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of the Republic of Kazakhstan
as of 30 October 2010
No.1145

Program
‘Investment Attraction, Special Economic Zone Development and Export Pro-
motion in the Republic of Kazakhstan for 2010 – 2014’

1. Program Profile

Name	Program ‘Investment Attraction, Special Economic Zone (‘SEZ’) Development and Export Promotion in the Republic of Kazakhstan for 2010-2014’
Development Cornerstone	Strategic Development Plan of the Republic of Kazakhstan till 2020 approved by the Decree of the President of the Republic of Kazakhstan as of 1 February 2010 No.922; State Program of Forced Industrial Innovation Development of the Republic of Kazakhstan for 2010 – 2014 approved by the Decree of the President of the Republic of Kazakhstan as of 19 March 2010 No. 958 (‘SPFIID’).
Developer	Ministry of Industry and New Technologies of the Republic of Kazakhstan
Program Objective	Arrangement of favorable conditions for direct investments to non-primary export-oriented and high-technology industries as well as integration into the world trade system through promotion of processed goods export.
Program Tasks	Improvement of conditions for investments attraction. Promotion of a positive investment image of Kazakhstan. Creation of the new SEZ and industrial zones (‘IZ’). Improvement of a legal framework for SEZ activity control. Development and promotion of the export of the Kazakhstani products by service support to exporters. Financial backing of exporters.
Deadline	2010 – 2014

Target Indicators

By the end of 2014 the following is planned:

1. Attraction of 18 targeted investors from the list of the companies in Global-2000.
2. Domestic and foreign investments to non-primary economy sectors (processing industries, agriproduct processing and services) will increase by at least 15%.
3. Volume of foreign direct investments (FDI) to GDP will increase by five per cent.
4. Diversification of investment sources (7 main investment countries with a share of 5% and more of each country).
5. Conclusion of agreements with foreign states on promotion and mutual protection of investments.
6. Achievement of an indicator of Global Competitiveness Index of the World Economic Forum:
 - “Influence of control rules for foreign direct investments on business” – 102 place; (107 place in 2009);
 - “Foreign direct investments and technologies” - 108 place (113 place in 2009).
7. Improvement of the position of Kazakhstan in “DoingBusiness” Ratings by “Investor Protection” Indicator.
8. Creation of 2 SEZ before the end of 2011: the first in Karaganda within the Industrial Park (to develop metallurgy and metalworking production) and the second “Border Commercial and Economic Zone “Khorgos – Eastern Gates” as the main part of the logistics carcass Western Europe – Western China (to develop different types of manufacturing production and transport and logistics services).
9. Creation of the SEZ within “Nazarbayev University”.
10. Creation of 5 IZ before the end of 2014 in Almaty, Pavlodar, Aktobe, Ust-Kamenogorsk, Semey and Uralsk with different branches.
11. Increase in the number of the SEZ members from 39 in 2009 to 159 by 2015 and in the IZ to 42 by 2015.
12. Increase in investments to non-primary export-oriented and high-technology production within SEZ to KZT1.588 bln by 2015 and within IZ to KZT151 bln.
13. Increase in overall production of goods and services (works) within SEZ from KZT21.9 bln in 2009 to KZT718 bln by 2015 and within IZ to KZT719 bln by 2015 including export of at least 50% of the output.

14. A share of non-primary export in total export will account for at least 40% by 2015.

Financing Amount and Sources	Total financing of all activities at cost of the republican budget will account for KZT19 559 962 thous including: Attraction of foreign direct investments - KZT1 382 596 thous; Development and creation of SEZ and IZ - KZT13 506 395 thous; Export promotion – KZT4 670 971 thous.
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2. Introduction

Attracting investments is one of the most important determinants of economic growth and competitiveness of the national economy as well as a facilitator of its integration into the global production processes. The inflow of foreign investments to the economy of the host country may accelerate development of enterprises, improve the quality of human capital assets, create jobs, attract high technologies and give impetus to their distribution in related industries. Therefore, in the past two decades an increased competition for global investments have been observed that in turn offers the state a challenge to develop and implement comprehensive economic policy measures aimed at improving the country attractiveness for investment.

When overcoming the global financial crisis 2008 – 2009 the state needs to adjust its investment policy so as to use possibilities existing in the world to attract foreign direct investments demanding stable and profitable markets. Besides, the policy to attract investments within the industrial innovation development of the country should be basically focused on reallocation of investments from mining into processing sector of economy.

Along with integration into the global markets to meet the challenges on development of export-oriented processing sectors it is required to form an effective system for promotion of economic interests and prompt elimination of commercial and noncommercial barriers in the foreign markets as well as further development of institutions to carry forward export of processed products.

As is known the Republic of Belarus, Republic of Kazakhstan and Russian Federation concluded the Contract on establishment of the Customs Union as of 6 October 2007.

Formation of the Customs Union means a common customs territory free from customs duties and restrictions of economic character with the exception of special protective, antidumping and countervailing measures. A unified customs tariff and other common measures regulating trade in products with the third countries are applied under the Customs Union.

In the context of the Customs Union establishment the investment attractiveness of Kazakhstan is prioritized in competition for investments. The investment environment of Kazakhstan should be at least no less attractive than in other participating countries of the Customs Union.

The Customs Union preserves for Kazakhstan the investments preferences implying exemption from customs fees on equipment and component items imported to implement investment projects within the Republic of Kazakhstan.

Thus, Kazakhstan has already created and is striving for further improvement of conditions to build production focused not only on the domestic market but the neighboring countries, first the countries of the Customs Union.

The Program “Investment Attraction, Special Economic Zone Development and Export Promotion in the Republic of Kazakhstan for 2010-2014” (‘Program’) was developed in accordance with the key lines of the Strategic Development Plan of the

Republic of Kazakhstan till 2020 approved by the Decree of the President of the Republic of Kazakhstan as of 1 February 2010 No.922 'About Strategic Development Plan of the Republic of Kazakhstan till 2020' as well as with the Action Plan on implementation of the State Program of Forced Industrial Innovation Development of the Republic of Kazakhstan for 2010 – 2014 approved by the Resolution of the Government of the Republic of Kazakhstan as of 14 April 2010 No.302 'About approval of the Action Plan of the Government of the Republic of Kazakhstan on implementation of the State Program of Forced Industrial Innovation Development of the Republic of Kazakhstan for 2010 – 2014'.

The Program is a logical extension of the state policy on economic diversification and integrated the main approaches of the Strategy of Industrial and Innovation Development for 2003 - 2015. The Program is aimed at building an integrated system promoting inflow of foreign direct investments into the domestic production with high added value and developing a system of government incentives and support to export orientation of domestic production with high added value.

The system promoting and enabling investment inflow, SEZ and export development will be build by taking systematic measures of economic policy at macro level, selective measures based on individual approach as well as measures of service support to specific sectors of economy, groups of companies and projects. The systematic measures of economic policy will be focused on forming an attractive investment macroclimate and legal framework as well as measures to ensure competitive conditions for attracting foreign direct investments to non-primary sectors and those to improve productivity and competitiveness of the national producers. The selective measures will be taken on the basis of individual (targeted) approach when dealing with foreign investors and combined package of financial and service support of export-oriented sectors, companies and projects, and will also be aimed at creating a positive investment image of the country in the international capital markets. The Program for attracting investments in the country will take special measures to develop special economic zones. The specific measures for development of special economic zones will be taken within the program in order to attract investments to the national economy.

The state will systematically build its business interaction through establishing effective institutes of cooperation both at the republican and regional levels. Cooperation will be based on the principles of active and sustainable initiative of all stakeholders, permanent and constructive dialogue and balance of national and sectorial interests.

The Program will be implemented in close coordination with other sectorial programs adopted in fulfillments of SPFIID as well as in support to direct feedback with beneficiaries and other related parties directly or indirectly involved in implementation.

SPFIID involves implementation of the Industrialization Map projects which require about KZT7 085 bln (USD48.2 bln) where KZT5 803 bln (USD39.5 bln) is confirmed.

3. In-Progress Review

3.1. Assessment of the current situation in investment attraction, SEZ development and export promotion as well as the impact on the socio-economic and political development of the country.

Assessment of investment attraction.

The task of ensuring sustainable and balanced economic growth of the republic based on diversification of the economy and enhancing its competitiveness in the context of limited domestic financial resources cannot be accomplished without a promotional policy to attract foreign direct investments.

Investments exert a significant impact on the socio-economic development of the country. Any investments at the macro level are the basis for carrying out a policy of extended reproduction, restructured productive sector and balanced development of all economic sectors, innovations and competitiveness of the national economy. Any investments at the micro level are needed for production expansion and development, improvement of its technical level, reduction of moral and physical wear and tear of key assets, increase in product quality and competitiveness as well as fall in environmental exposure.

According to the National Bank of Kazakhstan the economy of the country attracted USD108.05 bln (Figure 1) for 17 years of independence from 1993 to 2009. It should be noted that during the first 12 years the inflow reached only USD34.2 bln and over the past 5 years - USD73.9 bln (2.2-fold growth). The data over the past three years (the period of the global financial downturn) prove the increasing interest of foreign investors in the Kazakh economy. The FDI inflow into the republic amounted to USD56.6 bln for 2007 – 2009 while USD51.4 bln (growth by 10.2%) over 1993 – 2006. However, the gross outflow of direct investments from Kazakhstan abroad made up USD14.2 bln for the period 2004-2009. During that period the largest outflow of domestic capital occurred in the Netherlands (USD7.2 bln), Russia (USD1.4 bln) and Switzerland (USD0.8 bln).

The dynamics of the FDI attraction into the country and impact on the socio-economic development are presented in Table 1 which shows that during 2005 – 2009 FDI to GDP ranged from 11.6% to 17.6% and their growth has been evidenced in the last 3 years. However, as the experience of the developed countries shows the volume of investments to GDP should be within 30-40% to ensure sustainable economic growth.

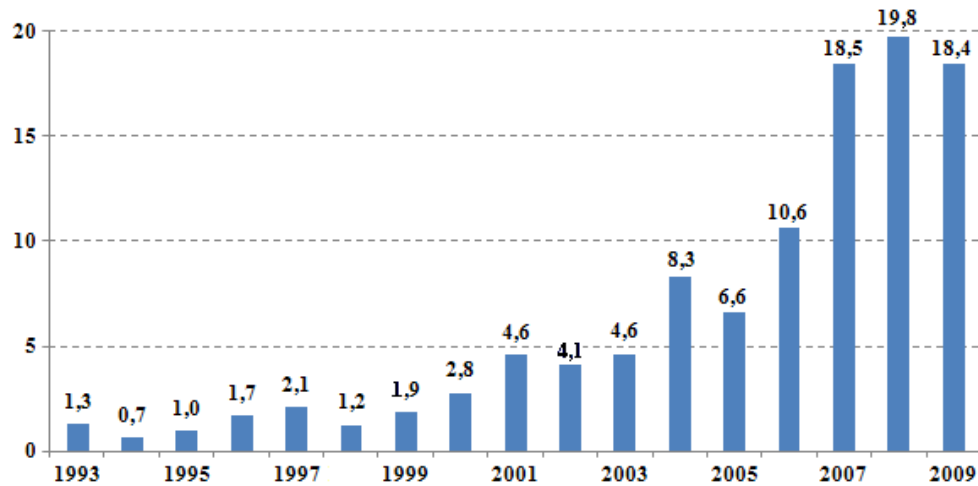


Figure 1. FDI stock attracted for 1993 – 2009, USD billion (Source: National Bank of the Republic of Kazakhstan)

Table 1. Investment dynamics and impact on the national macro indices.

Index	2005	2006	2007	2008	2009
Country GDP, mln USD	57 123,7	81 003,3	104 853,5	133 440,7	107 715,3
Replacement residual cost by balance cost, mln USD	39 679,6	54 075,6	70 806,4	92 306,4	н.д.
Capital investments, mln USD	18 219,3	22 400,8	27 679,5	35 003,1	30 826,6
FDI, mln USD	6 618,6	10 623,6	18 452,6	19 755,2	18 428,8
FDI growth rate, %	79,6	160,5	173,7	107,1	93,3
FDI, all countries of the world, bln USD	973,3	1 461,1	1 978,8	1 697,4	н.д.
FDI share of Kazakhstan to FDI of all countries of the world, %	0,7	0,7	0,9	1,2	-
Population of the RK at the beginning of the year, thous people	15 219,3	15 396,9	15 571,5	15 776,5	16 055,7
FDI inflow per capita, USD per person	434,9	690,0	1 185,0	1 252,2	1 149,2

According to the Agency of Statistics of the Republic of Kazakhstan the investments in capital assets grew by almost 70% from USD18.2 to 30.8 bln (Table 1) for 2005 – 2009. The total investments in capital assets range from 32% in 2005 to 28% 2009 of the national GDP. This index is an indicator of investment impact on production as includes investments during direct receipt of funds in capital assets of a company from non-residents.

The growth rates of the FDI attraction are still unstable during the whole period of review. It is worth mentioning that in 2008 a share of the FDI inflow into Kazakhstan accounted for only 1.2% from the FDI inflow rate in all countries of the world.

The FDI stock attracted per capita amounted to USD1 149.2 per person in 2009 that is 2.5 growth as compared to 2005 but 8.2% decrease than in 2008. The inward FDI stock per capita in Kazakhstan comprised USD6 737.66 per person for the period 1993 - 2009.

The analysis of the FDI stock attracted from the investing countries is shown in Table 2 where the primary FDI share (63.5% of all FDI for 1993-2009) was received

from the developed countries such as the Netherlands (19.9%), USA (18.5%), Great Britain (8.4%), France (5.4%), Italy (4.4%), Canada (3.6%) and Switzerland (3.3%).

Besides, Russia (3.7%), China (3.5%) and South Korea (3.1%) are the countries with quite a large share of investments into the economy of Kazakhstan. The investments from the offshore zones (the Virgin Islands – 5.6%) are also significant. The rest countries invest in a minor way reaching not over 3%. The total number of the countries investing into the economy of Kazakhstan exceeds 116 states.

Table 2. FDI stock attracted from the investing countries

Country	2005		2006		2007		2008		2009		Total (1993 – 2009)	
	Mln USD	%	Mln USD	%	Mln USD	%	Mln USD	%	Mln USD	%	Mln USD	%
Total of all countries	6 618,6	100	10 623,6	100	18 452,6	100	19 755,2	100	18 428,8	100	108 045,7	100
1. Netherlands	1 549,2	23,4	2 886,0	27,2	3 148,0	17,1	4 352,1	22,0	6 146,4	33,4	21 472,6	19,9
2. USA	1 131,5	17,1	1 708,9	16,1	2 453,2	13,3	2 076,1	10,5	1 910,6	10,4	19 989,9	18,5
3. Great Britain	-61,1	-0,9	860,5	8,1	916,8	5,0	1 909,6	9,7	958,1	5,2	9 025,0	8,4
4. Virgin Islands	268,8	4,1	503,9	4,7	2 465,4	13,4	1 040,3	5,3	1 179,1	6,4	6 070,4	5,6
5. France	774,7	11,7	802,3	7,6	1 022,6	5,5	1 203,8	6,1	1 308,9	7,1	5 887,5	5,4
6. Italy	306,6	4,6	376,1	3,5	517,2	2,8	693,1	3,5	653,0	3,5	4 707,5	4,4
7. Russia	223,5	3,4	502,7	4,7	785,3	4,3	893,9	4,5	573,9	3,1	3 967,1	3,7
8. Canada	247,0	3,7	437,1	4,1	314,1	1,7	1 053,2	5,3	582,4	3,2	3 869,2	3,6
9. China	216,1	3,3	362,9	3,4	358,2	1,9	692,5	3,5	708,7	3,8	3 802,9	3,5
10. Switzerland	103,4	1,6	234,6	2,2	633,2	3,4	182,9	0,9	449,3	2,4	3 521,4	3,3
Total of 10 countries	4 759,7	71,9	8 674,9	81,7	12 614,1	68,4	14 097,5	71,4	14 470,3	78,5	82 313,6	76,2

The flows of investments from the specified countries are not stable and hesitate drastically during the period under review (2005-2009) that likely depends on how the investment plan of the investing countries is implemented.

