presented here are those steps the TFI expects to achieve by the end of the work plan year.</i></p>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li><b>Partially Complete:</b> The CAC-MAS-Q achieves membership in ILAC and IAF.</li> <li><b>Complete:</b> At least 25 regional technical specialists will become internationally recognized assessors for accreditation.</li> <li><b>Partially Complete:</b> The CAC-MAS-Q is accepted as an official regional body by peer organizations and major conformity assessment bodies.</li> <li><b>Complete:</b> The CAC-MAS-Q establishes official liaison with NCSL International – NCSL establishes a Central Asian Region.</li> </ol>		
<i>Status &amp; Comments</i>			
<i>June 2003 – May 2004</i>	The CAC-MAS-Q has achieved membership in IAF. We are awaiting response from ILAC. Expect to hear in June. There are 72 regional technical specialists that are eligible under the supervision of a qualified lead assessor to participate in the accreditation of laboratories in full compliance of the international standard, ISO/IEC 17025. This will be ongoing process through mid 2005 NCSL International has created a Central Asian Section, the CAC-MAS-Q has been appointed as the focus point for the region. The Head of Metrology for the KyrgyzStandard (NISM) has been elected to serve as the NCSL regional coordinator, the head of Metrology for TajikStandard has been appointed as the deputy coordinator.		
<b>Association Development (AD)</b>			
No.	Objective	Start Date	End Date
<i>RAD 01</i>	<i>Associations prepared to become sustainable and effective advocates for their members</i>	<i>1 Jan 04</i>	<i>31 May 04</i>
<i>Description</i>	<p><i>In carrying out the RIC Partnership Program, which is designed to improve the business environment in the Region by transferring the Project's knowledge of how to identify and remove or reduce constraints and through extensive information resources, it has come to our attention that some associations need to be strengthened before they can effectively utilize PP materials. The ultimate goal is to prepare associations to enter into agreements with TFI and government to address and reduce constraints related to the environment for development of small and medium-sized enterprises.</i></p>		
<i>Performance Indicators</i>	<ol style="list-style-type: none"> <li><b>Incomplete:</b> Development of an enhanced Regional Team Training monitoring tool to determine if association skills improved as a result of TFI training offered (i.e., Grant writing, membership services, etc.).</li> <li><b>Partially Complete:</b> In each of the nine targeted oblasts, at least one association upon completing Regional Training courses will be re-evaluated and</li> </ol>		

	enter into an agreement with TFI to participate in Partnership Program. 3. <b>Partially Complete:</b> In each of the nine targeted oblasts, TFI Partner Associations reduce at least one trade/investment constraint applying the RIC Methodology.		
	<i>Status &amp; Comments</i>		
<i>June 2003 – May 2004</i>	TFI focused its efforts on developing its association development methodology in Kazakhstan during CY 03-04. TFI successfully signed on and trained 8 business associations in advocacy and RIC skills, as well as grant writing skills for some of those associations. Four of those associations successfully reduced constraints applying the RIC methodology. Near the end of the CY, TFI began expanding its AD work into the Ferghana Valley. The development of an enhanced regional monitoring tool is underway and will be completed and implemented in CY 04-05.		
<b>No.</b>	<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>RAD 02</i>	<i>Financial support provided to associations through the joint EDP-TFI Grant Program for activities specifically designed to reduce investment constraints and increase trade facilitation throughout the region</i>	<i>1 Dec 03</i>	<i>31 May 04</i>
<b>Description</b>	<i>The Grant Program supports business and professional associations in the following four areas: (1) Advocacy Process, (2) Member Services, (3) Accounting Reform, and (4) Cross Border Trade Development. Within these areas, the Grant Program supports activities aimed at the development of services for association members, enhancing financial sustainability mechanisms, creating a favorable business environment, and others.</i>		
<b>Performance Indicators</b>	1. <b>Partially Complete:</b> At least 10 associations (including at least one in each of the four countries) with which TFI works closely on trade facilitation and investment issues have received grant funding through the joint Grant Program in support of reducing constraints.		
	<i>Status &amp; Comments</i>		
<i>June 2003 – May 2004</i>	TFI provided grants to eight associations representing all of the four countries in which we work. (KZ = 4; KG = 2; UZ = 1; TJ = 1) Those grants went to business associations that work closely with TFI on reducing trade and investment constraints and were or will be used to enhance RIC activities.		

