



**On approval of the Concept of Industrial and Innovation Development of the Republic of Kazakhstan for 2015 - 2019 years**

Resolution of the Government of the Republic of Kazakhstan dated December 31, 2013 № 1497

PRESS RELEASE

The Government of the Republic of Kazakhstan **RESOLVES:**

1. To approve the attached Concept of industrial-innovative development of the Republic of Kazakhstan for 2015 - 2019 years (hereinafter - the Concept).
2. The central state and local executive bodies of the Republic of Kazakhstan shall take the necessary measures to implement the Concept.
3. This resolution comes into effect from the date of signing.

*Prime Minister  
of the Republic of Kazakhstan*

*S. Akhmetov*

Approved by the  
resolution of the  
Government of  
the Republic of  
Kazakhstan № 1497  
dated December 31, 2013

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## **1. Vision of industrial development of the Republic of Kazakhstan**

1. Analysis of current situation of industrial development in the Republic of Kazakhstan

During implementation of the Strategy "Kazakhstan-2030" dynamic economic development allowed the Republic of Kazakhstan increasing the average per capita income more than twice. All the goals of the Strategy "Kazakhstan-2030" have been achieved ahead of schedule. The aim of the new Strategy "Kazakhstan-2050" is entering the country among the 30 most developed countries in the world by 2050. Its achievement will require maintaining high rates of economic growth for a long time.

Such basic factors of competitiveness as natural resource endowments, favorable macroeconomic environment and political stability have helped the Republic of Kazakhstan to succeed in socio-economic development and attracting foreign investments today.

However, in 2020 perspective after reaching a certain level of wealth in the range of 10 thousand to 15 thousand U.S. dollars per capita GDP the growth of the

Republic of Kazakhstan's economy may slow down. Economy of the Republic of Kazakhstan may lose its competitiveness and fall into the "middle-income trap." As the experience of economic development of the countries shows, few ones have managed to cross the threshold of average income: among more than 100 countries, quickly reached the average level of income half a century ago, only about a dozen countries could become a high-income nations, mainly due to the accelerated development of the manufacturing sector.

According to the country report of the International Monetary Fund for September 2013<sup>1</sup> the economy showed the signs of "Dutch disease", in particular the formation of unfavorable terms of trade, costs increase in the economy and institutional issues. With the rise in world prices for resources these symptoms will worsen. Since 2000, in the Republic of Kazakhstan continues to grow the economy and state budget dependence on income generated by oil exports. Oil revenues account for about 51% of the consolidated revenues of the state, and the budget deficit, excluding these income reaches 9.3% of

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<sup>1</sup> IMF Country Report №13/291, September 2013

GDP. Transfer of the National Fund of the Republic of Kazakhstan provides funding for almost a fifth part of all government spending.

To maintain high rates of economic growth the Republic of Kazakhstan needs to implement structural changes in the economy necessary for the transition to a new stage of development. These changes include the active creation of new productive jobs in the manufacturing industry, including through cross-flow of labor from the agricultural sector.

Lack of effective public policy in the field of natural resources and revenues from commodities, the high cost of raw materials in the domestic market of Kazakhstan may lead to the possibility of the sector operators to gain excessive profits, upon this limiting the ability of manufacturing sector to develop effectively.

Currently manufacturing industry occupies almost the third part in the structure of the economy of the Republic of Kazakhstan, the high share of the mining sector provides more than 2.5% of employment and 18% of GVA in the economy. Investments in the fixed assets in the mining industry today represent more than 30% of the total volume, and in the manufacturing industry only 12%.

Kazakhstan being the leading exporter of extractive sectors (especially due to the export of crude oil), in terms of per capita exports is ahead of all the CIS countries. However, manufacturing sector exports is relatively low in the Republic of Kazakhstan - approximately twice lower than in Russia.

Level of manufacturing industry development was quite low. State program on industrial-innovative development for 2010-2014 (hereinafter - SPIIAD) allowed creating background for the further development of the industrial sector: a system of institutions for development has been established, a number of the necessary legal acts has been adopted, separate tools developed.

As a result of SPIIAD implementation a trend has shifted towards improving the manufacturing industry, although it is still relatively low. Manufacturing sector generates less than 7% of employment and 12% of GVA in the country's economy. Employment in manufacturing sector of the Republic of Kazakhstan is lower than in all member countries of the Organization for Economic Cooperation and Development (hereinafter - OECD), and the level of performance is 2 times lower.

The Republic of Kazakhstan has been one of the first countries that expressed the need for industrial-innovative development of the economy, with account of the new technologies' importance. Development and launch of SPIIAD was a respond of the country to the challenges generated by the economic crisis. This program has laid the foundation for further industrial growth and is one of the examples of public systems approaches to develop its own industrial base. SPIIAD aim is to ensure sustainable

and balanced economic growth through diversification and increase of its competitiveness. SPIIAD has become one of crisis management tools to support the industry during the global financial crisis.

Following the results of 2012 year in comparison with 2008, Kazakhstan has seen positive growth dynamics of the main indicators of the SPAIID: gross domestic product has grown by 22.5%, the gross value added of non-resource industry - by 23.4%, output in the manufacturing industry - by 20, 5%, labor productivity in the manufacturing industry - by 70%, the volume of non-resource exports - by 6.4%, the level of innovation activity of enterprises - by 3.6%, the volume of innovative products and services - by 240%.