The volume and structure of FDI attracted by sectors for the period 1993 - 2009 are shown in Table 3 according to which 37.5% of all direct investments were forwarded to 'Real estate transactions, rental and business services' (over 70% fall on the geological survey), 35% to mining industry, less than 10% to manufacturing and 6% to financial sector. Besides, a small stock of foreign direct investments was assigned to trade development, repair of motor vehicles and household articles (5%), activities of professional organizations and associations (2.6%), civil engineering (1.8%) and transport and communications (1.5%). The remaining sectors account for slightly more than 1% of all FDI. Such distribution of FDI by sectors is primarily connected with a high profitability of the primary sector.

The sectorial structure of FDI attraction for the period 2005 - 2009 is basically the same and coincides with the industrial structure over the period 1993 - 2009 that once again confirms the priority of investment inflows in accordance with the profitability levels in industries.

Table 3. Sectorial volume and structure of FDI (Source: National Bank of the Republic of Kazakhstan):

Activity Type	2005	2006	2007	2008	2009	Total
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											(1993 – 2009)	
	Mln USD	%	Mln USD	%	Mln USD	%	Mln USD	%	Mln USD	%	Mln USD	%
Total	6 618,6	100	10 623,6	100	18 452,6	100	19 755,2	100	18 428,8	100	108 045,7	100
Real Estate Transactions (geological survey)	3 647,8	55,1	5 551,0	52,3	6 982,2	37,8	8 107,8	41,0	10 691,4	58,0	40 555,6	37,5
Mining industry	1 796,6	27,1	2 396,1	22,6	5 390,5	29,2	3 204,1	16,2	4 540,6	24,6	37 817,5	35,0
Manufacturing industry	303,6	4,6	642,4	6,0	1 061,2	5,8	1 918,3	9,7	1 444,6	7,8	10 132,8	9,4
Financial sector	107,9	1,6	452,7	4,3	2 962,5	16,1	1 933,6	9,8	614,6	3,3	6 457,7	6,0
Repair of motor vehicles and household articles	381,4	5,8	739,3	7,0	1 235,5	6,7	1 208,3	6,1	1 064,0	5,8	5 369,8	5,0
Professional organizations	51,1	0,8	93,2	0,9	99,0	0,5	2 410,2	12,2	33,9	0,2	2 763,0	2,6
Construction	94,0	1,4	367,8	3,5	478,8	2,6	435,8	2,2	242,3	1,3	1 940,8	1,8
Transport and Communication	98,1	1,5	300,6	2,8	182,4	1,0	271,2	1,4	168,4	0,9	1 613,1	1,5
Energy, gas and water	119,5	1,8	26,7	0,3	36,6	0,2	124,1	0,6	-513,5	-2,8	373,0	0,3
Other types	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	360,8	0,3
Hotels/Restaurants	5,8	0,1	10,2	0,1	49,6	0,3	37,1	0,2	80,2	0,4	292,4	0,3
Social sphere	11,5	0,2	6,3	0,1	-0,9	0,0	66,3	0,3	4,3	0,0	244,5	0,2
Agriculture	1,2	0,0	37,3	0,4	-24,9	-0,1	38,5	0,2	58,1	0,3	124,6	0,1

The disproportion emerging in the industries and spheres is fixed by disproportion at the level of economic development of the regions because of the extremely unequal regional distribution of investments. Thus, according to the Agency of Statistics of the Republic of Kazakhstan Almaty and Astana, the Caspian Sea and some other regions (West Kazakhstan, Atyrau, Aktyubinsk, Mangystau and Kyzylorda regions) with the widespread mining enterprises receive about 60% of all investments of the country. Over 80% of all companies with equity participation of foreign investors or wholly owned by foreign investors generally operate in those regions.

At the same time in the context of overcoming the results of the global financial crisis as the UN and World Bank experts suppose Kazakhstan ranks among the countries which are the most attractive for foreign investments. The Republic of Kazakhstan was the first among the CIS countries to obtain the investment grade ratings from the international rating agencies such as Moody's (in 2002), Standard&Poor's and Fitch (in 2004). Kazakhstan was included in the top 25 countries attractive for investments according to the ratings of AT Kearney, the internationally acknowledged consulting company.

The state set a task to enter top 50 competitive countries of the world. The report of the World Economic Forum for 2009/2010 says Kazakhstan ranks 67th in the Global Competitiveness Index.

However, favorable investment conditions (including tax allowances, preferences and guarantees against changes in the legislation) did not contribute to the intensive growth of investments in agriculture, construction, service industry and other

sectors. Today, the disproportion in development of various economic branches of Kazakhstan still increases. Any sectorial imbalances exert a negative impact on development of different regions in Kazakhstan. The growth of investment activity in agriculture, manufacturing and other industries is likely through changes in the national legislation on investment promotion.

Kazakhstan has progressed to implementation of SPFIID since 2010. The sectorial programs which include accelerated development of priority economic sectors are developed within this program. In every industry the "niche" for production followed by sale of goods in the domestic and foreign markets is identified.

Mining and metallurgical industry.

Mining and metallurgical industry is one of the primary sectors of the national economy. The market capacity comprised USD15.5 bln in 2009. The share of import stood at 38% or USD5.6 bln.

Kazakhstan possesses quite enormous reserves of different types of mineral raw material. The country produces and processes iron, manganese and chromite ores as well as nonferrous metal ores – copper, zinc, titanium, magnesium, gold and others.

At the same time it is necessary to expand processing in the main types of produced mineral stock to increase added value.

Thus, in the nonferrous metallurgy the planning is underway to increase processing of aluminum oxide up to 1500 thous tons, production of primary aluminium up to 250 thous tons, copper (ores and concentrates) up to 578 thous tons and zinc up to 36 thous tons. In the ferrous metallurgy processing of steel should grow by 6 mln tons, ferrochrome and ferrochrome silicon by 440 thous tons.

It is important to use previously formed wastes in processing. These are in particular out of balance ores which are currently stored in heaps at mining-and-processing integrated works. So, more than 20 bln tons of industrial wastes are now accumulated. The modern technologies enable production of pellets or briquets from such raw material suitable for processing.

Today, 30 "niche" projects totally requiring KZT1 012 285 mln are dealt with in the mining and metallurgical industry.

Chemical industry.

The market capacity comprised USD3.4 bln in 2008. The share of import accounts for USD2.4 bln or almost 80% of the market size. These are primarily the goods with high added value including articles made of rubber and plastic, perfumery and detergents.

The "niche" projects in the basic inorganic chemistry include potash fertilizers - 400 thous tons, calcined soda - 350 thous tons and sodium cyanide - 100 thous tons while in the basic organic chemistry (petrochemistry) these are polymerized vinyl chloride – 15 thous tons, polyethylene glycol – 10 thous tons and organic acids – 120 thous tons as well as special and household chemicals including powder, pesticides and others.

Today, 13 "niche" projects totally requiring KZT1 857 051 mln are dealt with in the chemical industry.

Engineering.

The market capacity comprised USD16.6 bln in 2008 with the main share of import accounting for USD15.4 bln or 80% of the market size and makes up 41% in the general import structure of Kazakhstan.

It is important to note that the import amounting USD9.2 bln falls on four sub-sectors of engineering: transport (USD4.128 bln), electromechanical (USD2.736), oil and gas (USD1.695) and agricultural engineering (USD625 mln).

According to the aforesaid there is a great potential for entrepreneurs who wish to arrange engineering production within Kazakhstan.

Today, 4 “niche” projects are launched in the engineering. However, the amount of funding is not identified yet.

Construction.

Development of the construction materials producing industry is believed to be perspective. Kazakhstan possesses adequate supplies of different stock for production of construction material.

It should be noted that today Kazakhstan does not produce flat glass for glazing residential, public and industrial buildings. However, it is projected that the demand for flat glass will increase from 22.2 mln m² in 2010 to 35.0 mln m² in 2014.

There are 14 “niche” projects totally requiring KZT77.812 mln in the construction industry which are underway at the moment.

Pharmacy.

Kazakhstan is interested in development of its own pharmaceutical industry.

As a part of the Industrial Innovation Development Program increase in the share of domestic pharmaceuticals in the internal market up to 50% is planned by the end of 2014.

Today, Kazakhstan has a perspective to produce 400 items of drugs at the manufacturing plants following the international standards of GMP.

3 “niche” projects totally requiring KZT2.550 mln are now implemented in the pharmacy.

Alternative power engineering.

Kazakhstan has a prodigious potential in expanding alternative power engineering.

According to different estimates the wind power potential makes up about 920 bln kWh, hydro potential – 8 bln kWh and solar power potential – 15 bln kWh.

It is planned to launch the wind power stations with the capacity 255 mW, small hydro power stations – 91.37 mW and solar plants – 6 mW within the period 2010-2014.

Today, 14 “niche” projects totally requiring KZT108.000 mln are underway in the area of renewable energy sources.

Light industry.

The statistics for 2008 shows that the market size for light industry products (textile and leather goods, clothes) comprised USD1.643 bln. The enterprises of light

industry in Kazakhstan (textile and leather goods, clothes) produced goods and services for USD188 mln.

The domestic producers relatively cover 11.4% of the Kazakhstani market of light industry products.

However, it is necessary to consider that clothes and other textile articles before the Customs Union establishment were imported by individuals on the principle of shuttle trade. So, the current condition can significantly differ from the official statistics.

In accordance with the Customs Union rules a restriction to duty-free entry of goods by individuals for personal usage shall not exceed 1500 Euro. Thus, material activation of light industry plants in the Customs Union member states is expected.

Review of special economic zone development.

In Kazakhstan 6 SEZ were totally established which conventionally could be split into the following groups: 1) industrial production zones – “Morport Aktau”, “Ontustyk”, “National Industrial Petrochemical Technological Park” and “Astana – New City” in the part of industrial subzone (IZ of Astana); 2) service zones – “Burabay” and “Astana – New City” in the part of construction subzone, and 3) technical commissioning zone – “Information Technology Park”. Besides, two IZ were established in Astana and Karaganda with IZ in Astana being a part of SEZ “Astana – New City”.

The world experience shows that creation of SEZ and IZ is a driver of economic growth through international turnover promotion, investment mobilization and integration economic process extension.

Currently, there are challenges refraining from realization of Kazakhstan SEZ advantages in full.

They are as follows:

- ineffective control and management;
- attraction of investors to the infrastructure;
- deficient recording of individual features of zones;
- bureaucratization;
- low efficiency of budget costs.

In order to eliminate the key barriers for realization of SEZ advantages and establishment of a framework for competitive SEZ in Kazakhstan the work is underway to develop the Draft Law “About special economic zones in the Republic of Kazakhstan”. The proposed Draft Law will result in the following privileges in establishment and activity of each SEZ:

- merger of the Administrations and management company;
- property sublease for SEZ members;
- special benefits for each SEZ;
- automatic approval principle;
- SEZ establishment and conversion procedure;
- financing structure;
- single window service.

The Customs Union instituted a transition period over customs privileges with regard to free economic zones.

Thus, the residents of SEZ in Kazakhstan registered before 1 May 2010 can use all existent tariff preferences as well as national criteria of sufficient processing till 1 January 2017.

For any SEZ residents registered before 1 January 2012 the goods exported from the SEZ territory to the rest area of the Customs Union will be free from customs duties provided that the criteria of sufficient processing as stated by the Customs Union Commission shall be observed.

Such measures are taken to preserve investment attractiveness of SEZ in Kazakhstan by ensuring benefits in relation to customs duties.

1. SEZ “Astana - New City” was established in June 2001. It is focused on accelerated development of Astana through attracting investments and using advanced technologies in construction as well as creating a modern infrastructure, highly effective, high-technology and competitive manufacture and developing new production lines.

SEZ is basically aimed at rapid construction of a new administrative and business center of the capital and opening of a new production in the Industrial Park.

The locomotive assembly plant Limited Liability Company “Locomotive Leasing” with the capacity of 100 locomotives annually is operative in the Industrial Park.

327 jobs were created.

5 sites are planned to be put into operation within the Industrial Park in 2010 where over 500 jobs will be created. Totally, 7 500 jobs will be brought into being.

Today, the SEZ territory consists of the new administrative and business center and Industrial Park. The new administrative and business center is located primarily on the left bank of the Esil River encompassing 5 302,5 ha. The territory of the Industrial Park covers 598,4 ha.

At the moment KZT976.6 bln were attracted to the SEZ territory. The structure of the attracted investments is as follows: KZT556.7 bln refer to private investments while the remaining amount of KZT419.9 bln was invested by the state into construction of the socio-cultural sites and infrastructure. The country spent KZT702.5 bln with KZT344.7 as private and KZT357.8 as state.

As of today, in the Industrial Park of Astana 39 projects totally amounting USD1.1 bln were applied for. 7 500 jobs are planned to be created within 39 projects. The mentioned projects are supposed to generate products comprising USD700 mln in the gross. The annual tax deductions over these projects will amount USD33.3 mln.

Implementation of the projects in the Industrial Park is aimed at generating production of rubber and plastic goods, construction material, wood articles, glass, polycrystalline silicon, foodstuff, locomotive assembly etc.

39 projects include 17 projects dealing with construction, 5 with warehousing and auxiliary transport activity, 5 with production of vehicles, equipment and electric appliances, 5 with chemical industry and pharmaceutical production, 2 with furniture production and 5 with foodstuff.

The Republican Industrialization Map embraces the following projects from the Industrialization Park of Astana: locomotive assembly plant (Limited Liability Company “Locomotive Leasing”) and pharmaceutical factory (Joint-Stock Company “Chimpharm”). The Regional Industrialization Map includes the project on construction of sandwich panel plant (Limited Liability Company “Krovlya NS”).

Currently, the Industrial Park infrastructure construction is 85% completed. The total cost of the first and second phase of construction is USD118.6 mln. Completion of the infrastructure construction is scheduled for December 2010.

2. SEZ “Morport Aktau” was established in April 2002. It is aimed at accelerated development of the region for the republican economy to enter the system of the world economic ties, creation of highly effective, high-technology and competitive production, development of new production lines, investment attraction, legal regulations of market relations, introduction of new management methods as well as social questions dissolution.

The sectorial focus covers: 1) production of electric appliances; 2) leather goods production; 3) chemical industry; 4) rubber and plastic production; 5) production of other non-metallic mineral commodities; 6) metallurgical industry; 7) finished metal goods production; 8) vehicle and equipment production; 9) petrochemical industry.

SEZ “Morport Aktau” will consist of six subzones by 2014. It is planned to finish construction of the infrastructure in subzone No.3 at the first stage by 2013. Thus, in the territory of this subzone in October it is scheduled to commission the connecting railway and loading tracks, external water supply and sewerage networks, check points, fences and electrical networks.

At this date, in the territory of SEZ “Morport Aktau” were implemented 3 projects to the total amount of investments USD93 mln which include:

Maritime metal structure plant (Limited Liability Company “Keppel Kazakhstan”) producing 6 thous tons annually;

Oil country tubular goods plant (Joint-Stock Company “ArcelorMittal Tubular Products Aktau”) with the design capacity 60 thous tons annually;

Glass-fiber epoxy tubular plant (Limited Liability Company “AZST”) with the design capacity 400 thous meters of tubular goods annually.

In addition, 9 projects are at the stage of implementation with the construction works executed at 3 of them. 5 of them are at the stage of designing and one of them is agreed by the decision of the SEZ “Morport Aktau” Expert Council to be implemented.

The SEZ “Morport Aktau” members produce the following goods:

pipe racks;

glass-fiber pipes;

construction steel structures.

At that, 1361 people are involved in production.

Tax receipts as a result of the SEZ activity from the very beginning comprised KZT27 688 thous.

3. SEZ “Information Technology Park” was established by the Decree of the President of the Republic of Kazakhstan as of 18 August 2003 No.1166 “About establishment of special economic zone “Information Technology Park”.

It is aimed at highly effective, high-technology and export-oriented manufacture in the area of information technologies and development of new production lines in this sphere.

There are 27 functioning enterprises within SEZ “Information Technology Park” (‘SEZ ITP’) at the moment.

The enterprises are involved in production of LCD TV sets and monitors, personal computers, notebooks and servers as well as in development of software, semiconductor devices and other electronics engineering items.

848 jobs were created.

The total output in the SEZ territory from 2007 till 2010 stood at KZT8 673 mln.

The amount of tax deductions from 2006 till July 2010 comprised KZT1 440 mln.

Despite the unfinished infrastructure SEZ acts positively on the regional economy.

Sectorial focus: 1) information technology development; 2) information technology production; 3) usage of new production lines in information technologies.

September 2006 witnessed the opening of the first stage of SEZ as a property complex consisting of 4 buildings: 4-storey office building, 2 production units, a dining room as well as a free standing boiler. Those premises were connected to the existing infrastructure of Alatau village and Nuclear Physics Institute.