### June 1, 2004 – May 31, 2005

#### Metrology, Accreditation, Standardization & Quality (MAS-Q)

No.	Objective	Start Date	End Date
<i>R MAS-Q 01</i>	<i>Achieve regional and international mutual recognition of defined MAS-Q activities of the GosStandards of Central Asia</i>	<i>1 Jun 04</i>	<i>31 May 05</i>
<b>Description</b>	<i>The MAS-Q program is focused on improving trade facilitation and market access by elevating present Central Asian MAS-Q governmental infrastructures and legislation to a level that is consistent with international norms and compliant with the World Trade Organization's TBT and SPS Agreements. Mutual recognition of accreditation and certification schemes facilitates access to international markets and provides technical underpinning to international trade by promoting cross-border stakeholder confidence and acceptance of accredited test data and certified results. This is made possible through a network of mutual recognition arrangements among international accreditation bodies. Global mutual recognition offers the most efficient way to permit test data and certification results produced in any country to be accepted in other countries without duplication of testing or certification, thus reducing cost and eliminating non-tariff barriers to trade and market access delays.</i>		
<b>Intermediate Objectives</b>	1. Adopt and implement a voluntary system of standardization and conformity assessment activities, including the following: <ul style="list-style-type: none"> <li>• <b>PARTIALLY COMPLETE.</b> - National Standards agencies in Central Asia officially notify ISO of their acceptance of the WTO/TBT "Code of Good Practice" for the preparation, adoption and application of standards. – <b>28 Feb 2005</b> –</li> <li>• <b>PARTIALLY COMPLETE.</b> - National Standards agencies in Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan implement programs that are compliant with the "Code"; this includes bringing into line legislation on standardization to insure international compliance. – <b>28 Feb 2005</b></li> <li>• <b>PARTIALLY COMPLETE.</b> - Through the CAC-MAS-Q, each of the GosStandards agrees to recognize third-party voluntary Quality Management System certification. – <b>28 Feb 2005</b></li> <li>• <b>PARTIALLY COMPLETE.</b> - Through the CAC-MAS-Q, each of the GosStandards agrees to recognize third-party voluntary accreditation schemes. –</li> </ul>		