The main positive results of the SPAIID:

1) it laid the foundations of modern industrial policy in the Republic of Kazakhstan. There have been adopted the basic legal acts, tested different tools to support industrial development and new policy directions. In particular, the mechanisms have been launched to attract FDI and export support, the process of transformation of the special economic zones have been started;

2) diversifying of the economy has been started by accelerating development of the manufacturing industry, increase of non-oil exports and attracting FDI in non-source sectors. Production of more than 150 new products has been set up. These are high-tech products of engineering, pharmaceuticals, chemical industry;

3) major new industrial projects implemented within the Industrialization Map have got the support, which allowed avoiding production cuts. To date there have been introduced more than 500 new products. Specified objects produced goods worth 2.5 trillion. tenge, their share in industry was 6.3%, in manufacturing - 9.5%;

4) number of people employed in industry (for 4 years) has increased by 9.3% and exceeded 1 million people (1004.4 thous.). More than 60,000 new jobs in manufacturing have been created within the Industrialization Map, which allowed avoiding an increase in the unemployment rate;

5) following the results of 2012 compared with 2008, labor productivity in manufacturing industry increased 1.7 times (the schedule was 1.5 times by 2015), from 37 thousand of U.S. dollars to 61.8 thousand of U.S. dollars;

6) since 2010 there have been attracted more than U.S. \$ 90 billion in foreign direct investment, accounting for over 50% of the total gross FDI inflows since 2005;

7) a system of industry institutions for development has been created, allowing to implement effective measures to support;

8) broad industry focus has revealed a potentially competitive sectors. However, during the implementation of SPIIAD a number of systemic lessons has been identified, which should be considered while forming the policy of industrial development of the Republic of Kazakhstan for 2015-2019 (hereinafter - the Policy), including the following:

1) unnecessarily wide range of industries for public support has not allowed effective focusing of limited resources available to support the industries with the greatest potential for development;

2) insufficiently focused budget funding distribution between activities that directly affect the achievement of the stated objectives of the SPIIAD (direct), and activities not related to the immediate implementation of the industrial policy (indirect). Less than half of the budget resources allocated to the SPIIAD, has been spent on the implementation of the direct and more than 60% - on indirect activities;

3) defects in implementation and monitoring of the SPAIID. There have been adopted 25 different programs to support 14 industries within SPIIAD. Several activities of sectoral programs have not been aimed towards the achievement of goals and objectives of the SPAIID;

4) inadequate operational cooperation between state, local agencies and institutions for development , which has led to increase in terms of decision-making and reduce the effectiveness of state support;

5) SPIIAD have not been fully financed for several reasons related to insufficient functioning of the financial system. One of the problems is the state of the STB system, limiting access of enterprises to debt financing. Capital markets of Kazakhstan are characterized by low liquidity and do not allow sufficiently cover the needs for investment capital.

Policy will be a logical continuation of the SPIIAD and should take into account the experience of its implementation.

Emphasis will be focused on sectors of the economy, which will help reducing the economy's dependence on the mining sector.

The ratio of budget financing of direct and indirect activities aimed at implementing the Policy will be reviewed in the light of the previous experience.

To improve coordination and cooperation in the implementation of industrial policy between state, local agencies, institutions for development and other actors of industrial policy, a formation will be continued in the prescribed manner of a competence center for industrial policy at the National Institute of Development in the industry.

## 2. Global trends in industrial development.

In developing policy documents on industrial development the impact of global trends must be taken into account and assessed .

### 1. Increasing importance of resources.

Shrinking resources and fluctuations of their price form two divergent trends. The first one is increasing the cost of resources in the medium term and "resource nationalism", characterized by reduced availability, the second trend - the development of resource-saving and resource-efficient technologies.

### 2. Globalization and transformation of production chains.

TNCs being major participants of world trade, are constantly seeking more efficient production sites and partners, including local ones. Value added chains are in constant transformation. Geography and level of their globalization is changing.

### 3. Strengthening the role of markets in developing countries.

Formation of a middle class in developing countries leads to a shift in demand towards emerging markets.

4. International restrictions and narrowing of opportunities for government intervention.

In recent decades a number of countries participating in international organizations voluntarily assumed obligations to limit government intervention in the economy to benefit from participation in international organizations, from the reduction of tariffs and barriers is growing. Participation in regional economic unions may impose additional restrictions on the industrial policy of the country. However, in some cases, countries deliberately violate commitments in order to support domestic industries.

### 5. Competition of countries for the location and development of production.

Importance of production sites in developing countries in recent decades has grown steadily and competition between them has increased. Production moves to countries with lower costs and developed resource base.

### 6. Increase in the proportion and importance of services.

With the increasing technological complexity of the product and transition to modular designs the services play an increasing role in modern manufacturing sectors. Economic activity is shifted from manufacturing to services sector, capacious in terms of human capital. Services such as research and development, engineering and design, develop successfully only if there is demand from the competitive manufacturing sector.

### 7. Entrepreneurship role growth.

Industrial development in the world is based on the entrepreneurial potential. In many sectors integrated companies give way to multi-level providers systems, the role of small and medium-sized businesses grows. Countries having developed small and medium businesses are most likely to develop successfully on their territory new segments of global industry chains.

8. Development of new production technologies (The Third Industrial Revolution). New technologies are changing the global organization of production and determine competitiveness of the companies. Business Process and supply chain Management using information and communication technologies, new materials and new ways of using robotics, smart modeling and additive technologies provides competitive advantages and opens up the opportunities for the development of high-tech industries in the developing countries. This leads to a reduction in production, increase in resource efficiency, rapid response to consumer demand and labor productivity growth, which affects the benefits of the developing countries in the cost of labor, helps to preserve jobs in manufacturing sector in the developed countries.

3. Analysis of strengths, weaknesses, opportunities and threats in the field of industrial development. When forming the industrial policy until 2020 the strengths and weaknesses of the industrial potential of the country should be considered, as well as the opportunities and threats for its development.

1. Strengths for industrial development:

1) high availability of natural resources;

2) macroeconomic and political stability;

3) availability of existing industrial policy, supported by the institutions for development, government holdings and national companies;

4) favorable business climate.

The Republic of Kazakhstan occupies the 6th place in the world in terms of mineral resources, the 10th place in the world in terms of proven hydrocarbon reserves, is the largest exporter of uranium. Rich reserves of mineral provide the basis for active development in the country with mining industry. 99 of 117 elements from the periodic chart of chemical elements have been found in Kazakhstan, among them 70 have been explored, 60 elements are extracted. The northern part of Kazakhstan has a wind map, attractive for wind energy development. The southern part of Kazakhstan has a sufficient solar activity.