Currently, the Ministry together with JSC “National Innovation Fund” and JSC “Engineering and Technology Transfer Center” is working on updating the concept of SEZ ITP and feasibility study taking into account the changes of the territory in 2009 to 163,02 ha. 31 companies were registered as the SEZ ITP members. The Expert Council admitted 55 projects to carry out activities in the territory of SEZ ITP.

4. SEZ Ontustyk was created by the Decree of the President of the Republic of Kazakhstan as of 6 July 2005 No. 1605 “About creation of special economic zone “Ontustyk” and is a backbone component of the pilot cluster for cotton yarn and fabrics production in South Kazakhstan region.

It is aimed at providing development of textile industry.

SEZ Ontustyk implemented two investment projects which were solemnly commissioned on June 28 of the current year:

The Project “Integrated automated spin-twisting factory” of Limited Liability Company “Oxy Textile” for worsted and carded yarn production. The project implies increase in processing of local lint cotton, textile industry development in the region and country and positive effect on adjacent economic branches.

The Project “Production of absorbent cotton wool, cotton cellulose and technical carboxymethyl cellulose from cotton-containing raw material” of Limited Liability Company “Hlopkoprom-Cellulose”. The production will be based on cotton wool in South Kazakhstan region as an additional incentive for development of cotton cluster in Kazakhstan.

497 jobs were created during implementation of the projects.

In the end of 2010 it is planned to carry out the investment project of JSC “Yutex-KZ” for yarn and finished fabric production which will result in 1041 new jobs.

When reaching the design capacity of three enterprises production of the finished products to the amount of KZT15 753.14 mln is expected.

Main advantages of SEZ “Ontustyk”:

favorable geographic position – proximity to the major importers of light industry products (Russia, China, India);

South Kazakhstan region is the only area in the Customs Union space where cotton is grown;

Increasing demand in the domestic and world markets for such types of goods as cotton yarn and fabrics, wool fabrics and knitwear;

marketing development up to 170 million people through entering the Unified Customs Union;

development of raw material processing plants (cotton, wool, leather);

availability of transport and energy infrastructure.

Sectorial focus: 1) manufacture of cotton threads and all kinds of yarn; 2) weaving; 3) finishing and dyeing industry; 4) production of finished textile products; 5) clothes production (knitwear, working wear etc.); 6) production of carpets, rugs and tapestries; 7) production of cotton cellulose and its derivatives; 8) production of high quality paper from raw cotton, and 9) leather goods production.

The SEZ territory has an advantageous location with respect to transport infrastructure. Currently, the construction of engineering infrastructure is completed. The construction of main water supply, sewerage, electric power and gas supply networks as well as telephonization is also finished.

5. SEZ “National Industrial Petrochemical Technological Park” was established in December 2007. The SEZ territory encompasses 3 475,9 ha. It is aimed at development of petrochemical industries for deep processing of hydrocarbon material in Kazakhstan based on innovation technologies.

Sectorial focus: 1) development of petrochemical production for deep processing of hydrocarbon material in Kazakhstan based on innovative technologies; 2) formation of a modern high-tech infrastructure for efficient operation of petrochemical plants.

The Administration of SEZ was established in April 2008. The Ministry of Oil and Gas jointly with the stakeholders works over the investment projects to be implemented within SEZ.

6. SEZ “Burabay” was established in January 2008. It is aimed at creation of highly effective and competitive touristic infrastructure enabling provision and

meeting demand of the tourists coming from Kazakhstan and abroad. Sectorial focus: 1) development of touristic branch; 2) arrangement and development of cultural and cognitive, health-improving, ecological, business, sport and other types of tourism.

The works on fencing the SEZ territory were completed for today. Infrastructure resources such as electric light, water conduits and sewerage are under construction.

The development prospects: The operator Limited Liability Partnership “Borovoe Tourism city” presented an alternative housing project which includes a hotel with 150 rooms, casino and fitness center. The approximate building size is 2000 square meters. The preliminary project budget is USD60 mln. The construction is expected to be commenced in April 2010.

There are no any investment projects as of today.

7. Industrial Zone of Karaganda. The infrastructure construction of the Industrial Park in Karaganda “Metallurgy – Metal Processing” is underway currently.

In accordance with the prepared project documents the building and assembly works were performed on the following sites in 2007-2009:

1. External energy supply (1 launch area): Substation “Industrial Park “Metallurgy – Metal Processing”, 220/35/6 kV, 126 mW; VL-220 kV double circuit Substation “Nura” - Substation “Industrial Park “Metallurgy – Metal Processing”, 34 km;

2. Approach lines with the total length 12 km and Industrialnaya Station.

In 2010 the following sites are planned to be constructed: power facilities, inter-site and external networks, engineering structures, water supply and sewerage. Along with the work on developing the Industrial Park infrastructure the issues of project implementation within the park are negotiated with the potential investors. Thus, an agreement was reached with HANKOOK (Republic of Korea) to build a plant for production of copper products within the Industrial Park of Karaganda.

In addition, the official confirmation of intention to locate enterprises was received from the following potential investors: Joint Venture “Socio-Entrepreneurial Corporation “Saryarka - Kryukov Wagon-Building Plant” involved in release of wheelsets (100 ha), Joint Venture “Socio-Entrepreneurial Corporation “Saryarka – KTZ” - freight wagon production, Limited Liability Company “Temir men Mys” - welded pipe production (2.05 hectares), Limited Liability Company “Asia Invest LTD” - concrete sleeper production (5-7 ha) and Limited Liability Company “Maxtel trade” - ferrous metal processing (15 ha).

Currently, negotiations are underway with Joint-Stock Company “Asia Auto” to build an automobile assembly plant of 100 ha within the Industrial Park as well as with Sollers, the Russian company, to arrange an automobile assembly production.

8. “Khorogos” International Cross-Border Cooperation Center. “Khorogos” ICBC involves formation of the territory of visa-free visits for citizens of two as well as three countries for business meetings, familiarization with industrial products produced in Kazakhstan, China and CIS countries, conclusion of bargains and leisure activity.

The Center will provide over 6 thous jobs with more than 9 thous visitors approximately.

In parallel with the construction of the Centre infrastructure facilities commercial buildings are expected to be build through private investments. The construction volume and technical burden of them increased significantly as well.

To launch the Center before the end of the current year the high priority sites which are under construction at the moment were identified.

At the same time the foreign investors are actively attracted to development of the Kazakhstani part of the Centre. The presentations are regularly organized and held for all foreign and domestic companies interested in the project.

Export development review.

Over a series of years the foreign trade of Kazakhstan was one of the main drivers of economic growth with the increase by 1,6 times from USD45.2 to 71.6 bln respectively over the period 2005-2009 (Table 4). The favorable foreign economic situation in the world commodity markets contributed to a stable flow of financial resources in the Kazakh economy providing improvement of the key economic indicators of the country. The GDP growth for the period 2005 - 2009 amounted to 109.3% from KZT7.6 to 15.9 trn while the volume of foreign trade turnover to GDP grew from 79.1% in 2005 to 81.7% in 2008 and only in 2009 decreased to 66.5%. During this period the growth in industrial output (IO) reached 69.9% from 5.3 to 8.9 trn while the share of foreign trade in industrial output increased from 114.3% to 118.3%.

The main foreign trade volume of Kazakhstan relates to goods export the share of which slightly decreased from 61.6% in 2005 to 60.3% in 2009 in the context of the global financial crisis 2008 - 2009. In value terms the republic exports grew from 2005 to 2009 by 55.1% from USD27.9 bln to USD43.2 bln. However, in comparison with 2008 the exports in 2009 shortened by 39.3 % from USD71.2 bln to USD43.2 bln respectively. Such shortage in exports in value terms is primarily connected with a reduction of consumer demand in the world markets and drop in prices for basic energy products and raw materials which are the key export items of the country.

Today, about 1000 companies in Kazakhstan perform export operations with 750 of them exporting processed products.

The analysis of the overall export structure shows that the main share of exports covered primary commodities comprising 70 - 72% in the period 2005 - 2009 while the share of processed goods export was maintained at 28 - 30%. At that, the period is also characterized by the retained general trend to reduction in the export share of processed goods both in GDP of the country from 13.7% in 2005 to 11.1% in 2009 and in overall export volume from 28.1% to 27.8% respectively.

Table 4. Dynamics of foreign trade turnover in the republic for 2005-2009:

Index	2005	2006	2007	2008	2009
Country GDP, bln KZT	7 590,6	10 213,7	12 849,8	16 052,9	15 887,8
Country GDP, mln USD	57 123,7	81 003,3	104 853,5	133 440,7	107 713,9
Industrial product volume, bln KZT	5 253,0	6 509,9	7 815,9	10 196,2	8 925,2
Industrial product volume, mln USD	39 531,9	51 629,0	63 777,2	84 756,4	60 510,1

Foreign trade turnover, mln USD	45 201,2	61 927,2	80 511,7	109 072,6	71 604,4
Foreign trade share in GDP, %	79,13	76,45	76,78	81,74	66,48
Foreign trade share in IO, %	114,3	119,9	126,2	128,7	118,3
Goods export, mln USD	27 849,0	38 250,3	47 755,3	71 183,6	43 195,8
Goods import, mln USD	17 352,2	23 676,9	32 756,4	37 889,0	28 408,7
Export share in foreign trade, %	61,6	61,8	59,3	65,3	60,3
Import share in foreign trade, %	38,4	38,2	40,7	34,7	39,7
Processed goods export, mln USD	7 810,5	11 211,2	14 677,4	20 054,6	12 000,1
Primary goods export, mln USD	20 038,5	27 033,3	33 077,9	51 117,4	31 195,7
Processed goods export share in GDP, %	13,67	13,84	14,00	15,03	11,14
Primary goods export share in GDP, %	35,08	33,37	31,55	38,31	28,96
Processed goods export share in overall export, %	28,05	29,31	30,73	28,17	27,78
Primary goods export share in overall export, %	71,95	70,67	69,27	71,81	72,22

The growth rates of the country GDP and primary and processed goods export for 2005-2009 show (Table 5, Figure 2) a high dependence of GDP growth dynamics from export growth rates and first of all from export of raw material (oil, gas, ores, primary metal, grain etc.). The Figure shows a drastic growth recession of primary and processed goods export in 2009 led to a significant GDP growth recession.

Table 5. GDP and country export growth rates for 2005 – 2009

Index	2005	2006	2007	2008	2009
Growth rates of real country GDP, %	109,7	110,7	108,9	103,3	101,2
Growth rates of processed goods export, %	-	143,5	130,9	136,6	59,8
Growth rates of primary goods export, %	-	134,9	122,4	154,5	61,0

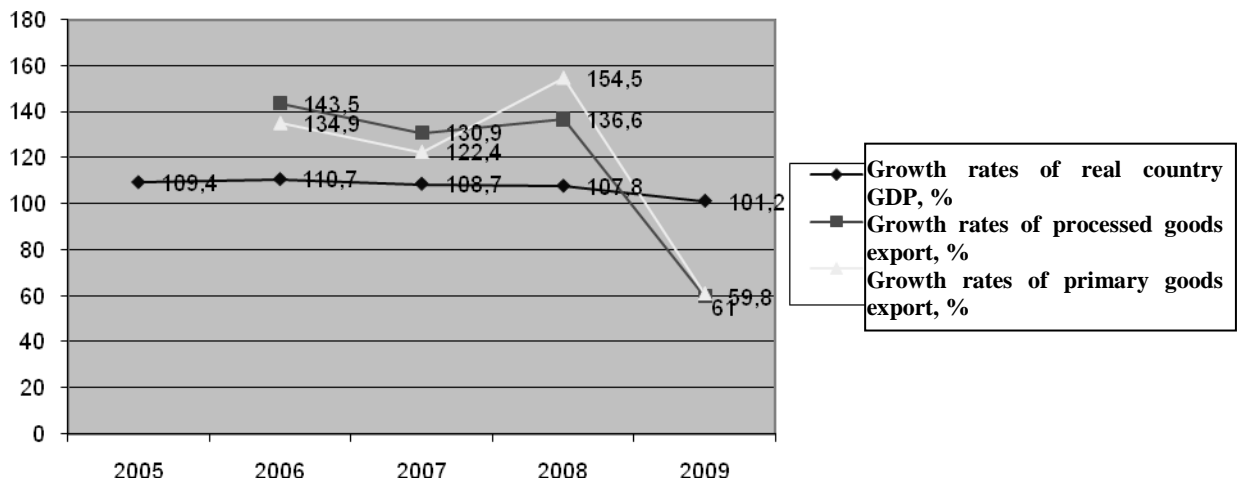


Figure 2. GDP and country export growth rates for 2005 – 2009.

The structural analysis of export by commodity groups according to the Classification by Broad Economic Categories is shown in Table 6. The main primary export commodity groups in Kazakhstan over the last 5 years covered the mineral raw materials, products of animal and vegetable origin, ores, metal concentrates and textiles which totally comprise 99.92-99.97% of the overall primary goods export.

Table 6. Processed and primary goods export structure of the country by commodity groups:

Commodity Group	2005		2006		2007		2008		2009	
	mln \$	%	mln \$	%	mln \$	%	mln \$	%	mln \$	%
Total goods export including:	27 849,0	100,0	38 244,4	100,0	47 755,3	100,0	71 172,0	100,0	43 195,8	100,0
Primary goods export including:	20 038,5	72,0	27 033,3	70,7	33 077,9	69,3	51 117,4	71,8	31 195,7	72,2
Mineral stock	19 286,6	69,3	25 869,9	67,6	31 071,6	65,1	48 527,7	68,2	30 073,9	69,6
Products of animal and vegetable origin	317,7	1,1	671,9	1,8	1 441,4	3,0	1 809,2	2,5	790,5	1,8
Ores and metal concentrates	254,8	0,9	291,8	0,8	368,9	0,8	633,3	0,9	216,3	0,5
Textile stock	167,0	0,6	185,3	0,5	184,0	0,4	133,1	0,2	88,6	0,2
Other primary goods	2,5	0,0	4,5	0,0	9,6	0,0	10,5	0,0	23,3	0,1
Raw hides and furs	9,0	0,0	9,2	0,0	1,3	0,0	1,4	0,0	1,8	0,0
Raw material for chemical branch	0,7	0,0	0,3	0,0	0,2	0,0	1,7	0,0	0,7	0,0
Raw material for engineering	0,2	0,0	0,3	0,0	0,8	0,0	0,5	0,0	0,6	0,0
Wood and timber	0,0	0,0	0,0	0,0		0,0	0,0	0,0		0,0
Processes goods export including:	7 810,5	28,0	11 211,2	29,3	14 677,4	30,7	20 054,6	28,2	12 000,1	27,8
Metals and metal products	4 164,3	15,0	5 867,7	15,3	7 807,2	16,3	10 177,8	14,3	5 268,6	12,2
Chemical products	923,8	3,3	1 590,3	4,2	1 886,5	4,0	2 470,6	3,5	2 273,7	5,3
Mineral products	1 266,7	4,5	1 641,0	4,3	2 204,5	4,6	3 459,6	4,9	1 878,5	4,3
Other processed goods	404,9	1,5	699,4	1,8	730,7	1,5	875,2	1,2	939,5	2,2
Food products	361,3	1,3	391,9	1,0	602,5	1,3	1 172,0	1,6	851,9	2,0
Machinery and equipment	358,5	1,3	673,2	1,8	944,4	2,0	1 283,9	1,8	399,2	0,9
Leather and fur products	245,6	0,9	228,6	0,6	346,0	0,7	449,4	0,6	316,8	0,7
Textile and textile products	46,9	0,2	77,4	0,2	109,9	0,2	100,5	0,1	25,6	0,1
Wood goods	24,5	0,1	21,3	0,1	25,8	0,1	34,1	0,0	25,5	0,1
Construction material	8,6	0,0	17,4	0,0	18,7	0,0	29,7	0,0	17,2	0,0
Shoes and small wares	5,4	0,0	3,1	0,0	1,2	0,0	1,9	0,0	3,7	0,0

The composition defining the processed goods export over the review period covers a wider line of commodity groups, i.e. metal and metal products, chemical, mineral and food products, machinery and equipment, textile and textile products as well as other processed goods not included in other groups which totally comprise 99.51 – 99.69% of the overall processes goods export.