	<p><b>28 Feb 2005</b></p> <p>2. Improve the technical competence and capabilities of the GosStandards in the region to a level that is consistent with the minimum requirements of international norms.</p> <ul style="list-style-type: none"> <li>• <b>INCOMPLETE.</b> - Inter-laboratory comparisons of measurement standards implemented. - <b>31 May 2005</b></li> <li>• <b>INCOMPLETE.</b> - GosStandards in the region through the CAC –MAS-Q achieve international traceability of measurement. – <b>31 May 2005</b></li> <li>• <b>INCOMPLETE.</b> - Accreditation bodies in the region through the CAC –MAS-Q implement accreditation procedures in accordance with the new standard, ISO/IEC 17011. – <b>31 May 2005</b></li> <li>• <b>INCOMPLETE.</b> - CAC-MAS-Q establishes MOU with US National Institute of Standards and Technology in the area of metrology. - <b>31 May 2005</b></li> <li>• <b>INCOMPLETE.</b> - CAC-MAS-Q achieves recognition status from the Inter-American Metrology system (SIM). – <b>31 May 2005</b></li> <li>• <b>INCOMPLETE.</b> - CAC-MAS-Q achieves recognition status form the European Metrology Organization (EUROMET). – <b>31 May 2005</b></li> <li>• <b>2005</b></li> </ul> <p>3. Mutual recognition established for accreditation activities on a regional basis.</p> <ul style="list-style-type: none"> <li>• <b>COMPLETED.</b> - CAC-MAS-Q achieves special recognition membership in ILAC. – <b>28 Feb 2005</b></li> <li>• <b>INCOMPLETE.</b> - Formal MRA established between Central Asian GosStandards to accept accreditation and certification results for products manufactured or produced in Central Asia. – <b>31 May 2005</b></li> <li>• <b>INCOMPLETE.</b> - CAC–MAS-Q completes new roadmap plan for achieving recognition of accreditation activities on a regional basis. – <b>31 May 2005</b></li> <li>• <b>INCOMPLETE.</b> - CAC–MAS-Q develops and adopts a quality manual and necessary documentation to meet requirements for full IAF Membership. - <b>31 May 2005</b></li> <li>• <b>INCOMPLETE.</b> - CAC–MAS-Q accredits local certification bodies in accordance with IAF requirements. - <b>31 May 2005</b></li> </ul>
	<i>Status &amp; Comments</i>
<i>June 2004 – May 2005</i>	<p>Activities under the first set of intermediate objectives depend largely on the pace of the legislative and institutional reforms in each country. In the Kyrgyz Republic and Kazakhstan, where new laws On Technical Regulations came into effect, the foundation has been laid for the development of a voluntary system of standardization and conformity assessment activities. In Uzbekistan and Tajikistan these reforms progressed but rather slowly, even though these initiatives are requirements for WTO accession. The second and third sets of intermediate objectives were to be undertaken through the regional cooperation body - CAC-MAS-Q. Unfortunately, several events undermined TFI’s ongoing support of this organization. First, TFI found it difficult to gather the heads of GosStandards for a regional meeting. Without the participation of decision makers, little progress can be achieved. Second, events in the Kyrgyz Republic and later Uzbekistan in early 2005 limited TFI’s ability to provide any support to the CAC-MAS-Q members from these countries. In the case of the Kyrgyz Republic, the director of NISM, and the champion of the CAC-MAS-Q, was no longer in a position of authority and was later removed, while in the case of Uzbekistan, TFI was restricted from providing direct financial support to the Uzbek central government. Third, in early 2005, new rules and procedures for regional accreditation bodies were introduced jointly by ILAC and IAF that will require the CAC-MAS-Q to undertake new and more demanding steps to achieve mutual recognition. As TFI has not had an opportunity to bring the parties together to explain these new requirements and provide assistance in developing and agreeing to a new Road Map, this has severely limited our ability to push forward the development of the CAC-MAS-Q. As the political uncertainty continues in both the Kyrgyz Republic and Uzbekistan into the next project year, TFI will limit its support to the CACMAS-Q to informal information sharing, translation and adoption of international practices and maintaining contact with international organizations.</p>

**June 1, 2005 – May 31, 2006**

**Metrology, Accreditation, Standardization & Quality (MAS-Q)**

<b>Objective</b>	<b>Start Date</b>	<b>End Date</b>
<i>Promote Greater Regional Cooperation and Reform in the Fields of MAS-Q by Supporting the Activities of the Central Asian Cooperation on MAS-Q (CAC-MAS-Q).</i>	<i>1 Jun 2005</i>	<i>31 May 2006</i>

*TFI helped create and continues to support the CAC-MAS-Q as a regional cooperation body bringing together the respective National standards, accreditation and metrology agencies (GosStandards) of Central Asia. One of the primary goals of the CAC-MAS-Q is to achieve international recognition and acceptance of certification and accreditation results for products and services originating in Central Asia. In the previous project year, with TFI support, the CAC-MAS-Q achieved recognition by the International Laboratory Accreditation Cooperation (ILAC) as a regional accreditation coordination body and the International Accreditation Forum (IAF) has granted the CAC-MAS-Q special regional observer member status. The CAC-MAS-Q has also promoted regional harmonization of MAS-Q practices by sharing, translating, adopting and implementing specific international guides and standards on a regional basis. This, plus regional training on MAS-Q topics, has also encouraged greater cooperation and understanding between the GosStandards in Central Asia and stimulated, to varying degrees, national-level MAS-Q reform efforts, such as the removal of thousands of mandatory documentary standards, new technical regulation reform in Kazakhstan and the Kyrgyz Republic and the reorganization of KyrgyzStandard into the National Institute for Standards and Metrology (NISM,) transforming it from a primarily regulatory and enforcement agency to a service provider.*