The Republic of Kazakhstan has sufficient gold and foreign currency reserves, substantial amount of funds in the National Fund and stable political system for maintaining macroeconomic and political stability.

There is formed, legislatively approved and act the system of institutions for development and government support measures. National holdings create a framework for an active state industrial policy.

During the reforms of state functions and procedures the Republic of Kazakhstan has made progress in improving the quality of the business climate. The positions in the ranking of global competitiveness WEF (50th in 2013) and the World Bank ranking of quality of the business environment (53d in 2013) are higher than those of the partners in the Customs Union and most of the macro-region countries.

2. Weaknesses and barriers to industrial development:

- 1) lack of investment activity in the manufacturing sector;
- 2) limited availability of human resources with required competencies;
- 3) infrastructure limitations for access to world markets;
- 4) presence of bottlenecks in infrastructure (transport and logistics, energy and water supply);
- 5) insufficient share of small and medium-sized businesses with the dominance of state-owned companies;
- 6) low competitiveness of the national innovation system;
- 7) low resource efficiency in industry;
- 8) imperfect technical regulation.

Investment activity of private companies in the manufacturing sectors remains low and is far below the level of investment in China, Russia and Brazil. Weak development of the financial market does not allow attracting sufficient volumes of financial resources.

Domestic companies and foreign investors note shortage of human resources with sufficient qualifications as a key barrier to the development of production in the country. WEF, World Bank, OECD and other international organizations research results confirm the importance of this problem.

The country is located outside the main international maritime trade routes. Due to the limited domestic market, access to foreign markets and increase exports are crucial for industrial development of the Republic of Kazakhstan. Export development depends on access to foreign port and road infrastructure.

Industrial enterprises of the Republic of Kazakhstan lose their competitors from other countries due to insufficient energy system caused by geographical specificity of energy producing organizations location, general wear and tear of the electrical energy industry infrastructure and inefficient system of relations between economic



entities of the industry. The level of depreciation of generating assets in the energy sector is more than 60%, and losses in distribution networks reach 13%, twice the level which is characteristic of the developed countries.

The share of small and medium-sized enterprises in the production of manufacturing industry is only 16%, which is twice less than in the developed countries. Medium business generates only 8% of industrial production. Dominance of state companies in the industry reduces the possibilities of SMEs in industrial production.

Industry of the Republic of Kazakhstan tails off other countries in the development of innovative and high-tech manufacturing. According to the report of the Eurasian Competitiveness Institute, innovation system of the Republic of Kazakhstan occupies 45th place (among 50 countries participating in the ranking) in terms of competitiveness among developed and developing countries.

By the level of energy efficiency economy of Kazakhstan is one of the last in the world, and in the manufacturing industry of the country dominate the industries with traditionally high energy and resource consumption: metallurgy and chemical industry. Given the global trend of increasing importance of resources and the share of commodities in the economy of Kazakhstan there are necessary measures aimed at increasing resource efficiency, shift to the "green economy" and increase of economic returns from the resource sectors for the development of the processing industry.

### 3. Opportunities for industrial development:

1) improving the depth and complexity of extraction in the resource sectors;

2) demand of resource sectors companies for equipment, spare parts and semi-finished materials, materials and specialized services;

3) access to market of the CU and new market opportunities in China, Central Asia and Caspian states;

4) increasing productivity and resource efficiency due to modern production and management technology in the industry;

5) formation of domestic demand by increasing the efficiency of public procurement and increasing the local content in the procurement of subsoil users and quasi-public sector.

Significant potential for growth in industrial production is in the production rates increase per each unit of extracted minerals, increasing the complexity of production of all minerals and components that are contained in the subsoil assets extracted. Currently production efficiency in the Republic of Kazakhstan does not exceed 70%, significant amounts of minerals and ores remains unused in the waste rock. Active development of the resource sectors creates a large market

demand for specialized industrial machinery and equipment, maintenance, and professional services.

Potential combined market of the Customs Union, available for duty-free exports of consumer and industrial goods is over \$ 2 trillion. dollars coming into the world's top ten markets - along with the markets of the United States, European Union, China, India, Brazil and Japan. In the next 5-10 years new market opportunities in the macro region opens up for the development of the manufacturing industry. According to IMF estimates, there is expected strong economic growth in China, India, Iran, which will lead to the expansion of their markets and growth potential for sales of the Kazakhstan industry.

There are reserves of the use of public procurement as a tool of industrial development, promoting the growth of small and medium-sized industrial companies. There is necessary decrease of administrative barriers in procurement, increasing of efficiency and transparency of procurement to stimulate productivity and innovations development. Government procurement should stimulate the development of small and medium-sized businesses.

All this creates a significant advantage for existing companies' business expansion, creation of new companies and attracting foreign manufacturers.

4. Threats in the field of industrial development:

- 1) impact of the ongoing financial crisis on the economy and industrial development of the Republic of Kazakhstan;
- 2) environment in the world raw materials markets;
- 3) low level of competitiveness of some domestic enterprises compared with subjects of the Customs Union's markets;
- 4) risks of structural deceleration of the economy;
- 5) unfair competition on both external and internal markets.

The probability of a new wave of the global financial crisis remains high. Its manifestations may be a slowdown of the world economy and the deterioration in access to investment in developing economies, .

There continues a high probability of price volatility and market demand for raw materials associated with the slowdown of the world economy or uneven regional economic development. Ongoing regionalization of the world economy may lead to an increase in trade barriers.

Within the CU Kazakh companies have faced increased competition from foreign manufacturers in the domestic market. Imports from Russia, Belarus, China, in some segments has led to the substitution of domestic goods.

The analysis of strengths, weaknesses, opportunities and threats reveals the following basic options for the development of the manufacturing industry of the Republic of Kazakhstan.

Development of the manufacturing industry relates to the opportunities to meet the demand in the mining industry of Kazakhstan for equipment, spare parts, components and materials, as well as demand of macro-markets consumer sectors. For this purpose it is necessary to solve the complex task of transforming the manufacturing industry in Kazakhstan into attractive investment project.