In general, the structural analysis of primary and processed goods export over aggregative economic categories shows that the main export commodity groups defining all exports of Kazakhstan include raw materials or products of primary (low) level of processing, i.e. mineral raw material and products, metals and metal products, chemical products, products of animal and vegetable origin. In this case it may be noted that during 2005-2009 the main items of processed goods export with high

added value are machinery and equipment and finished food products comprising 2.6-3.5% of overall export of the country or USD0.7-2.5 bln.

The dynamics of the Kazakhstani export of five processed goods with high added value (wheat flour, sunflower oil, electric batteries and transformers, fluid pumps) over 2005-2009 and first quarter of 2010 is presented in Table 7. The table shows that in the pre-crisis period the export of almost all goods significantly increased from USD176.5 mln to USD924.3 mln (by 423,7%) and only in 2009 and first quarter of 2010 the reduction in value overall export of 5 goods was observed.

Table 7. Export dynamic of 5 processed goods

Description of Products (Code by Foreign Economic Activity Commodity Classification)	2005		2006			2007		2008		2009		I qtr. 2009	I qtr. 2010	
	mln \$	mln \$	%	mln \$	%	mln \$	%	mln \$	%	mln \$	%	mln \$	mln \$	%
Wheat flour (1101)	142,3	172,3	21,1	339,1	96,8	849,2	150,4	574,5	-32,3	133,2	97,7	-26,7		
Electric batteries (8507)	20,8	23,4	12,5	44,5	90,2	45,3	1,8	13,3	-70,6	1,6	5,2	225,0		
Sunflower oil (1512)	7,5	10,4	38,7	12,0	15,4	6,3	-47,5	24,6	290,5	1,9	11,6	510,5		
Electric transformers (8504)	2,0	4,7	135,0	7,3	55,3	18,6	154,8	7,5	-59,7	2,2	1,0	-54,5		
Fluid pumps (8413)	3,9	6,7	71,8	4,6	-31,3	4,9	6,5	6,6	34,7	2,5	2,0	-20,0		
Total 5 goods	176,5	217,5	23,2	407,5	87,4	924,3	126,8	626,5	-32,2	141,4	117,5	-16,9		

The food products (flour and oil) are primarily exported to Central Asia (Afghanistan, Kyrgyzstan, Tajikistan and Uzbekistan) which experience an acute shortage of food. The geography of engineering products (batteries, transformers and pumps) exports is slightly broader, i.e Russia, Belarus, Ukraine and Armenia, that is associated with the demand based on a common technological dependence of the engineering enterprises in the union republics.

3.2. Review of strengths and weaknesses, opportunities and threats for investment attraction, special economic zone development and export promotion.

SWOT-Analysis of investment attraction in Kazakhstan

Strengths	Weaknesses
1. Favorable business environment of the country sustained by economic and political stability. 2. High investment attractiveness of the country due to rich natural and mineral resources. 3. Favorable geographic position of Kazakhstan in proximity to major consumer markets of Central and Western Asia,	1. Lack of a systematic approach for holding state investment policy. 2. Instable national legislation and a lack of mechanisms for law and contractual relationship observance. 3. Poor competitive conditions for investment attraction (customs and exchange arrangements). 4. Undeveloped infrastructure for

Russia, India and China. 4. Consciousness of state investment policy priority. 5. Establishing specialized institutes and a resource base focused on facilitating investment inflow.	investment attraction (special zones, financial, bank, information and analytical, consulting, transport infrastructure etc). 5. Instable system of public administration related to investment attraction. 6. Visa regime.
Opportunities	Threats
1. Position of a regional leader for investment attraction volume. 2. Creating a positive investment image of the country in the international capital markets. 3. Building a systematic and consistent policy for investment attraction. 4. Forming an effective state and private infrastructure for investment attraction. 5. Ensuring a sustainable and balanced economic growth of the country through redistribution of investments from extractive to processing economic sector. 6. Resources of JSC “Kaznex Invest National Export and Investment Agency”	1. Loss of investment attractiveness of the country resulted from raw material base depletion. 2. Retained high-risk economy due to retained primary product disproportion in the economy and investments. 3. Loss of available industrial potential for development of the country due to poor investments to capital stock. 4. Strengthening a negative investment image of the country resulted from a lack of a clear-cut state policy and its implementation for investment attraction. 5. Direct losses from the state budget due to ineffective usage of funds for investment attraction. 6. Corruption (at customs post, in tax payment).

SWOT- Analysis of SEZ development in Kazakhstan

Strengths	Weaknesses
1. Favorable business environment of the country sustained by economic and political stability. 6. Rich natural and mineral resources in the country. 2. Favorable geographic position of Kazakhstan in proximity to major consumer markets of Central and Russia.	1. Ineffective control and administration. 2. Investment attraction to the infrastructure. 3. Lack of record keeping for individual characteristics of zones. 4. Bureaucratization. 5. Low effectiveness of budget costs.
Opportunities	Threats
1. Entering the markets of the Customs Union and other countries. 2. Obtaining the SPFIID indices by 2015.	Loss of SEZ investment attractiveness resulted from ineffective state policy.

SWOT-Analysis of export development in Kazakhstan

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Rapid growth rates of overall export. 2. A system of state support of export (insurance, crediting, promotion and development). 3. Close proximity to the major sales outlets (China, India, Russia, Western and Central Asia). 4. Extension of an accessible sales outlet within the Customs Union. 5. (Underestimated) world demand for available Kazakhstani products. 	<ol style="list-style-type: none"> 1. Undeveloped marketing and consulting services in export as well as a lack of information about foreign markets. 2. Undeveloped export financing. 3. Complex customs procedures. 4. Undeveloped export infrastructure. 5. Enterprises not ready to export (Difficulties in marketing, relevant information exchange, quality and staff management, raw material provision, energy supply, creation of a positive trade image etc.).
Opportunities	Threats
<ol style="list-style-type: none"> 1. Increase in volumes and growth rates of processed goods export. 2. Creating an effective state system for development facilitation and export promotion. 3. Broader knowledge and skills of the enterprises in Kazakhstan in export operations. 4. Participation in humanitarian supplies without mediation. 5. Promoting private support infrastructure and export development in the context of its extension. 	<ol style="list-style-type: none"> 1. Preserving a primary goods focus in the economy and strengthening the relevant focus in export. 2. Strengthening a negative trade image of the country, enterprises and their products in the context of undeveloped state export support and business unreadiness for foreign trade. 3. Preserving inaccessibility of state and private export support in long term. 4. Retained formal state strategy for export support and development. 5. Loss of raw material, personnel, scientific and entrepreneurial potential for development of export production of high process stages.

Weaknesses:

1. Currently, SEZ lacks a mechanism for attracting a professional management company. The powers between administration and management companies are not divided under the applicable law. There is no any single state control agency (Each SEZ shall actually has a state control agency of its own).

2. Investment attractiveness of SEZ in Kazakhstan is currently not high enough as the operational conditions do not meet the real needs and interests of investors.

Any sectorial binding of special economic zones is expected to be relieved. The main criterion for the companies will be an export-oriented production and labor productivity. The basic incentive for investor participation in SEZ lies in special

preferences and benefits which make the activity in SEZ economically attractive. Today, the applicable legislation on SEZ does not contain sufficient incentives for attracting outside investors to address the most urgent tasks and is not favorable for SEZ potential of Kazakhstan to be realized.

3. The list of permissible types according to the National Classifier of All Economic Activities for SEZ restricts attraction of participants to the SEZ activities. Besides, when considering any investment projects for SEZ the major investment projects are in priority. SEZ does not have a sufficient number of specialized services for the SEZ participants.

4. When performing activity within SEZ an intense coordination between the SEZ management and authorized organizations is witnessed. In order to open production in the SEZ territory an investor has to wait for approval as a SEZ member over a year.

5. The budgetary funding is allocated too slowly for SEZ creation and construction completion. Also, poor efficiency of budget costs is evidenced in the process of creation (unoccupied conference rooms are constructed instead of infrastructure).

Strengths:

1. At the present time the Republic of Kazakhstan renders support to the business environment in the country paying great attention to development of entrepreneurship. For economic development in general, protection and support of business entities the reforms establishing certain benefits through legislation are carried out. However, the measures taken are not sufficient for development of industrial and regional policy.

Success of any reforms in the Republic of Kazakhstan is largely dependent on skilled searching and finding priorities in the industrial and regional policies which have not yet been fully formed up to date. In such situation one of the positive steps towards economy transformation may be establishment of a national system of free economic zones.

2. In the Republic of Kazakhstan the availability of rich natural and mineral resources is crucial to the economic principles of regionalization implemented on the basis of socio-territorial division of labor and in the conditions of current establishment and future development of market economy contributing to improvement of performance and on this basis to better satisfaction of the diverse needs in the society. The differentiated potential of natural resources is one of the key factors in development and formation of the territorial economic structure in Kazakhstan. Therefore, the sectorial specialization of the regions associated with characteristics of their natural resources provides a precondition for SEZ development.

3. The favorable position of the Republic of Kazakhstan between the consumer markets of strategic partners enables participation in multilateral international economic projects that promote regional integration. In such advantages conditions it is very important to develop SEZ in order to increase the economic potential of the country.

Threats:

As a result of the ineffective state policy the following factors may arise leading to the loss of investment attractiveness: SEZ inefficient management, instable tax legislation for SEZ residents, bureaucratization, permanent restructuring of overall SEZ control, intensive coordination between the SEZ management and authorized organizations as well as slow allocation of budgetary funding.

Opportunities:

1. The Republic of Kazakhstan entering the Customs Union may provide for the members of the established SEZ an access to the new sales outlets of industrial products.

2. The proposed measures will allow attracting investors and reaching the SPFIID indices as follows:

volume of investments to production within SEZ will comprise KZT1 trn 588 bln;

overall production of goods and services will account for KZT718 bln including export of products at least 50% from total output;

number of SEZ members will reach 160.

Thus, SWOT-analysis of investment attraction, SEZ development and export promotion in Kazakhstan shows that no consideration of the weaknesses as stated above can lead to further implementation of the mentioned threats in attracting investments, developing SEZ and promoting export. At the same time the usage of the strengths available in the export of the Kazakhstani products can lead to realization of those opportunities that are presented in this table.

3.3. Main problems, trends and preconditions for investment attraction, special economic zone and export development

Main problems in investment attraction.

There are a number of key problems affecting formation of investment environment:

1. Inconformity of investment volumes with economic needs.
2. Geographical disproportions of investment activity.
3. Significant irregularity of sectorial investment activity.
4. Poor investments to capital stock.

Despite some positive dynamics of investment inflow into the economy of Kazakhstan no significant change in investment structure occurs. Thus, the aggregative analysis of the sectorial structure of 100 major investing companies of Kazakhstan with regard to sales volume shows that the oil and gas industry is characterized by the biggest number of major investing companies. In the fuel and energy as well as mineral and primary sectors the investment activity is much higher than in the most companies of the real economic sector producing goods of final consumption.

The analysis of restricted investment inflow to the country is also based on the estimates of the foreign investors and specialized sociological organizations.

The estimates of the domestic and foreign experts show the main aspects refraining from investments such as:

- insufficient economic zones in the country;
- instable legal framework as a whole;
- lack of funds for investment projects;
- undeveloped market of business information;
- undeveloped transport infrastructure.

The survey of the Consultation Service on foreign investments shows that the investors generally have negative notion about the country affecting the actual inflow of foreign investments. In particular, the survey presents the following negative factors:

- imperfect system of investment project selection that compelled potential investors to refuse from further investments;
- treatment of foreign investors not as entrepreneurs in favor but as a source of financial resources, tax receipts or bribes;
- complexity, inconsistency, inconsequent usage or absolute disregard to the legislation. A lack of mechanisms for law and contractual relationship observance;
- lack of a formed investment service providing potential investors with any requisite information or contributing to arrangement of entrepreneurial activity;
- inconformity of infrastructure with the needs of foreign companies;
- instable and constantly changing tax regime for legal bodies.

The sociological interview conducted among the biggest western investors by the International Tax and Investment Center ('ITIC') revealed the following five reasons why Kazakhstan is of a business interest for them: a large market potential; abundance of natural resources; strategic business location; desire to identify other competitors in the region, and size of potential profit from investments. The most appealing are as follows: oil and gas reserves, production, services (including accounting and legal services) and consumer cooperation.

At the same time the foreign investors suppress and sometimes deter the bureaucratic methods for solving business issues, financial risk, frequent changes in legislation on economic relations, weak legal infrastructure and lack of distribution channels.

ITIC identifies some deficiencies in the process of investment attraction by the state bodies responsible for foreign capital attraction and usage policy. Due to poor management arrangements:

- the state Program for investment attraction and usage has not been adopted;
- the applicable legal framework does not encourage foreign investors and sometimes even raises difficulties;
- lack of a clear foreign investment management system;
- lack of a systematic work with foreign investors.

A weak state control over attraction of international entrepreneur's capital, constant restructuring of the central body dealing with investment capital, variability

in rights, competency and responsibility of many authorities as well as their uncertain functions also affect the opinion of foreign investors.

As a result we can note that according to the foreign investors and research organizations the work currently conducted by the state to attract investments is not sufficient and systematic and requires improvement of its organization and focus on investment attraction by establishing a specialized body to represent the interests of the country and economy in the international capital market.

As a part of SPFIID planning is underway to develop production with high added value in 13 industries (oil, gas and chemical industry, mining and metallurgy, engineering, agriculture, tourism, pharmacy, chemical, space, constructional, light, atomic, communicational and transport branches). In addition to the projects in the Industrialization Map requiring funding in each branch program the "niche" projects excluding an initiator and source of funding are also identified.

Main problems of SEZ activity.

There are some problems preventing from successful SEZ development.

The first problem covers inefficiency of SEZ control and management. Currently, SEZ are managed by different bodies. Thus, the authorized agency for SEZ "Astana – New City" is Akimat of Astana, SEZ "Morport Aktau" – Akimat of Mangistau region, SEZ "Ontustyk" – Akimat of South Kazakhstan region, SEZ "National Industrial Petrochemical Technological Park" – the Ministry of Oil and Gas of the Republic of Kazakhstan and SEZ "Burabay" – the Ministry of Tourism and Sports of the Republic of Kazakhstan. Only in relation to SEZ "Information Technology Park" the Ministry of Industry and New Technologies is acting as the authorized body. However, the Law "About special economic zones in the Republic of Kazakhstan" prescribes a single authorized agency for SEZ which is the Ministry of Industry and New Technologies.

The second problem means a lack of infrastructure in the SEZ territories. Under the current Law "About SEZ" any land plots intended for free economic zones should be provided with the required engineering infrastructure. However, the state currently does not exercise sufficient funding to ensure the zones with the engineering infrastructure.

The third problem deals with taxation. It should be noted that the main idea and SEZ attractiveness lie in concessional taxation in its territory. Nevertheless, the new Tax Code abolished a tax allowance on VAT which reduced attractiveness of SEZ.

Today, such tax allowances as 100% exemption from corporate income tax, land tax and property tax are provided within SEZ in Kazakhstan.

At the same time the investors have virtually no opportunity to use the land tax allowance since in accordance with the applicable legislation the land tax is paid by the owners. However, pursuant to the Law "About SEZ" the land plots within the period of SEZ functioning are not subject to sale and other disposition but shall be provided for temporary land use for compensation (lease). At that, the SEZ members are liable to pay user charges for land use as the exemption from fees for land is not prescribed by the land legislation.

In this connection it is necessary to review approaches to SEZ functioning within the Republic of Kazakhstan. The Ministry jointly with JSC “Kaznex Invest National Export and Investment Agency” pursuant to the Order of the President as of 29 January 2010 made during the annual message to the people of Kazakhstan together with the concerned state agencies, Akimats and organizations develops the new Draft Law “About special economic zones in the Republic of Kazakhstan” to this end. The legal framework as included in the mentioned draft law will make it possible to provide a solution to problems of SEZ development in the Republic of Kazakhstan as well as to achieve the target values established by SPFIID.

Main problems of export development.

The diagnostic results of 200 Kazakh food, chemical and engineering enterprises showed that the export control environment and a number of common restrictions and problems which the companies face hinder their work and export potential development. In this connection we can identify the following barriers and challenges affecting the production activities as well as export development and promotion:

1. Undeveloped marketing and consulting services and a lack of information about markets. The particularly acute issue of export development and expansion is undeveloped marketing services provided by the companies as well as a lack of available consulting services in the area of search and promotion of products for export. In Kazakhstan there is no any information on the current demand for goods and services abroad, requirements for products exported by other countries, measures of customs and non-customs regulations, and abroad on the available export opportunities in Kazakhstan.