*The future success and sustainability of the CAC-MAS-Q depends on a number of factors, most crucially the continued cooperation and commitment of the individual members, which, unfortunately, has waned recently due to a number of factors. Since the revolution in the Kyrgyz Republic, the director of NISM, historically the strongest supporter of the CAC-MAS-Q, Mr. Davlesov has been removed from his position and an interim director appointed. After Presidential elections in July, a new government will be formed, which may result in a new director at NISM. Recent events in Uzbekistan have also led to less direct support to the Government of Uzbekistan, which will limit TFI's ability to organize and direct the work of the CAC-MAS-Q. Moreover, the director of TajikStandard, Mr. Khatamov, has shown little interest in undertaking reforms necessary for the CAC-MAS-Q to be successful, and finally, the director of GosStandard in Kazakhstan, Mr. Kusainov, has recently advised USAID management that his organization prefers that any direct support to the CAC-MAS-Q continue to be provided by USAID/TFI.*

*While TFI continues to believe that mutual recognition of accreditation and certification schemes is a critical factor in reducing transaction costs for cross-border regional trade as well as increasing local SMEs' access to international markets, it is highly unlikely, given the present environment, that the CAC-MAS-Q will be the driving force towards achieving this objective in the coming project year. In fact, until after the Kyrgyz elections and once the USG has determined its level of continued support to the Uzbek government no regional agreements or initiatives can even be undertaken by TFI. Should the situation in these countries change and a renewed interest and commitment in the CAC-MAS-Q become evident, TFI will reassess its assistance, considering the available resources remaining in the project.*

*In the meantime, and if approved by USAID, TFI will continue to provide minimal support to the members of the various technical working groups under the CAC-MAS-Q to promote regional cooperation and encourage national-level reform efforts. These are described below.*

- Distribute to CAC-MAS-Q members information on new ISO/IEC standards on accreditation and other forms of conformity assessment and new joint ILAC-IAF requirements for regional accreditation bodies – **31 Aug 2005 - COMPLETED**
- Transfer the CAC-MAS-Q Secretariat from TFI to one of the CAC-MAS-Q members – **31 May 2006 - COMPLETED**
- Translate and distribute select guides and standards for the purpose of increasing awareness of international rules and promoting their adoption and implementation – **31 May 2006 - COMPLETED**
- Continue to increase the visibility of the CAC-MAS-Q among ILAC, IAF, BIPM, NCSL and others as required – **31 May 2006 - COMPLETED**

**Status & Comments**

TFI conducted the final CAC-MAS-Q meeting in October 2005 with members of the CAC-MAS-Q, World Bank, ITC and EU-TACIS. All documents of related to accreditation and mutual recognition were presented as were the ongoing projects of all the participants. A request was made by the members of the CAC-MAS-Q to the donors to continue supporting regional cooperation in MAS-Q.

In December 2005, as part of the agreement reached at the October meeting, TFI transferred the CAC-MAS-Q Secretariat to the National Institute for Standards and Metrology

(NISM) of the Kyrgyz Republic. TFI helped train the representative of the Secretariat and agreed to support it as needed through May, including providing translation services as requested.

TFI transferred information on the CAC-MAS-Q and its involvement in international organizations to the EU-TACIS WTO Support Project in Kazakhstan. The project is required to support the participation of Kazakhstan in select international organizations and expressed interest in meeting with the Secretariat of the CAC-MAS-Q to perhaps coordinate their activities for the benefit of the regional members.

TFI considers this work complete.

***Attachment L: Significant Achievements and Training Summary (Fiscal Year 2006 to date)***

The following is provided to assist USAID CAR in its fiscal year reporting:

***Regional expansion of the partnership program:*** The TFI Partnership Program was expanded into the Kyrgyz Republic, Uzbekistan, and Tajikistan through a series of trainings for over 100 association counterparts from February 2006 – July 2006. The trainings provided associations with the skills necessary to conduct independent advocacy and participate effectively in constraint reduction forums.