#### 4. Scenarios of industrial development of Kazakhstan.

Successful industrial development in Kazakhstan depends on many factors with varying degrees of uncertainty. It is appropriate to consider various scenarios that allow timely adjustments of the set priorities according to the changing trends. Industrial development of the Republic of Kazakhstan is largely dependent on two strategic conditions:

global resources market environment and the degree of integration within the macro-region.

Global resources market environment is formed depending on the state of the global economy, strongly influences the activity of the backbone enterprises of the mineral sector in Kazakhstan. As a consequence, it is reflected in the state budget revenues, domestic demand and welfare of the citizens.

Integration processes in the macro-region define distribution channels for domestic industrial products, as well as influence the development of cooperation with foreign investors in the field of technology transfer and innovation development. Degree of integration of the macro-region largely determines the opportunities and prospects for economic diversification.

Industrial development of the country can be represented by the following 4 scenarios:

1) "Favorable Environment" - this is the most positive scenario possible in the presence of a favorable environment of global resources market and subject to close integration of the macro-region countries. When this scenario public support should be aimed at both the extractive industries, and the non-oil sector of the economy. This will allow achieveingsignificant growth in industrial production and increase export potential;

2) "Raw Materials Sector Growth" - this is the scenario with the best resources market conditions, but in terms of a weak macro- region integration. In this case, the steady growth of industrial production will be provided by the mineral sector. Relatively low growth can be expected in the manufacturing industries. Therefore, the government

needs to focus on the development of sectors and clusters associated with the extraction and processing of natural resources;

3) "Growth Through Technology" will be implemented with the active integration of the macro-region countries, but under unfavorable resources market environment. However, production will grow at the expense of non-extractive industries, which implies a qualitative development of human capital. At this the rate of industrial growth is expected to be lower than in the previous two scenarios;

4) "Slowdown in Economy" - worst-case scenario, the potential in conditions of commodity market depression and in the absence of integration of the macro-region countries. As a consequence, economic isolation in the absence of access to new technologies can lead to a reduction in investment activity in the country. In such circumstances, in order to avoid the slowdown in industrial production, the state will play a key role through the use of anti-crisis measures, coupled with an effective policy for allocating of resources.

So the alternative scenarios mentioned above give us a general description of options for the future development. In long view it makes possible to shift the priorities according to their relevance. The most likely scenario is "Kindly Soil" and "Raw Materials Sector Growth". This Concept of industrial development for 2015-2019 (hereinafter - the Concept) is designed to meet the basic principles of the "Kindly Soil" scenario.

#### 5. Review of international experience of industrial development.

New generation industrial development in many countries of the world becomes the answer to the key challenges of the economic crisis of 2007-2008: the need for creation of new high-performance jobs, development of new technologies and increased competition between countries. Examples below include the policy documents aimed at accelerating industrial development:

1) USA National Strategic Plan for Advanced Manufacturing Development (2012) and the draft law "The American Factory Revival" (2013);

2) industrial policy strategy of the European Union (2012);

3) The vision of a new industry (2010) and the Strategy for the revival of industry in Japan (2013);

4) Strategy for the development of industry in Turkey for 2011-2014 (2010);

5) "Brazil Major: plan (2011);

6) 12th Five-Year Plan of the People's Republic of China for 2011-2015;

7) National Five Year Plan of Indian Industry Development (2012);

8) The program of economic transformation of Malaysia until 2020 (2010);

9) Industrial Policy Action Plan of the Republic of South Africa (2012/13-2014/15). Given the globalization trends the importance of industry specialization and creation of globally competitive clusters pushes more developed and developing countries to the choice of sectoral priorities. System-wide support measures in this case aimed at the general industry support in areas such as promoting competition, increasing the availability of financial resources to support technological development and innovation. Within the framework of industrial development in the Republic of Kazakhstan a balance between the development of priority sectors and improving the business environment for the industry must be ensured.

A comprehensive system of institutions for development, including specialized commissions and councils for inter-agency coordination, as well as industrial development agencies to improve the efficiency of government support, is created in international practice, to implement the programs. Although the functions and budgetary resources of these agencies may differ, their most important task is to coordinate activities in support of industry and organization of reforms affecting the industry. A specialized agency allows focusing efforts and resources on solving a limited range of issues, which is especially important for the Republic of Kazakhstan, where the vast majority of problems associated with industrial policy, are identified in the implementation phase.

For effective coordination, monitoring and controlling the activities of agencies and other institutions for development there are applied key performance indicators control systems as well as performance contracts. These modern approaches to improving efficiency in the public sector are becoming more widely spread in both developed and developing countries - such as the U.S., UK, France, South Korea, India and China.

6. The purpose and objectives of industrial development of Kazakhstan till 2020.

The Concept of industrial development of Kazakhstan for 2015-2019 years has been developed under the President's of the Republic of Kazakhstan state of the nation address dated December 14, 2012 "Strategy Kazakhstan-2050": new political course of the established state."

The purpose of industrial development of Kazakhstan till 2020 is to create incentives and conditions for the diversification and increase competitiveness of the industry.

To achieve this goal it is necessary to perform five key tasks:

- 1) the accelerated development of the manufacturing industry due to demand from resource sectors and new export opportunities in the macro-region;
- 2) improving the business climate for industrial development, including creation of favorable conditions for the development of fair competition;
- 3) establishing a framework for future sectors development through the formation of innovation clusters and development of innovation infrastructure;
- 4) promotion of entrepreneurship and development of small and medium businesses in manufacturing;
- 5) creation of productive jobs.

7. Expected results of the industrial development of Kazakhstan till 2020. Policy implementation will allow in 2019 to achieve the following economic indicators in comparison with 2012 level:

- 1) growth of gross value added in the manufacturing sector not less than 1.6 times in real terms;
- 2) labor productivity growth in the manufacturing industry 1.4 times in real terms;
- 3) growth of the value of non-commodity (processed) export not less than 1.7 times;
- 4) reducing energy intensity of manufacturing at least by 15%;
- 5) employment growth in manufacturing by 53 thousand people.

These indicators can be further adjusted in the program and other public documents.