2. High cost of borrowing. One of the critical problems for the enterprises in Kazakhstan is a high cost of borrowing. The credit fee rates of the second layer banks are high while the credit conditions are tight. According to the annuity calculation scheme of the repayment schedule the repayment amount significantly exceeds the credit amount at the end of the accounting period. A lack of liquid capital and reliable pledge collateral as well as positive credit history among the majority of small- and medium-size enterprises increases the cost of credit resources for them as compared to the market average.

3. Difficulties in implementation of customs procedures. The existing customs procedures and formalities go beyond the norms generally accepted in the foreign states and build barriers in trade that is confirmed by the report of the World Bank “Doing Business” for 2010 according to which the export expenses in Kazakhstan reached 89 days (USD3 005) with 11 documents prepared for an export operation. In this rating Kazakhstan holds 182nd place which is the second to last in the list of countries studied. According to the Logistics Performance Index (LPI) developed by the World Bank Kazakhstan is ranked 62nd in the list of 155 countries. The policy of export promotion is associated with the trade policy of import.

4. Acute shortage of skilled workers. The majority of the Kazakh companies experience an acute shortage of managerial, engineering and qualified labor force due to an inadequate system of material and non-material incentives. This does not allow

the Kazakh companies to produce competitive products that meet the world standards and successfully compete in the international market as a whole.

5. Problems with product transportation. Kazakhstan is remote from the sea ports that significantly increase transportation costs. Besides, the exporters face the problems of deficient common and special wagons which idle time occurs due to remoteness and low carrying capacity of customs posts. Such situation leads to additional expenses. The industry requires restructuring and a new form of economic relations: consignor - transporter-state.

6. Poor political and diplomatic support of the Kazakh companies in access to foreign markets. One can notice a poor usage of the opportunities for exporter support by the embassies in a host country and within bilateral intergovernmental commissions for trade, economic and scientific-technical cooperation which are a lobbying tool of the national economic interests in foreign markets.

7. Lack of adjusted information exchange between organizations in terms of export and information about state programs and tools to support local producers as well as external risks in export of the Kazakh products. The regions do not have enough information on adopted and implemented programs and measures to support domestic producers due to a lack of adjusted information exchange between the state and private sector.

Moreover, coordination and interaction between the organizations providing services for export promotion is lacking. The current situation is characterized by the absence of the effectively functioning system for export promotion in Kazakhstan despite the availability of the main elements of institutional infrastructure. Some companies are forced to close up their businesses abroad due to political instability in one country or another.

8. Difficulties in assessing the real export of processed goods in Kazakhstan due to the limited availability of customs statistics. A lack of public access to detailed information significantly overrates the data on export volume of processed goods. The Kazakhstani companies when making analysis of their markets are also faced with a problem connected with incomplete details of the names of their products at the level 10 by the Foreign Economic Activity Commodity Classification.

Some problems of the diagnosed enterprises and the related share in total respondent enterprises are shown in Figure 3 in terms of percentage points for 2008.

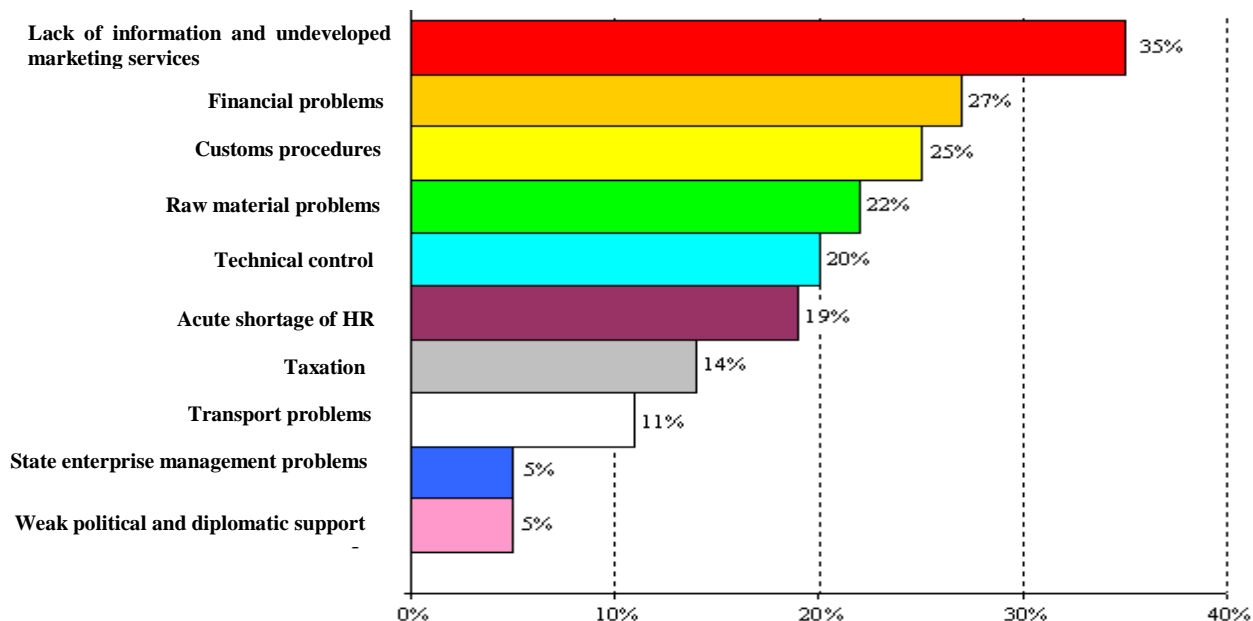


Figure 3. Problems of enterprises in export of products and their share in respondent enterprises

The above problems of the operating enterprises in Kazakhstan during production of goods, quality assurance, pricing and export require both systemic and selective measures of state support on a regular basis. These measures determine the regulatory, financial, consulting and training lines of state support to facilitate development and promote export of the Kazakh processed products.

3.4. Review of state control policy for investment attraction, special economic zone and export development

Review of state control over investment activity.

Kazakhstan has created the required legal framework for investment activities. Thus, the Law of the Republic of Kazakhstan “About Investments” (‘Law’) which fully regulates legal and economic basis of investment promotion was adopted in 2003. In accordance with the international experts the Law is one of the best laws in the area of investments among the countries with economy in transition.

The law guarantees a full protection of investor rights and stability of concluded contracts as well as a very strictly regulated work of state bodies in relation to investors (free capital movement, freedom of profit disposition, private ownership right to land for foreign companies as well).

The Law also sets out measures of state support to investments in priority sectors of Kazakhstan's economy. Such measures should equally be taken both by domestic and foreign investors.

Thus, during implementation of any projects in non-primary sector of Kazakhstan the investors are provided with the following investment preferences:

1) exemption of equipment and constituent parts imported for investment project implementation from customs duties;

2) state in kind grants (i.e. granting of land plots, buildings, erections, machinery and equipment);

3) investment tax preferences.

As many as 16 contracts for investments implying investment preferences were concluded within the Law for the first half-year of 2010.

The total investments comprise KZT18.6 bln including purchasing and installation of equipment and components thereof to the amount of KZT15.2 bln. At that, the total beneficial amount as a result of exemption from customs duties (budget losses) accounts for KZT1.53 bln or 8.2% of the total investments (10% of the total imported equipment and constituent parts).

Under the new Tax Code of the Republic of Kazakhstan the procedure of tax investment preference usage by investors was simplified, in particular the previous procedure of obtaining investment preferences which were granted only after signing a contract with an authorized body (Investment Committee) was abolished.

Investment tax preferences consist in appropriation to deduction of the value of preference objects and subsequent reconstruction and modernization costs. At that, the time for loss carryforwards increased from 3 to 10 years that will allow benefit from investment tax preference advantages.

In addition to the investment legislation measures aimed at encouragement and protection of investments in Kazakhstan the Government of the country signed the agreements on mutual protection and investment encouragement with 44 countries such as Serbia, USA, United Kingdom of Great Britain and Northern Ireland, Germany, France, Russia, Netherlands, Turkey, Jordan, Qatar etc. as well as a multilingual agreement between the Eurasian Economic Community member states.

The interaction with foreign partners on the institutional basis is of particular importance that proves close attention to foreign investors. This is confirmed by establishment of the Foreign Investors Council operating since 1998 which hold meetings two times a year under the personal chairmanship of President Nursultan Nazarbayev of the Republic of Kazakhstan. In order to improve the legal terms to reach effective activity the Decree of the President of the Republic of Kazakhstan as of 24 November 2003 No.1234 introduced amendments to the Provision on the Foreign Investors Council under the President of the Republic of Kazakhstan which is focused on providing protection of foreign investor interests at the national level.

Besides, we should emphasize one of the measures of state support to investments is co-financing of the projects through public financial institutions of development (National Innovation Fund, Corporation for Insurance of Export Credits and Investments, Development Bank of Kazakhstan, Investment Fund of Kazakhstan, JSC “Kaznex Invest National Export and Investment Agency”). The main purpose of their activity is to promote diversification of the national economy through the system of business development and support at all levels as well as effective management of investment resources.

Moreover, the socio-entrepreneurial corporations (‘SEC’) operating in seven macro regions of Kazakhstan play a significant role in accelerating economic diversi-

fication and ensuring sustainable regional development. Each corporation constitutes a regional development institution managing the state assets transferred in the corresponding region of the country including the areas of undeveloped lands and deposits. SEC were established as national companies and act as a generator attracting investments to implementation of the projects. An access to financial, land, technological resources and external markets will attract businesses to participate in the SEC projects. With the help of SEC the foreign companies also have an opportunity to create joint ventures with the participation of the Kazakh partners in the country where the usage of foreign technologies and domestic raw materials will increase competitiveness of the produced goods.

The Customs Union of three countries - Russia, Belarus and Kazakhstan - started functioning on January 1, 2010. Such an alliance represents a number of favorable advantages for potential foreign investors in Kazakhstan as it enables market expansion and reduction of transport and customs expenses for exported goods.

SPFIID identified the main priorities and mechanisms for implementation of the state measures on investment inflow boosting for five-year period.

Review of state control over SEZ activity.

The new development can be observed in such tools of economic incentives as industrial and special economic zones ('SEZ'). As of today, Kazakhstan set up six special economic zones: 1) "Morport Aktau" for transport and logistics services; 2) "Astana – New City" for construction and constructional material production; 3) Information Technology Park at Almaty; 4) "Ontustyk" in South Kazakhstan region for textile industry development; 5) National Industrial Petrochemical Technological Park in Atyrau region, and 6) SEZ "Burabay" for touristic cluster development 200 km away from Astana.

The investors are provided with the land plots equipped with requisite infrastructure for effective arrangement of new productions within such SEZ. The territory of the zones is peculiar with the free customs zone regime as well as substantial tax allowances (as for CIT, land tax, property tax) that enable not only encouragement of investments to the processing sector but identification of industrial growth locations in accordance with the state economical and regional policy.

SEZ are managed by central and local executive public bodies. Today, the effectiveness of such approach is inadequate: there is no a single governing body as every SEZ actually has its own control agency.

With regard to the central executive bodies the material distance from a controlled site creates a certain error in the analysis and interpretation of the information received from the SEZ management.

The Law of the Republic of Kazakhstan as of 6 July 2007 "About special economic zones in the Republic of Kazakhstan" ('Law') defines the procedure and conditions of establishment, operation and abolition of special economic zones in the country.

Under the current Law SEZ are aimed at economic branch development and support, accelerated regional development and social problems dissolution, business

efficiency enhancement, attraction of investments, technologies and modern management, highly efficient and competitive industry creation.

Review of state control over export.

Foreign trade is mostly susceptible to instability in the global economic system. In 2008-2009 the world economy experienced a period of unprecedented financial instability accompanied by the most severe global economic downturn and trade performance landslide since 1945. Almost all countries were affected by the crisis. The crisis in the global economy led to decline of the foreign trade volume of Kazakhstan in 2009.

In order to counteract the negative consequences of the global financial crisis many states adopted different anti-crisis measures including those for foreign economic sphere first of all concerning the changes in customs duty rates, reduction of tax burden on export, introduction and removal of non-tariff restrictions, strengthening of financial support to export, facilitation of foreign investment inflow etc.

The Intergovernmental Council of the Eurasian Economic Community (Customs Union superior body) also made a number of decisions on customs tariff control of foreign trade activity in 2009.

Some regulations for foreign trade activity in the Customs Union entered into force as of 1 January 2010. In particular the Common Customs Tariff (CCT) of the Customs Union was adopted.

In order to ensure adequate protection of domestic production in connection with the intensified crisis the Intergovernmental Council of the Eurasian Economic Community (Customs Union superior body) increased the rates of import customs duties. Such measures were taken particularly in relation to:

the finished glass to support the domestic producers of safety glass, expand output as well as provide the internal market for construction materials, furniture and vehicles with qualitative and safety glass;

the cable and conducting products to enhance competitiveness of the domestic producers and support the enterprises of knowledge-intensive industries;

to protect the domestic foodstuff producers a special part of customs duties for import of active yeast was introduced;

central heating boilers.

The customs duty rates were subject both to ups and downs. One of the measures aimed at overcoming the global financial crisis is preservation of open markets:

to provide the enterprises engaged in production of fruit and berry products with a required stock of fruit crop seedlings the decision was taken to reduce the customs duties on import of fruit crop seedlings, greenhouse equipment, aluminum foil and milk whey;

in order to reduce costs of the domestic producers associated with the raw material import as well as to promote production of finished goods the customs duty rates were decreased for import of raw material and constituent parts not produced in

the republic as well as for textile and construction branches, cable and conducting products, electric power products, juice and soft drinks production.

Besides, the measures were taken to reduce the tax burden on exports associated with the need to encourage export of goods and increase profitability of export deliveries in the context of a fall in the world prices. At that, export encouragement is applied to the major export items, primarily to oil and oil products.

At the same time the arrangements for export encouragement were made within the service and financial support of exporters aimed at promotion of the Kazakh products to the foreign markets:

- participation of the Kazakh enterprises in the international specialized exhibitions through recovery of exhibition area rental costs;

- arrangement of trainings for employees on the most popular topics for exporters;

- arrangement of trade missions of the Kazakh enterprises to the foreign countries;

- arrangement of fact-finding visits by the Kazakh experts of foreign exporters' productions;

- information and marketing support of exporters (country reviews, brief analysis of commodity items in specific foreign markets, instruction material to assist exporters etc.);

- jointly with the Chamber of Commerce and Industry the issue is under consideration to create the Exhibition and Commercial Center of the Republic of Kazakhstan on the basis of the Pavilion No. 11 of JSC "GAO "All-Russia Exhibition Center" in Moscow;

The trade representation office of the Republic of Kazakhstan in the Russian Federation carries out the analysis and presentation of trade and investment opportunities in Kazakhstan in cooperation with Russia.

SPFIID identified the main priorities and mechanisms for implementation of the state measures on encouragement of processed goods export development and promotion for five-year period.

In general, the applicable legal framework does not provide concentration and enough aggressiveness of public policy in diversification of production and export and fails to reflect the export-oriented goals as proclaimed by the state. The current legislation has rather controlling than encouraging or supporting nature. The Law of the Republic of Kazakhstan as of 12 April 2004 No. 544 "About commercial activity control" as the basic law recognized to stimulate development of any foreign trade transactions does not contain the provisions relating to support and encouragement of export development and promotion. Even the name of the Law testifies about its regulatory activity specifics.

3.5. Review of the positive foreign experience in investment attraction, special economic zone and export development applied in Kazakhstan.

The world experience in investment attraction.

To make assessment of the investment attraction efficiency in Kazakhstan it is necessary to consider the common trends of FDI attraction in other regions and countries of the world.

The global FDI flows around the world were very seriously affected by the financial and economic crisis. Such inflows are expected to be reduced from USD1.7 trn in 2009 to less than USD1.2 trn in 2009 while slightly recovered in 2010 (up to USD1.4 trn) and resume growth in 2011 (up to approximately USD1.8 trn).

The crisis has changed the FDI flow direction and volume (Table 8): the investments in the developing countries and countries in transition increased dramatically while their share in the global FDI flows reached 43% in 2008. That was partly due to a simultaneous significant reduction in the FDI inflows to the developed countries (29%). In Africa the investment inflow reached a record level with the highest growth rates observed in West Africa (63% growth against 2007); the investments in South, East and Southeast Asia rose by 17% and beat a new record; the FDI inflow to West Asia continued growing for the sixth year in a row; the investments in Latin America and the Caribbean basin grew by 13% and increase in the FDI inflows to South-Eastern Europe and CIS was recorded the eighth year running. The FDI flows nevertheless declined in all regions in 2009.