***Adoption of new Reglament of the Government and training:*** In the Kyrgyz Republic, in December 2005, a new Reglament of the Government was adopted, incorporating legal drafting procedures as required by the Law on Normative Legal Acts. The procedures require publication of draft regulations on a website maintained by the Ministry of Justice, public comment on drafts, and basic cost-benefit analysis. Subsequent training was provided for over 50 government representatives from ministries, agencies and the prime minister’s office.

***New Bishkek advertising procedures:*** The Bishkek Justice Department registered the Regulation of the Bishkek Mayor’s Office “On Approval of the Regulation on the Procedure for the Issuance of Permits for the Placement of Outdoor Advertisement in the Territory of Bishkek City”. The regulation was drafted by a Working Group that included TFI Project experts. The key features of the new regulation include eliminating duplicate functions between the architecture body and “Ugut” Advertising and Information Agency and certain structural units within the Mayor’s Office; simplified permit issuance requirements; increasing the validity of permits, which now coincide with the period for land lease or lease of municipal or other property; and finally, as before, no new permit is required to change the advertising image.

***Regulations adopted pursuant to the Law on the Fundamentals of Technical Regulation:*** In January 2006, a new Regulation “On Products Subject to Mandatory Conformity Assessment” was approved that reduced the number of products regulated from over 5,500 to just over 2,000. While TFI believes the list is still excessive, it is nonetheless a positive first step and should lead to an immediate reduction in the level of regulation faced by importers and domestic producers and sellers. At the same time, the Government approved new procedures for importing goods subject to mandatory conformity assessment. The new procedures allow for proof of conformity through product marks and foreign test certificates, thereby reducing the need for redundant testing on importation. The elimination of burdensome re-testing and re-certification requirements eliminates inconsistencies with the law and the TBT/SPS agreements.

***Completion of Kyrgyz Republic TPR Questionnaire:*** During the 2005 – 2006 period, with assistance from TFI, the Ministry of Industry, Trade and Tourism (MITT) (formerly the Ministry of External Trade and Industry) successfully completed its WTO Trade Policy Review Questionnaire. The purpose of the Trade Policy Review Mechanism (“TPRM”) is to contribute to improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of Members. The Kyrgyz review helps find out to what extent the country complies with the requirements and commitments undertaken within the framework of the WTO multilateral agreements. All WTO Members are subject to review under the TPRM. The multi-stage TPR for the Kyrgyz Republic will continue throughout 2006.

***Inspection reform progress in the Kyrgyz Republic:*** On June 29, 2006 the Committee for Entrepreneurship Support and Development of the Jogorku Kenesh (Parliament) unanimously approved the TFI-supported draft law on inspections. All the proposals made by TFI with regard to the draft were found reasonable and accepted. TFI’s recommendation on eliminating the General Prosecutor’s oversight role in registration of inspections was also fully supported by the Committee. The Committee’s approval of the draft means it will be considered in the fall by the Plenary Session of the Parliament. The adoption and proper implementation of the law presents a great opportunity to improve the situation for all businesses.

***Successful opposition to the draft Law on Marking Goods with Control Stamps:*** A draft law under development within the government raised significant concerns for businesses, as expressed at a public roundtable organized by the Prime Minister’s Office with TFI support on June 23, 2006. The business community expressed their opposition to the proposed measures, considering them inefficient, duplicating, if

not ignoring, the existing powers of customs officers and excessively burdensome for producers and importers, who, pursuant to the draft, would be responsible for applying special control stamps on their goods. Businesses also noted that instead of combating smuggling and counterfeiting, the application of such stamps would likely have the opposite effect and could, in fact, legalize counterfeiting and smuggling. As a result, based on roundtable recommendations, on June 30, 2006, Parliament postponed consideration of the draft law until September, despite the fact that it was approved by the Parliamentary Committee on Budget and Finance. This postponement will allow time for the business community and other opponents of the law to try and convince Parliament to reject the draft. Furthermore, TFI provided all its supporting documents to Mr. Borodavkin, Head of the Public Chamber under the President's Administration so he may raise the issue in his Chamber. Also, on TFI's recommendation, businesses will refer the draft to the Anti-Corruption Agency under the President's Office and ask for an expert examination of its potential to encourage corrupt practices.