8. Implementation period.

To achieve this goal and objectives there have been planned the following phases of industrial development of the Republic of Kazakhstan for the period from 2015 to 2019:

- 1) Preparatory Phase (2014);
- 2) the Initial Phase(2015);
- 3) Implementation Phase (2015 - 2019).

The State Program of the industrial development of Kazakhstan for 2015-2019 (hereinafter - the Program) will be developed and the conditions for its successful launching will be formed during the Preparatory Phase.

The discussions of the Policy initiatives with RPE, industry associations, institutions for development, national companies, holdings and Akimats will be organized in order to actively engage businesses and the public in their implementation.

A system of institutions for development which should be involved into the Policy implementation will be updated. We will clarify priorities of existing institutions for development. A center of competencies specializing in industrial development and implementation of industrial policy needs to be further formed as appropriate on the basis of National Institute of Development in the industry field.

In the preparatory phase we will develop the necessary acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan. To ensure full financing instruments to support the industry provided by the Policy we will prepare and submit to the State agency for budget planning the budget requests for 2015-2017 years in accordance with legislative order.

As part of the preparatory phase we will organize specialized training programs to develop competencies of the ministries and institutes for development public officers involved in policy implementation. New approaches will be taken to build maps of industrialization, in particular we will correct the principles and mechanisms of the projects selection.

To improve the availability and quality of operational (annual) data on the implementation of the Policy and action plans of ministries and institutions for development involved in its implementation, the system for monitoring and evaluating of its implementation will be improved.

At the initial phase we will carry out priority measures to implement the Policy, including the launch of activities for the development of 3-5 clusters of basic resource sectors, 3-5 clusters of market-oriented sectors of the economy, two innovative clusters of the "new economy" sectors. To support industrial development in priority industries and sectors of the economy we will implement pilot tools to support industrial development.

At the stage of implementation of the Policy we will use complete set of tools to support industrial development in priority industries and sectors. We will develop the priority clusters of the basic resource sectors, market-oriented sectors and innovation clusters. Upgrade of the system of institutions for development will be completed. Also, if necessary, the Policy will be actualized, and in the final stages of this phase we will develop the third five-year program of industrial development of the Republic of Kazakhstan. In addition, it is necessary to achieve international competitiveness in the macro-region, including

countries of the CIS and Central Asia, for the clusters of base and market-oriented industry sectors, as well as innovative clusters of "new economy" sectors.

The Policy will be revised to ensure it is adequate to the external conditions changed. The strategic plans, five-year and three-year (taking into account the budget cycle) action plans for ministries, as well as development strategies, five-year and three-year (taking into account the budget cycle) action plans for institutions for development involved in the Policy implementation will be revised as well.

In the final phase of the Policy implementation we will carry out a comprehensive assessment of its outcome. Along with this we will organize the development of the third five-year program of industrial development of the Republic of Kazakhstan for 2020 - 2024 years.

## **2. Basic principles and general approaches.**

### **1. Basic principles of industrial development.**

The Policy will be based on the following set of principles:

1) the balance of industry and cluster priorities, direct and general system measures for state support.

The state support will be balanced between the development of priority sectors and clusters, improvement of the business environment for the entire industry. The priority sectors should become the basis of the industrial and economic growth, industrial diversification and creation of new productive jobs.

Focusing of considerable part of public financial resources on the development of a limited number of priority sectors will be the hallmark of the Policy. System-wide measures laid down in the new industrial policy must contribute to improving the quality of the business environment for industrial development, increased investment activity, the provision of infrastructure and introduction of information and communication technologies;

2) proactive role and leadership of the state.

In conditions of underdeveloped manufacturing the state should play a more active role. Along with support for existing facilities the state should carry out advanced development through forming long-term vision and establishing an effective system of incentives, while ensuring equal conditions of competition for businesses. Effective interaction of state bodies, institutions for development, National managing Holdings and national companies should provide a basis for the formation of active development of a competitive industry.



The state will maintain a balance between the quasi-public and private sectors, develop potentially unattractive to the private sector industry segments, develop competition in the industry and provide access to infrastructure, along with its public procurement will stimulate the establishment of industries in the Republic of Kazakhstan.

The state will stimulate the development of systems of professional risk management and safety in the industry, as well as the development of industry professional standards.

However, many countries have implemented measures to protect their own markets even from partner countries in economic unions. The state will carry out foreign and diplomatic support of Kazakh companies, including for export support in the case of discrimination against them;

3) continuity and flexibility.

The Policy should be sequential and consider achievements, results and lessons of the SPIIDA. Flexibility in the implementation of the policy will be implemented in terms of regular consultations with the public and business, provide high receptivity to new ideas and initiatives to accelerate industrial growth. Market conditions and the degree of integration in the macro-region will be taken into account;

4) commitment to results.

The Policy should be designed to achieve specific results. A system of clear, unambiguous and transparent targets should be established giving an opportunity to assess the degree of implementation of key initiatives and programs, individual activities. Indicators must provide monitoring of implementation, allow identifying inefficient mechanisms and tools, ensure the identification of abuse. Performance targets will be assigned to government agencies that should be responsible for the effective execution of measures for implementation of the Policy;

5) partnership with business.

The Policy will be developed and implemented in close cooperation with the business. Promotion of entrepreneurship and SME development - one of the key tasks. Business will become a partner of the state participating in the development of key government documents, in the defining and implementation of key activities, evaluation of the work done. The state will support the integration of domestic producers into the value chains of large mining and industrial enterprises of Kazakhstan and large transnational corporations at the international level;

6) the growing role of the regions.

The Policy should take into account the need for the development of all regions of the country, their industrial and socio-economic potential. Development of the regions must be made via the determination of their specialization in industrial production and the adoption of

measures aimed at increasing the intensity of the regional competition. Industry clusters development in the regions and solving the tasks for their infrastructural and staffing support should be the responsibility of regional authorities;

7) balanced funding model.