The growth rates of the FDI inflows by regions of the world clearly reflect a change in the direction of investments. In 2008 due to the decline in the FDI flows in general in the world (14.2%) and in the developed countries (by 29.1%) a significant growth in investments in the developing countries (by 17.3%) and CIS countries (25.9%) was evidenced.

The world leadership in FDI attracted in 2008 (Table 9) was reserved by the USA (24.5% of “Top 20”) followed by France (9.1%) and China (8.4%). The FDI inflows to Russia, Italy, Sweden, India and Saudi Arabia grew considerably.

The international experience in service support to investors and assistance in investment attraction is rather varied. Currently, the investment attraction agencies operate successfully in more than 160 countries.

Table 8. Dynamics of FDI inflow by regions and countries

Region/Country	FDI inflow, bln USD						
	2003	2004	2005	2006	2007	2008	Total 2003 – 2008
All countries	565,2	734,9	973,3	1 461,1	1 978,8	1 697,4	7 410,7
1. Developed countries	361,3	414,2	613,1	972,8	1 358,6	962,3	4 682,3
Europe	279,8	227,7	506,1	631,7	899,6	518,3	3 063,2
Japan	6,3	7,8	2,8	-6,5	22,5	24,4	57,3
USA	53,1	135,8	104,8	237,1	271,2	316,1	1 118,1
Others	22,0	42,8	-0,6	110,4	165,3	103,4	443,3
2. Developing countries	184,0	290,4	329,3	433,8	529,3	620,7	2 387,5
Africa	20,9	22,1	38,2	57,1	69,2	87,6	295,1
Latin America	45,8	95,1	77,1	93,3	127,5	144,4	583,2
Asia	116,9	172,9	213,8	282,1	331,4	387,8	1 504,9
West Asia	11,3	20,5	43,6	67,6	77,6	90,3	310,9

East Asia	72,7	106,3	116,2	131,8	150,4	187,0	764,4
South Asia	8,2	10,7	14,4	27,8	34,0	50,7	145,8
South-East Asia	24,7	35,5	39,6	55,0	69,5	59,9	284,2
Oceania	0,4	0,3	0,2	1,3	1,3	0,9	4,4
3. South-East Europe and CIS	19,9	30,3	30,9	54,5	90,9	114,4	340,9
South-East Europe	4,1	3,5	4,8	9,9	12,8	10,9	46,0
CIS countries	15,8	26,8	26,1	44,7	78,1	103,5	295,0
Share of total FDI flows in the world, %							
Developed countries	63,9	56,4	63,0	66,6	68,7	56,7	63,2
Developing countries	32,6	39,5	33,8	29,7	26,7	36,6	32,2
South-East Europe and CIS	3,5	4,1	3,2	3,7	4,6	6,7	4,6
Growth rates of FDI inflow, %							
Developed countries	-	114,6	148,0	158,7	139,7	70,8	-
Developing countries	-	157,8	113,4	131,7	122,0	117,3	-
South-East Europe and CIS	-	152,3	102,0	176,4	166,8	125,9	-
All countries	-	130,0	132,4	150,1	135,4	85,8	-

Table 9. Top 20 countries for FDI inflow

No.	Country	FDI inflow			
		2007		2008	
		bln USD	%	bln USD	%
1	USA	271	19,7	316	24,5
2	France	158	11,5	118	9,1
3	China	84	6,1	108	8,4
4	Great Britain	183	13,3	97	7,5
5	Russia	55	4,0	70	5,4
6	Italy	28	2,0	66	5,1
7	Hong-Kong	54	3,9	63	4,9
8	Belgium	111	8,1	60	4,6
9	Australia	44	3,2	47	3,6
10	Brazil	35	2,5	45	3,5
11	Canada	108	7,9	45	3,5
12	Sweden	22	1,6	44	3,4
13	India	25	1,8	42	3,3
14	Saudi Arabia	24	1,7	38	2,9
15	Germany	56	4,1	25	1,9
16	Japan	23	1,7	24	1,9
17	Singapore	32	2,3	23	1,8
18	Mexico	27	2,0	22	1,7
19	Nigeria	12	0,9	20	1,5
20	Turkey	22	1,6	18	1,4
	Total 20:	1 374	100,0	1 291	100,0
	Kazakhstan	18,5	1,3	19,8	1,5

The functions of such agencies include image building, investment search and generation, pre-investment support (guiding) of investor, information activity on investment opportunities and export products.

Malaysian Industrial Development Authority (MIDA), Malaysia is a state agency which coordinates and partially controls several ministries, submits proposals to the parliament and works upon the regions. The annual budget of the organization accounts for USD91 mln. The headcount includes over 600 employees. The state agency is fully funded by the state. It has 19 offices abroad.

Invest Korea, Korea coordinates investment activity, works upon the governors through preparation of reports evaluating the work of the regions. The annual budget accounts for USD234 mln. The organization is fully funded by the state.

Austrade, Australia coordinates investments, governmental and regional activity, approves investment projects, makes recommendations to the parliament and prime minister and supports all foreign economic relations. The annual budget accounts for USD185 mln. The headcount includes 1 841 employees. The organization was founded under the Ministry of Trade and Investments and is fully funded by the state not receiving any fees from investors. It has 110 offices in 60 countries.

These organizations are an important mechanism for attracting FDI which constitutes a key aspect in shaping the country image as an investment receiver, improving investment environment and active involvement of foreign investors.

The international experience review shows that the countries succeeded in FDI attraction followed a policy aimed at creating favorable conditions for investors and helping them to do business avoiding any undue risk. However, this means not only benefits (exemption from customs duties and taxes, provision of financial subsidies, reduction of import customs duty rates etc.) but also a stable macroeconomic activity. To improve the investment environment the state must guarantee the stability of macroeconomic climate, improve conditions for doing business and increase their predictability as well as take measures to combat corruption and bureaucracy.

Given that the main objective of investments is to meet the long-term goals of development and competitiveness recovery it is necessary to ensure a clear link between the policy of attracting foreign investments and industrial policy. Therefore, any investment benefits shall be prepared and provided by the government based on the plans with regard to which industrial structure the country wishes in future because every branch has its own specific factors identifying its attractiveness for investors. For example, according to the inquiry held by Ernst & Young among the companies on the subject of investment attractiveness the foreign firms focused on high-tech industries and provision of business services are very sensitive to such factors as availability of good telecommunication infrastructure (it is very important for 61.5% of the companies surveyed) and skill level of employees (it is very important for 53% of them). The companies oriented on industrial production are extremely susceptible to economic efficiency (labor costs are very important for 50% of the companies surveyed), tax burden and issues connected with control at law.

Therefore, the benefits for investors shall be task-oriented depending on the investment reasons and prospects for sectorial development. Development of infrastructure (physical and industrial), cluster promotion and investments in human capital assets may seriously contribute to inflow of investments in high value added sectors.

As for fiscal incentives of FDI we propose to consider the successful experience of China.

The political course on reform stability followed by the government of China for a long period does not now cause doubts among investors. As of today, China

developed a flexible system of benefits taking into account many shades both in the foreign and internal economic relations between producers and state.

Thus, the investments in low return industries, economically depressed and remote areas shall get complete or partial exemption for five years and then discounts to income tax from 15 to 30 per cent for ten years.

At the industrial enterprises, transport and communication companies with financing for more than 10 years the first two years income tax rate is zero while from the third to fifth year it may be reduced up to 50%. Besides, at the enterprises using the innovative technologies such rate may be decreased up to 50% by the decision of the zone management for 6-8 years.

The enterprises exporting 70% of production shall pay income tax at a rate of 10% after benefit term expiration. If the reinvested profit is invested in agriculture, construction, infrastructure, high technologies and export-oriented production the return of withdrawn income tax is 100%.

The land fee is also subject to differentiation of rates by regions and branches of industries.

The benefits pursuant to the legislation of China are also applied to the investment assets destined for reinvestment.

Thus, at this stage of development – coexistence of the private business and state – China has built the mutually beneficial relations that resulted in a flexible economic policy and strict legal framework. The economic policy flexibility is stipulated by the state mind to create favorable conditions for all categories of investors, both own and foreign. The rigidity of the laws enabled equal opportunities and rules for all market actors despite the priorities, i.e. the interests of state bodies and private businesses. A tough fight with corruption allowed China to virtually eliminate the obstacles and bureaucratic delays in preparation of investment projects and documents in various spheres of activity. The differentiated approach to taxation of various activity kinds helped stimulate development of the most critical economic areas.

Based on the experience of the countries succeeded in investment attraction we can emphasize the following:

- establishment of a special agency for aftercare services which would help them solve any discrepancies occurred in the course of project implementation (taxation, labor market control etc.) and render assistance in settlement of disputes as a result of cooperation with state bodies may foster investment attractiveness of the country;

- the incentives for investors such as state grants (for labor force hire, R&D, training etc) may promote investment inflow to the country, in particular to the economically depressed regions from the very outset;

- as investments are susceptible to tax burden it is necessary to consider a possibility to extend current tax preferences as well as improve tax service behavior towards investors;

Consideration should be given to the visa free regime for chiefs and managerial staff as well as highly qualified experts of high-technology companies from the specified countries to negotiate, make insight to production and conclude deals. The

basis for entry into the Republic of Kazakhstan without a visa will be an invitation of the Investment Committee.

Given that Kazakhstan is a relatively small state it is necessary to consider whether existence of six free economic zones is expedient. First, such zones may create effects like the Chinese ‘round-tripping’ when domestic investments are forwarded abroad and then come back as foreign investments to receive benefits under the SEZ regime. Second, the policy of free economic zones must be clearly linked to the industrial policy and its priorities. Third, more attractive conditions for economic activity shall be a guiding principle of the economic policy in general and preferential conditions for SEZ residents are not sufficient for success in attracting investments to the country.

The world experience in SEZ development.

SEZ have been proven as effective in many countries of the world. The exterior experience shows that a clearly defined strategy and SEZ program is an effective tool for economic development of certain regions and production competitiveness improvement.

The world experience in SEZ building is extremely extensive. Currently, there are more than 1200 special economic zones in 120 countries. The number of SEZ in the world from 1975 to 2010 grew by 15 times. The volume of industrial goods export produced in SEZ in 2010 exceeded USD350 bln. At that, more than a half of SEZ were established in Asia and Middle East.

Kazakhstan could be deeply interested in the experience of the countries in transition such as China and Turkey.

China. The experts note that the success of the Chinese zonal projects is dependent on the timely creation in the special regions of advanced infrastructure - roads, communications and hotels - that attracted the world’s largest investors. Up to 80% of all costs were covered by the state budget.

The main goal pursued by the Chinese government opening SEZ was to get foreign capital, technologies and management. The most greenhous conditions for doing business were created in SEZ.

The superior body of administrative management of the zones is the State Council Secretariat of China on SEZ affairs. It develops the main political norms and controls whether they are observed. It also carries out general management of other agencies involved in SEZ activity. The Committees for SEZ management were established in the zones within the municipal governments under the secretariat control.

The organizational centers for economic activity of each zone became the so called “development companies” which are in charge of general management of capital construction and coordination of negotiations between the Chinese and foreign partners. They act in contact with the provincial and municipal authorities. The representative offices engaged in attracting investors are mainly in Hong-Kong and Macao.

SEZ establishment in the industrialized regions increased their influence on the economy of the region and China as a whole. They became a universal tool for achieving the long-term development goals.

Turkey. The main statement of the Turkish experience in the area of SEZ is “it is impossible to create an ideal investment environment all over the country, but it is possible to form special friendly zones”.

The Law regulating establishment and operation of free economic zones (SEZ) in Turkey has been in force since 1987 when the first SEZ in Mersin and Antalya, Turkey were created. In 1990 two more zones were initiated, i.e. Aegean Free Economic Zone and Istanbul Free Enterprise Zone encompassing the area of Ataturk Airport. In 1992 SEZ was established in Trabzon, in 1993 - in Adana and in 1994 - 1995 - two SEZ in Erzurum and Mardin in Eastern Turkey with a view to the speedy development of those economically depressed areas.

The Turkish SEZ are primarily based on the advantages of the geographical position of Turkey, its proximity to the markets of the Middle East, Western and Eastern Europe. At that, attention is mainly paid to strengthening of export-oriented investments and production in Turkey by attracting foreign capital and technologies, ensuring regular and consistent contribution to economic development and increased use of external funding sources and opportunities for international trade. The Turkish SEZ are the enclaves completely free from taxes including corporate and income tax. The entrepreneurs operating in SEZ are also exempted from various charges and fees such as customs, stamp and port duties.

Unlike the majority of other countries Turkey allows sale of goods produced in SEZ or imported through them in the domestic market. In this regard the usual foreign trade regulation is applied. In fact, about a third part of the Turkish SEZ turnover falls on trade within Turkey.

The foreign citizens with residence permits in Turkey may own companies with 100% foreign capital in SEZ. Employment of foreign experts and management personnel is allowed.

Each Turkish SEZ to a certain extent has a “specialization” depending on the location and purpose. Thus, the free economic zones in Mersin and Antalya located in fruitful agricultural regions are mainly focused on establishment of enterprises for farm product processing and agricultural sector servicing in these regions as well as agro-industrial products export. In the Izmir SEZ emphasis are laid on electronics and telecommunication equipment. The Istanbul zone of free entrepreneurship in Ataturk Airport is aimed at production and trade of ready-made clothes and high-tech electronic products. Adana SEZ specializes in heavy industry.

The free economic zone activities are regulated and controlled by the Ministry of Industry and Trade. It is also responsible for issuing licenses for entrepreneurial activity within SEZ.

Korea. Korea possesses the experience of successful SEZ creation where SEZ are not limited in territory but constitute the whole cities with the engineering infrastructure entirely funded by the state budget. The Korean SEZ have no a sectorial

focus. For example, in the territory of Gwangyang free economic zone the projects are implemented in the following branches: petrochemistry, metal processing, light industry and high technologies. This allows a manufacturer to consume products of the other manufacturer.

The world experience shows that SEZ establishment is connected with certain objectives of the country management aimed at improving well-being in the zones and in the country as a whole. These goals include export promotion, job creation, rise in economically depressed areas, inter-regional contrast alignment, transition from import substitution to export, change in the export structure etc.

At that, the measures on investment attraction to SEZ are mostly similar, i.e. tax and customs benefits and preferences.

The world experience of export development.

A system built and operating in accordance with the best international practices and continually changing dynamics of the global trends requires studying various practices of the countries successfully promoting exports and investments.

The activity of organizations promoting export is limited by international trade rules and is basically aimed at providing different information necessary for export. The scope of such information is varied from the standardized reports and seminars to specialized research, data bases, information about experience of participation in international exhibitions and visits to foreign countries. The ways of the related implementation are very different and depend on the country specifics.

The effectiveness of export and investment promotion activity varies widely. However, its potential influence is not always correlated with export growth and FDI inflow increase because the related indices are defined by a range of economic factors and economic policy in other regions. Such range includes competitiveness, applied mechanisms of costs, quality assurance, technological equipment, access to markets, et alia which are determined by economic structure and economic policy as a whole.

With this in mind and with regard to importance of export for economy in general many countries shift emphasis on export capacity development within the country. In other words, if the export promotion is focused on foreign activity, the export development is aimed at domestic efforts and building international competitiveness and export potential.

In order to provide export service support 119 countries established the specialized export promotion organizations (EPO). Their number doubled over the last 20 years. The EPO budget averages 0.11% of total export of the country. They are funded from the state budget.

According to the international experts the return of one dollar spent to EPO financing in the form of export volume growth in Latin America comprises \$490, in Asia - \$227 and in the OECD member states - \$160.

Appendix 1 includes a list of varied programs used by different governments for export development and promotion which are interested for Kazakhstan.

The most popular organizations rendering state support for export and investment promotion in the developed countries are the following:

UK Trade & Investment is a governmental organization being a subsidiary of Foreign & Commonwealth Office and Department of Trade and Industry. Its purpose is to improve competitiveness of the companies through foreign trade and investments and attract a steady inflow of direct high-quality investments. The organization implements national coordination between state bodies, self-government administrations and regions in the area of foreign trade development and promotion. It has influence in the government by representing exporters and companies which make investments abroad. The organization supports its exporters and foreign companies wishing to open or expand business in the UK through transfer of knowledge and a support program financed from own and budgetary funds. It has a staff of 2300 employees and advisers including overseas departments in the embassies, commissions, consulates and trade offices as well as in nine regions in England. The total budget of £80 mln consists of FCO and DTI funds but the independent budget for programs is also used. There is a national strategy for export and investment promotion.