***Uzbekistan joins Codex Alimentarius:*** Consistent with TFI recommendations, in December 2005, Uzbekistan officially joined the Codex Alimentarius. The Codex is a requirement of the WTO SPS Agreement and Uzbekistan's membership in Codex implies that the country will adhere to international standards in food products.

***Publication of Incoterms-2000:*** During the 2005-2006 contract year, TFI funded the preparation and publication of 1,000 copies of "Incoterms – 2000", translated into Uzbek and Russian. This is the first time this information has been available in the Uzbek language and should help all businesses involved in international trade better understand the nomenclature and mechanics of international trade. Copies of the guide were disseminated among the members of the Association and interested GOU agencies and organizations.

***Adoption of the Law on Private Entrepreneurship in Kazakhstan.*** Adopted in early 2006 after intensive discussion among government bodies and private sector groups, including TFI partners, the law is now the framework law governing ALL aspects of entrepreneurship in Kazakhstan and establishes general principles for business and government interaction. The law replaces a number of inconsistent and contradictory pieces of legislation, clearly states the limits of government regulation of businesses, provides a clearer framework for government and business interaction in the process of legal drafting by requiring the involvement of Expert Councils, requires regulatory impact assessment to be performed for every legal act that may affect businesses, and emphasizes the right of businesses to unite in associations and makes dues paid into those associations tax deductible – a very important incentive for businesses to join and support associations. The law does contain some provisions that worry entrepreneurs, such as accreditation of associations and limited access to Experts Council, but on the whole the law represents more of an improvement and, equally importantly, reflects the increasing power and influence of local associations to shape government policy in the sphere of entrepreneurship.

***Support to Kazakh Government Survey:*** In 2005, at the request of the presidential Administration and the Ministry of Industry and Trade, TFI conducted a pilot survey in order to gauge the business environment in different regions of Kazakhstan. The survey was developed jointly between TFI and the Kazakh Government. TFI conducted the pilot in East Kazakhstan Oblast, West Kazakhstan Oblast and the Karaganda/Astana region and was designed to test the questionnaire and the methodology to determine if the survey is an accurate indicator of the business climate in Kazakhstan. The cost of the pilot survey was shared equally between the GoK and TFI and TFI partner associations administered the survey in the pilot regions. The results revealed many problems with the questionnaire itself and the way many of the questions were posed. Based on this experience, TFI submitted a package of recommendations to the President's Administration for consideration in preparing a final survey methodology and questionnaire. In May 2006, TFI was again approached by the Government to assist in the final survey. Based on the previous recommendations, TFI submitted a revised questionnaire, methodology and specific recommendations for how to conduct the survey, e.g. with an experienced survey company, to ensure its integrity and usefulness. The government intends to complete the first survey by the end of 2006 and has agreed to encourage the use of TFI partners in working with local akimats to remove the identified constraints. The results may form the basis of much of the work of the follow-on project in Kazakhstan.

***WTO Accession Support in Kazakhstan:*** In April 2006, at the request of the Deputy Minister of Agriculture, TFI provided an SPS expert for one month to map out SPS compliance issues and assist the Veterinary department to better define its role in a post-accession environment, in particular in ensuring food safety, which needs to shift from a focus on end products to one of prevention at the plant level. Part of this assistance also



included providing comments to several SPS-related laws pending in parliament. The work of the consultant was well-received and the ministry requested that he return at a later date to continue working directly with the Veterinary department on implementation of the food safety model he proposed.