The sources of funding ensuring the adequacy of resources to carry out activities must be defined for successful implementation of the Policy. It is necessary to improve the efficiency of public funds for industrial development, and ensure the availability of long-term financing in sufficient quantities for the development and diversification of industry. In addition we should not substitute for traditional banking and financial services, to displace private capital. The structural reforms will be needed for practical launching of capital market and debt market restarting.

2. Common approaches.

Government support measures will be applied to three types of recipients: enterprises, sectors, territories (territorial clusters).

1. Support for priority industry sectors and businesses.

At the Eurasian emerging markets forum "Kazakhstan Entering the thirty most developed countries" the head of the state stressed the need for adjustment of industrial policy: "We need to limit the number of priority sectors for accelerated industrial policy. Otherwise it will lead to dispersion of resources and lack of concrete results. "

Development of industry sectors will be focused on comprehensive support of relevant industry value chains. The balanced support of three groups of industry sectors ensuring the achievement of the goals and objectives of the Program and creating conditions for a reasonable diversification of the economy in the medium-term (up to 2019) and long-term (up to 2030) period is provided under the policy of industrial development:

- 1) basic sectors;
- 2) market-oriented sectors;
- 3) innovative sectors.

The first group of industry sectors - basic sectors - is the production of goods industries that are directly related to the processing of resources and large-scale production of industrial commodities.

The second group of industry sectors - market-oriented sectors - represents all industries, driven by demand in the domestic market and having significant opportunities for development by increasing the presence in the macro-region markets.

For the period 2015-2019, the main export destination of the market-oriented sectors should be macro-region consisting of five levels:

- 1) Russia border regions;
- 2) other regions of Russia, Ukraine, Belarus;
- 3) western regions of China;
- 4) Central Asia and other regions of China;
- 5) Azerbaijan, Iran and the Caucasus.

Policy will be focused on the priority industry sectors. The choice of these sectors is justified by their relatively high appeal in the medium term (including the amount and growth of the market for the production of the sector and the potential economic benefits from the development of the sector) and the presence in Kazakhstan competitive advantages for their development (including the current level of development of the sector and the quality of the conditions for its future development ).

Priority sectors of the first and second groups to support are:

- 1) iron and steel industry;
- 2) non-ferrous metallurgy;
- 3) refining;
- 4) oil and gas chemistry;
- 5) food production;
- 6) agricultural chemistry;
- 7) production of chemicals for industry;
- 8) manufacture of motor vehicles, their parts, accessories and engines;
- 9) electrical equipment;
- 10) production of agricultural machinery;
- 11) production of railway equipment;
- 12) production of machinery and equipment for mining industry;
- 13) production of machinery and equipment for oil refining and oil extracting industry;
- 14) production of construction materials.

The third group of industry sectors - innovation sectors - represents all sectors of the so-called "new economy", the development of which is largely determined by the results of scientific research and development, including information, communication and space technology, biotechnology, new materials technology and renewable energy sources.

Priority of the sectors determines budget allocations aimed at implementing of the Policy: the majority (80%) of funds allocated for implementing the Policy, will be directed to support the priority sectors<sup>2</sup>. The remaining funds may be allocated to support the sectors not

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<sup>2</sup> Will be updated while preparing the Program

included in the priority ones and the main criteria for their support will be the volume of exports, productivity, and the degree of public support.

Support will be provided not only to domestic enterprises, but also to foreign companies that localize the production of their goods and services in the Republic of Kazakhstan.

Existing businesses and promising investment projects will become the objects to support. Support measures will be financial and non-financial and will be implemented in the following main areas:

ensuring the availability of financial resources for the development of business and creating investment incentives for effective implementation of important projects;

specialized services to enhance the competitiveness of enterprises in the field of introduction of modern technologies and stimulation of innovation, increase productivity and resource efficiency, training of human resources, development of export potential and other priorities.

Support will be differentiated depending on the size of enterprises. Small industrial enterprises will be maintained in a systematic manner using standard tools. To support medium-sized enterprises a more differentiated approach reflecting the industry-specific will be used. For large enterprises of strategic importance for the industrial development of Kazakhstan and implementing large-scale projects, an individual approach will be applied, aimed at creating a more competitive business environment in relation to potential competitors among the countries.

Within support of innovative sectors, we will consider creation of the key elements of innovative world-class infrastructure, including technology parks and research centers. There will be developed special tools to support innovative small and medium-sized businesses.

## 2. Support for priority industry clusters.

Key policies of industrial development in the coming years will be focused support to priority industry clusters.

Relevant national clusters will be identified in the group of basic sectors which development will be coordinated at the level of the central authorities and the relevant institutions for development. Within the scope of the Policy support will be limited to 5-10 leading national clusters having the greatest potential for development:

1) in the mining sector - Karaganda, East Kazakhstan, Pavlodar metallurgical clusters;

2) Pavlodar oil refining, Atyrau oil and gas processing, South Kazakhstan oil refining clusters are priorities in the oil and gas sector;

3) priorities in the chemical sector include Zhambyl, Pavlodar, Aktobe chemical clusters.

To maintain each national cluster there will be created special control structures (cluster council), which purpose is development and implementation of strategies and roadmaps of development in accordance with the Concept of forming promising national clusters of the Republic of Kazakhstan 2020, approved by the resolution № 1092 of the Government of Kazakhstan dated October 11, 2013.

For development of territorial (regional, inter-regional) clusters in market-oriented sectors we will provide financial support on a competitive basis, and also required methodological and information support. This support will be aimed at developing strategies and roadmaps for clusters development, support of cluster associations and complex development projects on the formation of clusters of specialized infrastructure, suppliers and public centers, increasing the availability of human resources and quality of educational programs, stimulating innovation, promotion of export and other areas.

One of the tools for developing and strengthening cooperation between the state, business and science in national and regional clusters will be targeted technology programs.

A set of measures will be implemented as part of the third group of sectors to support innovation clusters in Astana (cluster "Nazarbayev University"), Almaty (cluster "Park of Innovative Technologies").

For cluster support we will use the following measures of state support: co-financing required for the development of the cluster infrastructure, specialized services, effective regulation and reduction of administrative barriers.