South Korea Trade-Investment Promotion Agency (KOTRA) is a non-profit governmental organization established on June 21, 1962 as Korea Trade Promotion Corporation.

Ever since it has contributed to rapid development of export-oriented economies of Korea dealing with different activity on trade facilitation, also by exploring foreign markets and finding business partners. The main lines of KOTRA activity were supplemented by trans-border investment facilitation and support to technological and industrial cooperation projects in August 1995. KOTRA was renamed into Korea Trade and Investment Promotion Agency aimed at trade and investment promotion. KOTRA has an effective system of foreign representation to accomplish tasks in two areas of activity, i.e. trade and investment promotion. There are 103 offices of KOTRA in 74 countries at the moment.

Japan External Trade Organization (JETRO) is a governmental organization established in 1958. The purpose of JETRO is to develop trade, attract investments in the economy of Japan and support small- and medium-size businesses for export potential development. JETRO is mainly focused on foreign direct investment promotion, cooperation under the Japan-Singapore Economic Partnership Agreement (JSEPA), small- and medium-size businesses consultation, participation in support to regional development in Japan and pursuance of research in the area of economic development. Its headcount consists of 1 660 employees with 73 offices in 55 countries worldwide. The total budget is JPY42.1 mln.

4. Objective, tasks, target indicators and results of Program implementation

4.1. Program objective:

Creation of favorable conditions for direct investments in non-primary export-oriented and high-technology production and integration into the world trade system through processed goods export promotion.

4.2. Program tasks:

1. Improving investment attraction conditions.
2. Promoting a positive investment image of Kazakhstan.
3. Creating new SEZ and IZ.
4. Improving a legal framework for SEZ activity control.
5. Contributing to development and promotion of export of the Kazakhstani products by service support to exporters.
6. Rendering financial support to exporters.

4.3. Target indicators, tasks and results of Program implementation

No.	Name	UOM	State body in charge	Report	Plan				
				2009	2010	2011	2012	2013	2014
Investment attraction									
Target indicators:									
1	Attraction of 18 target investors from the list of the companies in Global-2000	pcs	MINT	1	2	3	4	4	5
2	Domestic and foreign investments in non-primary economic sectors (processing industry, agriproduct processing, services) will increase by at least 15%.	%	MINT, other concerned state bodies	100	103	106	109	112	115
3	Volume of foreign direct investments (FDI) to GDP will increase by 5 percentage points	%	MINT	17,2	17,3	17,4	17,5	17,6	17,7
4	Diversified investment sources (7 main investing countries with a share of each country 5% and over).	units	MINT	5	5	6	6	7	7
5	Conclusion of agreements with foreign states on encouragement and mutual protection of investments	pcs	MINT	1	2	2	2	2	2
6	Obtaining an index of the Global Competitiveness Index of the World Economic Forum:								
	“Influence of the rules controlling foreign direct investments on business” – 102 place (107 place in 2009)	place	MINT	107	106	105	104	103	102
	“Foreign direct investments and technologies” - 108 place (113 place in 2009)	place	MINT	113	112	111	110	109	108
7	Improving positions of Kazakhstan in “Doing Business” Rating, “Investor Protection” Indicator	place	FSA	53	52	51	50	49	48
Task 1: Improving investment attraction conditions									
Program implementation results:									
	1. Developing the Concept of the Draft Law of the Republic of Kazakhstan on amendments to some legislative acts of the Republic of Kazakhstan on investment encouragement.	qty	MINT	-	-	1	-	-	-

	2. Concluding intergovernmental agreements with foreign states on investment encouragement and protection.	pcs	MINT	1	2	2	2	2	2
	3. Ensuring simplified conditions of visa regime for foreign investors in accordance with the legislation of the Republic of Kazakhstan (investor visa)		MFA, MINT	-	-	1	-	-	-
Task 2: Promoting a positive investment image of Kazakhstan									
Program implementation results:									
	1. Investment web-portal with a data base of investment projects within the Republic of Kazakhstan	qty	MINT, JSC "Kaznex Invest"	-	-	1	-	-	-
	2. Within 2011-2014 advertising and informative articles will be published with regard to investment opportunities of the Republic of Kazakhstan as well as:								
	in periodical publications of Kazakhstan	qty	MINT, JSC "Kaznex Invest"	-	-	12	12	12	12
	in international periodical publications	qty	MINT, JSC "Kaznex Invest"	-	-	4	4	4	4
Creating and developing SEZ and IZ									
Target indicators:									
8	Creating 2 SEZ in Karaganda within the Industrial Park (to develop metallurgy and metal processing) and SEZ "Korgos-Eastern Gates" (to develop different processing plants, transport and logistics services) before the end of 2011	qty	MINT	-	-	2	-	-	-
9	Creating SEZ within Nazarbayev University	qty	MINT	-	-	-	-	-	1
10	Creating 5 IZ in Almaty, Pavlodar, Aktobe, Ust-Kamenogorsk, Semey and Uralsk with different sectorial focus before the end of 2014	qty	MINT	-	-	-	-	-	5
11	Increasing a number of members as well as:								
	in SEZ from 39 in 2009 to 159 by 2015	pcs	MINT	39	40	45	85	120	159
	in IZ to 42 by 2015	pcs	MINT	1	1	10	20	30	42
12	Increasing investments in non-primary export-oriented and high-technology production as well as:								
	within SEZ to KZT1588 bln by 2015	bln KZT	MINT	50	75	100	250	600	1 588
	within IZ to KZT151 bln	bln KZT	MINT	3	10	25	40	50	151
13	Increasing overall production of goods and services (works) within:								
	SEZ from KZT21.9 bln in 2009 to KZT718 bln by 2015	bln KZT	MINT	21,9	35	50	120	380	718
	IZ to KZT719 bln by 2015	bln KZT	MINT	-	0,25	100	150	350	719
	Including export of products at least 50% of overall output	%	MINT	-	5	10	15	20	25
Task 3: Creating new SEZ and IZ									
Program implementation results:									
Before the end of 2014 it is planned to create:									
	3 new SEZ	qty	MINT	-	-	2	-	-	1
	5 IZ with different sectorial focus	qty	MINT	-	-	-	-	-	5
Task 4: Improving legal framework for SEZ activity control									
Program implementation results:									

	Affirmance of the Law of the Republic of Kazakhstan “About special economic zones in the Republic of Kazakhstan”	qty	MINT	-	-	1	-	-	-
Export promotion									
Target indicator:									
14	A share of non-primary export in overall export will comprise at least 40% by 2015	%	MINT, JSC “Kaznex Invest”	27,8	30,0	31,0	33,0	36,0	40,0
Task 5: Contributing to development and promotion of export of the Kazakhstani products by service support to exporters									
Program implementation results:									
	30 trade missions will be arranged before the end of 2014	pcs	MINT, JSC “Kaznex Invest”	2	6	6	6	6	6
Task 6: Rendering financial support to exporters									
Program implementation results: Before the end of 2014:									
	60 marketing research (brief analysis) aimed at identifying export niche for potential sales outlets of the Kazakhstani products will be held.	pcs	MINT, JSC “Kaznex Invest”	20	20	10	10	10	10
	At least 370 enterprises in Kazakhstan will receive state support by reimbursement of expenses relating to products approaching external markets.	qty of enterprises	MINT, JSC “Kaznex Invest”	-	50	80	80	80	80
	Providing financial and insurance services for export operations up to 2% of overall non-primary export of the country (KZT95 bln) by 2015.	bln KZT	MINT, JSC “Kaznex Invest”, JSC “NWF “Samruk-Kazyna”	-	3	9	17	27	39

5. Program Implementation Stages

5.1. Key focuses in Program implementation

The key focuses in Program implementation are as follows:

Focus 1. Attracting foreign direct investments:

- creating conditions for FDI attraction;
- promoting an investment image of Kazakhstan;
- building a system-based work with foreign investors;

Focus 2. SEZ and IZ creation and development:

- increasing SEZ and IZ investment attractiveness;

Focus 3. Export promotion:

- service support to exporters;
- financial support to exporters.

5.2. Lists of tools and mechanisms to achieve set objectives and tasks

Focus 1. Attracting foreign direct investments

Creating conditions for FDI attraction (2010-2012)

In the context of an acute competition for investment resources Kazakhstan should build such investment environment which will be more attractive than in the neighboring countries acting as competitors for investments.

As a part of this Program in 2011 - 2012 it is planned to assess effectiveness of the governmental measures for business climate improvement. In particular, an annual monitoring of investment environment will be held based on the opinion survey of foreign and domestic investors from different industries (a “barometer” of investment environment). In this connection the questionnaires will be prepared and disseminated. After collection and analysis of the survey results the measures for investment environment improvement will be elaborated. Besides, the ongoing comparative monitoring of investment conditions in competitive countries will be carried out to take quick actions, if necessary.

The national legislation on investments will possibly imply three packages of incentives for attraction of investors within this Program in 2011:

1. Basic package of incentives for investors involved in priority sectors;
2. Special economic zones;
3. Special regime for investment projects of highest importance.

Basic package of incentives for investors involved in priority sectors.

This kind of incentives will apply to all residents of Kazakhstan including those with foreign participation carrying out investment activities within Kazakhstan except for special economic zones where another regime is effective.

The main condition for obtaining such preferences will be investments in fixed assets in priority sectors. The list of priority sectors is to be identified by the Government of the Republic of Kazakhstan. The list of preferences as for the basic package of incentives shall be reconsidered within amendments to the corresponding legal acts. The procedure for obtaining preferences as for the basic package implies conclusion of the contract with the Investment Committee.

Special regime for investment projects of highest importance.

On the largest and priority investment projects with participation of recognized foreign investors and multinational companies individual investment agreements will be signed to provide special state support:

- tax allowances and preferences;
- a minimum long-term state order and an order of national companies;
- other financial and non-financial incentives.

Any decisions on such incentives under investment agreements will be taken within the Government.

Individual negotiations will be held with each major potential investor to expand investments to non-primary economic sectors.

An individual approach to attract foreign direct investments will include the following arrangements:

- search and finding potential target investors, first of all from among transnational companies (TNC);

development and implementation of “road maps” in work with each target investor including:

assistance in exercise of requisite formalities relating to opening and doing business in Kazakhstan;

arrangement of meetings with key political leaders and leading companies in Kazakhstan;

consulting services both at the stage of investment project development and at the stage of implementation;

post-investment support.

Moreover, a simplified visa regime will be arranged in 2011 for chiefs and managerial staff as well as highly qualified experts of high-technology companies from the specified countries to negotiate, make insight to production and conclude deals. The basis for entry into the Republic of Kazakhstan without a visa will be an invitation of the Investment Committee.

Promoting an investment image of Kazakhstan (2010 – 2014)

One of the new tools in this work will also cover posting of video and audio on investment opportunities in Kazakhstan on the world TV and radio channels (BBC, CNN etc.) as well as placing billboards at airports and other public places in 2010-2011.

An effective communication strategy to promote an image shall be built in two stages:

1. Investor identification and image campaign goal determination.
2. Selection and development of advertizing tools and single PR-strategy preparation.

Key advertising tools:

a single multilingual information ePortal for investors constantly updated;
preparation and dissemination of information analysis and presentation hard-copy material;

methodical work with foreign mass media to promote a positive investment image of Kazakhstan including regular information messages in the leading foreign mass media, topical articles and publications and presentation video commercials hire. The work with mass media should be organized in all substantive areas, i.e. politics, economy, tourism, culture etc. with a comprehensive information impact on all target audiences. An agency or interdepartmental commission composed of private business representatives actively promoting its image abroad shall be appointed to coordinate this work;

holding and active positioning in the international business community of public and economic investment activities, i.e. business forums, road shows, seminars, conferences and exhibitions. To increase effectiveness of such activities it is necessary to establish a rating system.

active participation in international public investment and economic activities;

extended coverage of activity of the national company specializing on investment attraction JSC “KAZNEX INVEST National Export and Investment Agency” (‘KAZNEX INVEST’) both abroad and domestically.

Building a system-based work with foreign investors (2011 – 2014).

In order to arrange a system-based work with foreign investors the Investment Committee of the Ministry of Industry and Trade of the Republic of Kazakhstan (‘Investment Committee’) shall be enhanced as a single coordinating body dealing with foreign investors and acting on the principle of ‘first reference address’ and ‘single consultant’ for foreign investors. Besides, the specialized company under the Ministry of Industry and Trade of the Republic of Kazakhstan is planned to be determined for attraction and work with foreign investors.

Also, proposals are made to establish two or three representative offices of JSC “KAZNEX INVEST” in the target countries as stated above during 2011 - 2014 annually. Subsequently, if the representative offices are justified as successful their network as well as staff will be enlarged so as the main share of the JSC “KAZNEX INVEST” employees is concentrated in the countries of potential investor dislocation (on the model of Austrade Australian Agency – 80% of staff, KOTRA Korea Agency – 70% of staff). Following the example of these agencies the representative offices of JSC “KAZNEX INVEST” will also perform functions on export promotion.

In the area of investment search and attraction the role of intergovernmental commissions (IGC), primarily on the target countries, will be enhanced. The Investment Committee will act as a coordinating authority on these issues. The IGC performance in Kazakhstan will be proved by achieving target indicators expressed in concrete volumes of investments attracted from the corresponding country. A similar approach to evaluating the working results will be applied to activity of the foreign institutions of the Ministry of Foreign Affairs of the Republic of Kazakhstan.

The co-chairmen for IGC in Kazakhstan and ambassadors of the Republic of Kazakhstan abroad will bear a personal liability for achieving target indicators on investment attraction.

The important aspect of work with an investor is to render him/her support in the regions of Kazakhstan. The direct work with foreign investors in the regions will be carried out by the local executive bodies. To reach this goal the Investor Service Centers (ISC) will be established as separate departments of socio-entrepreneurial corporations or other regional structures in each region before the end of 2011. ISC will provide a full service support to an investor as a part of his/her visit to a region and will indeed act as regional representative offices of JSC “KAZNEX INVEST”.

Kazakhstan as an investment ombudsman is proposed to establish an Investment Commission (‘Commission’) which would be an advisory body under the Government of the Republic of Kazakhstan to prepare proposals for coordination and control of public authorities and national holdings in attracting investments into the Kazakh economy, current investor activity, protection of their rights and interests as well as creating favorable conditions for investment activity in the Republic of Kazakhstan.

Focus 2. SEZ and IZ creation and development: Increasing SEZ and IZ investment attractiveness (2011 – 2012)

The procedure of SEZ operation as well as possible state incentives within SEZ will be revised under the new Draft Law “About special economic zones in the Republic of Kazakhstan”.

Focus 3. Service support to exporters (2010 – 2014)

The participants of service support to exporters will be the existing and potential enterprises exporting processed products and corresponding to seven priority industries, i.e. metallurgy of high processing, chemical and oil-gas chemical, light, pharmaceutical and medical industries, engineering, agribusiness, construction and construction material production.

In order to estimate the real volume of processed goods export the procedure of information exchange of the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan and Investment Committee of the Ministry of Industry and New Technologies of the Republic of Kazakhstan on the issues of foreign trade will be developed and adopted.

Formation of ‘export orientation’ ideology requires propaganda targeted on export by attracting private and state sectors.

Assistance to exporters in obtaining access to distribution channels in the target markets. To assist exporters in obtaining access to distribution channels in the target markets the following is planned:

- establishment of international network using resources of diplomatic representative offices abroad (International Economic Cooperation Committee of the Ministry of Foreign Affairs of the Republic of Kazakhstan), trade offices, honorary consuls establishment as well as discussion of the issues on staff composition of diplomatic representative offices abroad;

- establishment of a specialized state trade company for guaranteed promotion of domestic products and assistance to exporters in obtaining access to sales outlets of goods with high added value;

- creation of a specialized structure for export packaging upgrade as one of the main elements of export support system following the examples of the best world practice.

In order to render direct comprehensive assistance to the Kazakh producers in 2010 – 2014 it is planned to open a network of foreign representative offices of JSC “Kaznex Invest National Export and Investment Agency” of the Ministry of Industry and New Technologies of the Republic of Kazakhstan which is an operator of the system for development and promotion of export in manufacturing sector.