***Administrative Code Reform in Kazakhstan:*** The Administrative Code of Kazakhstan provided for violation penalties that were too high (up to \$15,700) and not differentiated depending on business size. Often, penalties drove entrepreneurs out of business and provided significant opportunities for corruption. Working with association partners, TFI and the Ministry of Justice developed the draft Law “On Amendments and Additions to the Code on Administrative Violations”, in which there was considerable reduction in possible fines in several articles and penalty differentiation depending on business size. This draft was approved in Parliament and signed on January 20, 2006.

***Removal of Kazakhstan from the USTR 301 Watch List:*** Compliance with the TRIPs (Trade-related Aspects of Intellectual Property Rights) Agreement is a vital concern for businesses seeking to protect their intellectual property as well as for countries seeking WTO membership. Working with international counterparts including the World Intellectual Property Organization and the World Customs Organization, TFI supported efforts of the Government to improve rights’ property mechanisms and enforcement. Through workshops and specialized training, in collaboration with the IP Committee of the Ministry of Justice, TFI provided customs officers, knowledge of Kazakh law and internationally applied mechanisms for enforcement. The United States Trade Representative conducts an annual Section 301 review of countries efforts to protect intellectual property per the Trade Act of 1974. In the 2006 report, the USTR officially indicated Kazakhstan has been removed from the Watch List due to recent efforts to enforce IP protections.

***Licensing Reforms in Tajikistan:*** TFI supported the developed of the implementing regulation of the Government “On Peculiarities of Licensing of Separate Types of Activity” which was adopted in September 2005. The Regulation further clarifies licensing provisions and provides detailed procedures for licensing which will promote transparency; detailed procedures for payment of license fees; certain rights and obligations of licensing bodies, detailed procedure of control, detailed list of licensing requirements and conditions per each type of licensing type of activity. One more advantage of the Regulation is that one document contains the peculiarities of licensing of all types of activity subject to licensing according to the Law on licensing which will help entrepreneurs to have data on all licensed types of activity. Following adoption of the Law “On Licensing of Separate Types of Activity”, TFI provided advice and assistance on harmonization with other laws and regulations. As a result, over 40 drafts were developed. To date, more than 20 laws have already been adopted by Parliament. To promote compliance with the new requirements and procedures, TFI organized and conducted in Dushanbe, Khujand and Kurgan-Tube seminars for entrepreneurs and licensing bodies explaining the provisions of the law and Regulation.

***Availability of seals and stamps for individual entrepreneurs in Tajikistan:*** Through its review of the registration process, and roundtable discussions with local businesses it was discovered that individual entrepreneurs were not permitted to acquire official company stamps as required for legal entities. In order to conclude an import or export contract, the requisite documents must bear the seal of the parties. As a result, individual entrepreneurs were effectively barred from engaging in trade, despite the fact that many could and attempted to do so. Analysis indicated that amendments to existing instructions of the Ministry of Internal Affairs were required. With TFI’s assistance the changes were prepared and approved in February 2006. To help spread the word about the changes, TFI organized trainings for government personnel and information campaigns in Dushanbe, Sogd and Khatlon Oblasts on proper compliance with the instructions. Additionally, with TFI support, over 150 copies of the instruction have been distributed to all employees of the Ministry of Domestic Affairs responsible for implementation. In addition to the immediate benefit accruing to individual entrepreneurs, the new order has also been a boon to the stamp engraving business.

***Launching of the ITG for Tajikistan:*** Unclear legal and regulatory requirements provide opportunities for rent-seeking on the part of officials, cause major delays and unproductive costs for traders, and because of inconsistent application of the law, promote unfair advantages in the market. Indeed, business representatives directly related this lack of official information to weakness on the part of business and susceptibility to extortion at border crossings and clearance terminals. The International Trade Guide provides business with all requirements and information related to the import, export and territorial transit of goods. It describes both customs and non-customs administered procedures and obligations. The Guide is organized as a matrix of the above-mentioned requirements with an explanation of the procedures in narrative format. Building on the

Kazakhstan and Kyrgyz Republic ITGs, the module for Tajikistan was developed and published during the fiscal year.