3. System-wide measures to support industrial development.

In order to improve the business climate for industrial development of Kazakhstan the support will be provided in the following key areas:

1) financial resources.

Financing of the activities aimed at implementing the Policy will be balanced and can be accessed from a variety of sources, including the resources of the private sector, foreign direct investment and public funding. Public sector and institutions for development will continue to support industrialization, but it will be necessary to improve the efficiency of the use of public funds for industrial development. Also it is necessary to stimulate domestic investment activity of Kazakh private sector and increase the participation of private capital in

financing the development of the real sector of the economy. Involvement of foreign sources of funding can be achieved through the expansion of activities aimed at encouraging foreign investment and improving the investment climate.

The structural reforms will be needed for practical launching of capital market and debt market restarting. It is necessary to improve conditions for foreign direct investment, as well as to improve the liquidity of the stock market by stimulating demand for shares as well as their offer by the issuers.

Improving the performance of the banking system by means of cleaning the STBs from bad loans, enhancing banks' skills in assessing credit risk and increase in lending, is an important prerequisite for financing of industrialization. Mechanism of state funding of STB for further credit provision to the private sector will be one of the effective tools to bring the financing to the real economy. We should seek to reduce interest rates and increase the length of the loan for SMEs;

#### 2) human resources.

Advancing industrial development needs to get improved accessibility and quality assurance for human resource, demands to the quality of education. In order to meet the needs of industrialization there will be implemented measures to improve the competitiveness of the leading educational institutions and activities to upgrade of technical and vocational education, created the conditions for experience of pilot training centers extension and advanced training under the dual system, developed new professional standards in partnership with industry.

Measures will be implemented to increase labor market flexibility, the establishment of effective incentives for career counseling and retraining simplification. Its necessary to improve the forecasting of labor resource needs of industry, professions and occupations for the purpose of proactive training. In frames of support of the priority industry sectors and clusters we will develop educational programs with participation of experts from the world's leading centers for education. In this educational program should be focused primarily on the rapidly changing technologies, trends of the industrial development and demands of the employers;

#### 3) infrastructure.

A key condition for the rapid industrialization of Kazakhstan in the next five years is to solve the problems of accessibility and quality in the field of transport, energy and industrial infrastructure and provide reasonable tariff levels that are attractive to the investors. PPP will be one of the mechanisms to promote industrial

development and support projects aimed at the development of the infrastructure.

Measures will be taken to improve the effectiveness of the special economic zones, international transport corridors will be established, modern logistics infrastructure will be created in key transport hubs that will effectively serve the international transportation. Energy development will be aimed at improving the efficiency of power generation and distribution infrastructure. Incentives have been created to improve energy efficiency in industrial production. Assistance in structuring PPP deals and attracting private capital will require enhanced cooperation between institutions for development, private sector and the government. Priority access to raw materials will also be provided for companies operating in Kazakhstan;

4) technology and innovation.

Reducing the gap in terms of performance with the developed countries may be carried out only by implementing new technologies and under high innovative activity in the industry.

Innovative industrial policy segment will consist of a package of measures to improve production efficiency in priority sectors and increased innovation activity in the country. It can be realized by labor productivity stimulating, transfer of technologies, increasing technological and managerial skills, system of search tools and support, implementation and promotion of the most promising innovative ideas and projects.

Therewith, the system of examination of innovative projects will be improved, effectiveness and transparency of innovation infrastructure development procedures will be ensured. We will study the issue of development of risk financing, constructing an effective system of technical regulations and standards.

The work will be continued on the analytical and information support of innovation processes, the study of international experience and the introduction of global best practices;

5) internationalization.

For industrial development we need focused and active steps to attract foreign investment, expand the export potential of local companies and their integration into the global industry chain. We have to identify key areas of international industrial specialization of Kazakhstan. It is necessary to use the SEZ as a tool of development and increasing exports of market-oriented sectors. It is necessary to stimulate the output of Kazakhstani companies on macro-level. This will require the formation of the state export policy, which will define the priorities for development and the basic mechanisms of a national system of export support;

6) entrepreneurship and small and medium businesses.

An important factor in the success of industrialization will be competitive small and medium businesses, as well as high entrepreneurial activity in the industry. Further efforts are needed for the development of small and medium-sized businesses in the industry. New measures of small and medium businesses development should be applied and existing ones to be expanded, to ensure the availability of financial resources and implementation capacity of government procurement and procurement of national companies as a tool for development of production of small and medium-sized businesses. National companies must adhere to a policy of reasonable limit interference with competitive markets, if it has a negative impact on small and medium-sized businesses and their development strategies must comply with the interests of the state;

7) industrial regulation.

For accelerated industrial development we need to provide industrial regulation of international standard. To the extent permitted by domestic and international norms and agreements, the system must mate manufacturers of Kazakh products with consumers. The measures undertaken should include support for non-tariff regulation system, including quality infrastructure and local content aimed at ensuring sales of products and its protection against unfair competition. Regulatory development will be based on performance criteria adopted by the OECD, and a system of regular assessment of the quality of business regulation and the costs associated with compliance with standards and regulations. For industrial regulation reform within the next five-year plan of industrial development we will develop and implement roadmaps of effective regulation in all key areas of industrial development (including subsoil using, construction, export and others). A Rating "Business Climate" will be launched, which will annually assess the quality of the business environment in the industry.

4. The role of quasi-public business in promoting industrial development. National Management Holdings and national holdings will participate in the implementation of the Policy. National Management Holdings and national holdings development strategies will be revised to take account of the basic principles of the Policy, including the following areas:

- the creation of globally competitive companies;
- ensuring competitive infrastructure for industrial development;
- stimulating technological development and innovations;
- implementation of modern strategy of corporate social responsibility, including solving of issues of human capital development, development of suppliers system, introduction of modern standards of performance;



encourage the development of new and promising, but not attractive to the private sector areas.

The effectiveness of institutions for development as channels of financing the real economy, organized on the principles of rational and efficient use of financial instruments will be increased.

To finance large-scale industrial projects with the level of risk above the market there will be used lending and leasing products of institutions for development, moreover, the possibility of providing guarantees and loans and leases interest rate subsidies will be considered.