In order to develop a joint strategy and coordinate government actions on promoting development and export as well as removing administrative and bureaucratic measures that prevent from export development and promotion and meeting business needs the work of the Exporters Council under the Ministry of Industry and New Technologies of the Republic of Kazakhstan and intergovernmental

commissions for trade-economic and scientific-technical cooperation on protection of interests and settlement of problems of the exporters in Kazakhstan will be activated.

Kazakhstan will be integrated as a supplier of products within humanitarian aid since 2010 to ensure the effective measures for the exporters in the country are taken by the state.

To facilitate direct contacts between domestic producers and potential foreign buyers, exchange information on quality and price factors of products and discuss details of export contracts Kazakhstan intends to arrange regular trade missions abroad, meetings in the format of ‘Sellers & Buyers’ in different regions of the country as well as events of targeted promotion of particular goods.

Further development of mutually beneficial cooperation with Russia will be ensured by budgetary funding of activities undertaken by the Trade Department of the Republic of Kazakhstan in Russia for making presentations of trade and investment opportunities in Kazakhstan in cooperation with Russia.

Financial support to exporters (2010 – 2014)

Reimbursement of expenses (grants) to exporters. The state support will be rendered by reimbursement of expenses to the exporters of the Kazakh processed products which were incurred as a result of output entry to the foreign markets. As a part of one-time reimbursement of expenses an exporter may get recovery of one or more types of expenses not exceeding 50% of reasonable and documented expenses subject to restrictions.

The expenses will be reimbursed provided that:

- the expenses claimed for reimbursement are incurred at least 1 year after the reimbursement claims (‘Claims’) are notified about;

- the related contract is partially or completely fulfilled by the moment of filing a claim;

- the expenses claimed for reimbursement are incurred with a view to further fulfillment of the export contract which offers the export of products corresponding to the commodity items at the level 6 and over of the Foreign Economic Activity Commodity Classification of the Customs Union (FEACC CU) included in the List of Product Lines determined by the authorized body responsible for industrial policy matters.

The List of Product Lines which subject to reimbursement of expenses to exporters shall not contain any commodity items relating to primary products, products not exported by Kazakhstan for the last 5 (five) year and not allowed to be transported over the Customs Union border, excisable and specific products (e.g. military-oriented goods, antiques etc.).

The program administrator will define the Ministry of Industry and New Technologies of the Republic of Kazakhstan which will allocate the budgetary funds intended for reimbursement of expenses. The expenses will be reimbursed based on the decision of the Interdepartmental Commission for Reimbursement of Expenses to Exporters established under the Ministry of Industry and New Technologies of the Re-

public of Kazakhstan. The criteria for reimbursement of expenses to exporters will be determined by the Interdepartmental Commission.

The list of exporters approved for reimbursement of expenses will be posted on the web-site of JSC “Kaznex Invest National Export and Investment Agency”.

The basic conditions on trade financing and insurance, rendering service export support and allocating grants to exporters, mechanisms of allocation of funds, target indicators for export growth and performance in non-primary sectors will be determined by the Government.

Financing of trade export operations. JSC “KazExportGarant Export-Credit Insurance Corporation” (under JSC “State Insurance Corporation for Export Credit and Investment Insurance”), hereinafter referred to as “KazExportGarant”, will be established to provide financial support to trade export operations initiated by the small- and medium-size business representatives of the processing sector, which implies export insurance and crediting of trade export operations as well as a number of related services.

“KazExportGarant” will support export operations through insurance of export transactions where the trade financing tools (export letters of credit) are applied.

Credit financing of the buyers of the Kazakh export products of non-primary sector will be implemented through funding the related transaction by tranche allocation of funds from the republican budget to increase the equity capital of “KazExportGarant”. These funds will be used in revolving that will provide greater coverage and geographic expansion of exports.

The credit-insurance support will be rendered on the principles of state and private partnership between “KazExportGarant”, exporters, importers and servicing banks. At that, the cost of financial resources will be reduced by using mechanisms and tools adapted by the world export-credit agencies supporting their national export.

The potential participants of the credit-insurance support will be the operating and repeatedly established export-oriented enterprises of the processing sector (priority for small – and medium-size business), foreign importers of the Kazakh products as well as Kazakh and foreign banks involved in trade financing.

Insurance is intended for protection of the Exporter’s Bank of Kazakhstan against any risk of default in payment by the Foreign Buyer’s Bank which opened an irrevocable documentary credit for an exporter upon the Buyer’s request.

Advantages of financing trade export operations will be as follows:

- unsecured crediting (provision of shipping documents, credit commitments of an Importer’s Bank entering into force);
- double reduction of credit rates;
- export receipts forthwith after goods shipment;
- boosting demand for the Kazakh products.

6. Indispensable Resources

6.1. Financial-economic, material-technical, labor and other resources involved in Program implementation

The Table shows the amounts of financing of the main actions within the Program for investment attraction, SEZ and export development in the Republic of Kazakhstan for 2010-2014:

	Action	Amount of Financing, thous KZT
1	2	3
1	Attracting foreign direct investments	1 382 596
1.1	Creating conditions for FDI attraction	45 000
1.2	Promoting an investment image of Kazakhstan	723 170
1.3	Building a system-based work with foreign investors	614 426
2	SEZ and IZ creation and development	13 506 395
2.1	Increasing SEZ and IZ investment attractiveness	13 506 395
3	Export promotion	4 670 971
3.1	Service support to exporters	1 316 971
3.2	Financial support to exporters	3 354 000
	Total:	19 559 962

6.2. Financing sources for the actions within the Program

The Program for 2010-2014 will be financed from the republican budget totally amounting KZT19 559 962 thous including:

actions for FDI attraction - KZT1 382 596 thous;

actions for SEZ and IZ creation and development – KZT13 506 395 thous;

actions for export promotion – KZT4 670 971 thous.

	regime for foreign investors pursuant to the legislation of the Republic of Kazakhstan	the MINT		2011									
Promoting an investment image of the Republic of Kazakhstan													
4	Development and maintenance of an investment web-portal	Report to the Government of the Republic of Kazakhstan	MINT, JSC "Kaznex Invest" (upon agreement)	December 2010	18 150	6 000	-	-	-	24 150	Republican budget	020	
5	Information and presentation activity to promote the investment opportunities of Kazakhstan (business forums, road shows, "Investors Guide", brochures, billboards, press conferences) as well as:	Report to the Government of the Republic of Kazakhstan	MINT, JSC "Kaznex Invest" (upon agreement)	25 January, 25 July annually	11 160	57 000	-	-	-	68 160	Republican budget	020	
	Press conferences in 2 regions (Astana and Almaty);			25 January, 25 July annually	700	700	-	-	-	1 400	Republican budget	020	
	Production of agitation billboards by order;			25 January, 25 July annually	5 460	10 000	-	-	-	15 460	Republican budget	020	
	Preparation and issue of the brochures to present the investment opportunities;			25 January, 25 July annually	5 000	24 300	-	-	-	29 300	Republican budget	020	
	Holding business forums to present the investment opportunities of			25 January, 25 July	-	22 000	-	-	-	22 000	Republican budget	020	

	Kazakhstan			annually 2011 – 2014								
6	Information and presentation activity to promote the investment opportunities of Kazakhstan (business forums, “Investors Guide”)	Report to the Government of the Republic of Kazakhstan	MINT	25 January, 25 July annually	58 000	58 000	-	-	-	116 000	Republican budget	001
7	Preparation and broadcasting of a video commercial about the investment opportunities of Kazakhstan in the international mass media	Report to the Government of the Republic of Kazakhstan	MINT, MFA, JSC “Kaznex Invest” (upon agreement)	December 2011, 25 January, 25 July annually	-	486 000	-	-	-	486 000	Republican budget	020
8	Preparation and broadcasting of a video commercial about the state investment incentives in the Kazakh mass media	Report to the Government of the Republic of Kazakhstan	MINT, MCI, JSC “Kaznex Invest” (upon agreement)	December 2011, 25 January, 25 July annually	-	8 460	-	-	-	8 460	Republican budget	020
9	Publication of the advertising and information articles about the investment opportunities of Kazakhstan in the Kazakh and international periodicals as well as:	Report to the Government of the Republic of Kazakhstan	MINT, MFA, MCI, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July 2011 – 2014	-	20 400	-	-	-	20 400	Republican budget	020
	25 January, 25 July 2011 –			0	13 200	-	-	-	13 200	Republican budget	020	

	opportunities of Kazakhstan in the international periodicals; Publication of the advertising and information articles about the investment opportunities of Kazakhstan in the Kazakh periodicals.			2014 25 January, 25 July 2011 – 2014	0	7 200	-	-	-	7 200	Republican budget	020
Building a system-based work with foreign investors												
10	International investment market research	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January 2011	40 000	40 000	-	-	-	80 000	Republican budget	001
11	Services for attraction and support of foreign investors	Report to the Government of the Republic of Kazakhstan	MINT, MFA, JSC “Kaznex Invest” (upon agreement)	25 January 2011, 25 January, 25 July annually	256 740	239 536	-	-	-	496 276	Republican budget	020
12	Development and maintenance of a data base for investment projects and investors	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	December 2010, 25 January, 25 July annually	33 150	5 000	-	-	-	38 150	Republican budget	020
13	Proposals for opening foreign representative offices of JSC “KAZNEX INVEST”	Proposals to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January 2011	-	-	-	-	-	-	-	-

14	Proposal for establishment of the Investor Service Centers (ISC) in the regions to render service support to investors	Proposal to the Government of the Republic of Kazakhstan	MINT, Akimats, JSC "Kaznex Invest" (upon agreement)	II quarter 2011	-	-	-	-	-	-	-	-	-
15	Proposal for establishment of the Investment Commission chaired by the Prime Minister of the Republic of Kazakhstan (investment ombudsman)	Proposal to the Government of the Republic of Kazakhstan	MINT	II quarter 2011	-	-	-	-	-	-	-	-	-
SEZ and IZ creation and development													
Increasing SEZ and IZ investment attractiveness													
16	Development and submission to the Parliament of the Draft Law of the Republic of Kazakhstan about special economic zones	Draft Law of the Republic of Kazakhstan	MINT	IV quarter 2010	-	-	-	-	-	-	-	-	-
17	Proposal for creation of SEZ "Border Commercial and Economic Zone "Khorgos – Eastern Gates" under Khorgos International Border Cooperation Center	Proposals to the Government of the Republic of Kazakhstan	MINT, MEDT, Akimat of Almaty region	August 2011	-	-	-	-	-	-	-	-	-
18	Proposal for creation of SEZ in Karaganda under the Industrial Zone of Karaganda	Proposals to the Government of the Republic of Kazakhstan	MINT, MEDT, Akimat of Karaganda region	August 2011	-	-	-	-	-	-	-	-	-
19	Finishing construction of the	Report to the	MINT,	IV quarter	247	-	-	-	-	-	247 727	Republican	015

	additional infrastructure of SEZ "Ontustyk"	Government of the Republic of Kazakhstan	Akimat of South Kazakhstan region	2012	727							budget	
20	Finishing construction of the Industrial Subzone of SEZ "Astana – New City" (IZ of Astana)	Report to the Government of the Republic of Kazakhstan	MINT, Akimat of Astana	IV quarter 2012	2 000 000	1 500 000	-	-	-	3 500 000	Republican budget	015	
21	Holding project operations taking into account the changes in the territory of SEZ "Information Technology Park"	Report to the Government of the Republic of Kazakhstan	MINT, Akimat of Almaty	IV quarter 2012	-	-	-	-	-	-	не решен вопрос по ТЭО		
22	Proposals to the Government of the Republic of Kazakhstan for finishing construction of the transport and engineering infrastructure of Subzone No.1 of SEZ "Morport Aktau"	Proposals to the Government of the Republic of Kazakhstan	MINT, Akimat of Mangistau region	IV quarter 2013	-	-	-	-	-	-	Republican budget	015	
23	Finishing construction of the transport and engineering infrastructure of Subzone No.3 of SEZ "Morport Aktau"	Report to the Government of the Republic of Kazakhstan	MINT, Akimat of Mangistau region	IV quarter 2013	1 700 000	2 521 088	-	-	-	4 221 088	Republican budget	015	
24	The 1 st stage of SEZ "Burabay" to be put into operation	Report to the Government of the Republic of Kazakhstan	MTC, MINT, Akimat of Akmola region	IV quarter 2014	-	-	-	-	-	-	-	-	

25	Construction of the infrastructure and protective fences within SEZ “National Industrial Petrochemical Technological Park” in Atyrau region	Information to the Government of the Republic of Kazakhstan	MOG, MINT, Akimat of Atyrau region, Public Institution “SEZ “NIPTP”	25 January, 25 July annually	328 853	351 173	2 759 192	2 098 362	-	5 537 580	Republican budget	064
Export promotion												
Service support to exporters												
26	Opening of trade missions	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	30 000	32 700	-	-	-	62 700	Republican budget	022
27	Arrangement of trainee jobs for the experts of the Kazakh export-oriented enterprises at foreign plants	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	26 800	-	-	-	-	26 800	Republican budget	022
28	Contribution to development of other services for trade support	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	36 800	36 115	-	-	-	72 915	Republican budget	022
29	Contribution to export promotion of the Kazakh products in the foreign markets as well as: Trademark promotion;	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	40 900	102 297	-	-	-	143 197	Republican budget	022

	procurement; Presenting domestic goods in the UN humanitarian procurement market through participation in the annual exhibition “Aid and International Development Forum” (Washington 2010).											
31	Training of the experts in the area of export activity management	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	39 375	12 937	-	-	-	52 312	Republican budget	022
32	Participation of enterprises in foreign specialized exhibitions	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	72 296	46 800	-	-	-	119 096	Republican budget	022
33	Promotion and upgrade of export packaging for the Kazakh goods	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	34 922	8 200	-	-	-	43 122	Republican budget	022
34	Ensuring competitiveness of the non-primary sector in Kazakhstan as well as:	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	175 950	136 172	-	-	-	312 122	Republican budget	022

	<p>Analysis of the world and Kazakhstan trade performance with distributing the related results among different concerned parties twice a year;</p> <p>Country reviews by industries/products of the trade partners as well as by concrete markets, 20 reviews; Finding the potential markets for domestic production promotion, at least 10 brief analysis; Forming ideology of export orientation.</p>											
35	<p>Service support to exporters as well as:</p> <p>Preparation and publication of the Export Guide for 10 countries, the main trade partners of Kazakhstan (edition of 2350 copies);</p>	Report to the Government of the Republic of Kazakhstan	MINT, JSC “Kaznex Invest” (upon agreement)	25 January, 25 July annually	150 000	116 000	-	-	-	266 000	Republican budget	022

	and trade-economic cooperation											
38	Renewal of the Exporters Council under the MINT	Order of the MINT	MINT, JSC "Kaznex Invest" (upon agreement)	December 2010	-	-	-	-	-	-	Not needed	-
39	Proposals for legislative consolidation of the economic export development and promotion tools	Proposals to the Government of the Republic of Kazakhstan	MEDT, JSC "Kaznex Invest" (upon agreement)	December 2010	-	-	-	-	-	-	Not needed	-
40	Development and adoption of the procedure for information interaction between the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan and Investment Committee of the Ministry of Industry and New Technologies of the Republic of Kazakhstan on foreign trade activity	Concurrent order of the Customs Control Committee of the MoF and Investment Committee of the MINT	MINT, MoF	December 2010	-	-	-	-	-	-	Not needed	-
41	Development of a package of measures to support exporters in the regions	Action plan to support exporters in the regions	Akims of the regions, Astana and Almaty	December 2010	-	-	-	-	-	-	Not needed	-
42	Improvement of and integration into the Intergovernmental network of the information and	Information to the Government of the Republic	MEDT	December 2010	39 800	-	-	-	-	39 800	Republican budget	049

			FSA (upon agreement)									
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Note: Abbreviations used:

MINT – Ministry of Industry and New Technologies of the Republic of Kazakhstan

MFA – Ministry of Foreign Affairs of the Republic of Kazakhstan

MoF – Ministry of Finance of the Republic of Kazakhstan

MEDT – Ministry of Economic Development and Trade of the Republic of Kazakhstan

FSA – Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations

GCI WEF – Global Competitiveness Index of the World Economic Forum

JSC “Kaznex Invest” – Joint-Stock Company “Kaznex Invest National Export and Investment Promotion Agency”

JSC “NWF “Samruk-Kazyna” - Joint-Stock Company “National Welfare Fund “Samruk-Kazyna”