**Development of Customs Consultative Councils in Tajikistan:** Customs Consultative Council have proven effective public-private forums for raising and addressing specific barriers to trade as well as for involving the private sector in the general policymaking process. During the fiscal year, TFI was successful in facilitating the establishment of CCCs in Kurgan-Tube, and GBAO, the latter having achieved sustainability by project end.

<b>Training Summary</b>			
<b>Country</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Kazakhstan	122	21	143
Kyrgyz Republic	79	38	117
Tajikistan	38	24	106
Uzbekistan	130	19	149
<b>Total</b>	<b>369</b>	<b>102</b>	<b>515</b>

<b>Kazakhstan</b>				
<b>Program name</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Dates</b>
IPR Border Measures seminar-Taldikorgan	23	2	25	November 2005
National Seminar on TIR w/ UNECE and IRU (2 days)	35	5	40	November 2005
IPR Border Measures seminar-Kostanai	19	2	21	December 2005
IPR Border Measures seminar-Ust Kamenogorsk	19	7	26	February 2006
Training on RIC methodology -Kyzylorda	3	0	3	February 2006
IPR Border Measures seminar-Atyrau	23	5	28	February 2006
<b>Total</b>	<b>122</b>	<b>21</b>	<b>143</b>	

<b>Kyrgyz Republic</b>				
<b>Program name</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Dates</b>
Negotiations on the Doha Round in preparation for Ministerial Conference in Hong Kong	20	11	31	November 2005
Stage 1: Multiplication Program Training – RIC Methodology and effective advocacy (Bishkek & Osh)	17	9	26	February 2006
Seminar "The Role of Law Enforcement Bodies in Protecting Intellectual Property Rights"	19	7	26	April 2006
Stage 2: Multiplication Program Training – RIC Methodology and effective advocacy ( Bishkek & Osh )	14	8	22	April 2006
Stage 3: Multiplication Program Training – RIC Methodology and effective advocacy ( Bishkek & Osh )	9	3	12	July 2006
<b>Total</b>	<b>79</b>	<b>38</b>	<b>117</b>	

<b>Tajikistan</b>				
<b>Program name</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Dates</b>
Negotiations on the Doha Round in preparation for Ministerial Conference in Hong Kong			18	November 2005
Seminar: Application of international requirements in the system of Metrology, Accreditation, Standardization and Quality in the Republic of Tajikistan			18	January 2006
Training on Agreement on Agriculture in preparation for negotiations and development of DS Table, submitted to WTO Secretariat.			8	March 2006
Stage 1: Multiplication Program Training – RIC Methodology and effective advocacy (Dushanbe & Khujand)	7	5	12	March 2006
Seminar : Intellectual Property Rights and TRIPS Agreement: Improving Tajik legislation	19	7	26	April 2006
TIR Carnet Training for Customs Officers and Transporters w/ UNECE (2 days)				April 2006
Stage 2: Multiplication Program Training – RIC Methodology and effective advocacy (Dushanbe & Khujand)	7	6	13	April 2006

Stage 3: Multiplication Program Training – RIC Methodology and effective advocacy (Dushanbe & Khujand)	5	6	11	July 2006
<b>Total</b>	<b>38</b>	<b>24</b>	<b>106</b>	

<b>Uzbekistan</b>				
<b>Program name</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Dates</b>
Round Table Training on Technical Regulating – draft law and implications for WTO accession	10	3	13	November 2005
Round Table for Freight Forwarders on addressing legislative barriers to transportation and transit	40	5	45	November 2005
Stage 1: Multiplication Program Training – RIC Methodology and effective advocacy (Tashkent & Ferghana)	4	3	7	February 2006
TIR Carnet Training for Customs Officers and Transporters w/ UNECE (2 days)	47	3	50	April 2006
Stage 2: Multiplication Program Training – RIC Methodology and effective advocacy (Tashkent & Ferghana)	5	2	7	April 2006
Civil Code Round Table for Lawyers	20	2	22	May 2006
Stage 3: Multiplication Program Training – RIC Methodology and effective advocacy (Tashkent & Ferghana)	4	1	5	July 2006
<b>Total</b>	<b>130</b>	<b>19</b>	<b>149</b>	