SME lending will be continued through the allocation of funds in the STB, interest rate subsidies and loan guarantees for the implementation of the strategic goals for SMEs share growth in the economy of the Republic of Kazakhstan.

We will enhance promotion of the use of private equity and venture capital in the priority sectors of the economy. Activities will be implemented in the form of investments through private equity and venture capital, as well as direct investments through grants and project financing.

#### 5. The role of the private sector in promoting industrial development.

As the experience of countries that have implemented successful programs to rapid industrialization shows, there exist opportunities to improve the implementation of industrial development through active consultations with the business community and representatives of the regions in the development and implementation of such programs.

Business community represented by RPE, industry associations and individual business leaders will take active part in the development and implementation of the Policy in the following areas:

- prioritizing the development of industries and clusters;
- decision making to support individual projects and initiatives;
- improving the quality of the business environment: the development of human resources, infrastructure, including in the form of PPP;
- development of roadmaps to reduce administrative barriers;
- evaluation of the quality of the business climate;
- evaluation of the effectiveness of government support measures;
- monitoring of the implementation of the Policy with evaluation of plans and commitments implementation by the government and business.

This work will be organized at the level of sectoral committees of RSE, as well as constantly working committees, which include entrepreneurs, representatives of the ministries, agencies and institutions for development. Additional mechanism are the action teams

of the representatives of NCEon selected topics, such as reducing administrative barriers.

#### 6. The role of regions in promoting industrial development.

The akimats are responsible for the industrial development of the region according to their regional specialization, confirming personal responsibility for the results. As part of the Policy implementation regional authorities receive: greater autonomy and the ability to make quick decisions on the industrial development of the region. Monitoring will be performed based on monitoring of key indicators of industrial development in the region;

functions of the operator to implement the Policy in the face of socio-entrepreneurial corporations, which in its turn will have the functions and powers necessary for this.

Akimats of Kazakhstan regions should play a more active role in creating of favorable environment for industrial development, including the following areas:

development and implementation of regional strategic documents in the field of socio-economic development, including industry;

development and adoption of measures aimed at increasing the intensity of local competition, priority support regional clusters and implementation of priority projects, ensuring a modern and competitive industrial infrastructure, human resource development and education;

attracting foreign investment;

promotion of entrepreneurship and development of small and medium-sized businesses.

### **3. Tools and mechanisms for implementing the policy of industrialization.**

To improve implementation of the Policy it is necessary to adopt consistently a series of acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan, coordinated between each other on the expected results:

1) this Concept - a key document that formulates the Policy;

2) the Program, which will describe in detail the problems, measures to ensure the achievement of program objectives, target indicators and other provisions for the implementation of the Concept;

3) Action Plan for the implementation of the Program (hereinafter - the Action Plan) detailing the specific actions aimed at achieving the goals and objectives of the Program, with specific deadlines, performers, forms of completion, costs necessary for its implementation;

4) Strategic plans of central executive bodies of the Republic, approved by the Government of the Republic of Kazakhstan;

5) Development Program for areas and action plans for their implementation, approved respectively by the decisions of Maslikhats and akims of regions;

6) strategy and development plans of national holdings and national companies and other state-controlled joint stock companies and associations involved in the implementation of the Policy;

7) strategies and development plans of national institutions for development, and other state-controlled joint stock companies and associations involved in the implementation of the Policy.

Amendments and additions for the listed acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan will be made when necessary to meet current realities of the period.

Such a procedure for the development and adoption of the above said acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan will increase the efficiency and transparency of the implementation of the Policy on the vertical and horizontal levels, ensure consistency and timing of the events.

The principal is the lack of industry-specific programs developed for the Policy development. It is important to observe a clear relationship between the above acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan on the expected activities in their development and introduction of amendments and additions.

However, within the development of the Program we will consider the desirability of the legislation improving affecting industrial policy in accordance with the legislation.

In order to ensure the transparency of implementation of the Policy Management the Program will have clear allocation of responsibilities and institutional mechanisms for its implementation, monitoring and funding.

The President of the Republic of Kazakhstan approves the Policy and makes key decisions on its implementation.

The main participants of the planning, implementation of the Policy and monitoring of the Program should become:

1) Administration of the President of the Republic of Kazakhstan - coordination and provision of adoption the Program and coordination of the Action Plan;

2) The Government of the Republic of Kazakhstan - approval and monitoring of the Action Plan, including use of budgetary funds; ensuring inter-agency coordination of the central authorities to implement measures; preparation of reports on implementation of the

Program; ensuring control of compliance of accepted acts of the Government of the Republic of Kazakhstan, central and local authorities to the Program; ensuring the collection and analysis of proposals on changes and additions to the Program and Action Plan;

3) ministries and other central authorities - developing strategic plans of government agencies and their subsequent implementation and reporting; execution activities for the Program and Action Plan;

4) akimats of the regions of the Republic of Kazakhstan and Astana and Almaty - ensuring the implementation of the Program and the Action Plan at the regional level, the development of local development plans in accordance with the provisions of the Program;

5) national holdings and national companies, and other state-controlled joint stock companies and associations involved in the implementation of the Program - the development of relevant policy documents and development plans, the implementation of the statutory activities on the implementation of activities; implementation of public support for industrial innovation;

6) National Chamber of Entrepreneurs - participating in the discussion and development of relevant strategic documents and development plans designed for the implementation of the Program;

7) National Institutes for Development - development of appropriate strategic development plans, the implementation of the statutory activities on the implementation of activities; implementation of public support for industrial innovation.

Under the Government of the Republic of Kazakhstan a Commission on Industrial Development of the Republic of Kazakhstan will be formed (hereinafter - the Commission).

The main task of the Commission is to make recommendations and proposals to:

1) identify priority industrial sectors for industrial development of the Republic of Kazakhstan;

2) improving the competitiveness and efficiency of industry of the Republic of Kazakhstan;

3) conceptual approaches to the implementation of state policy in the manufacturing sector, including the cluster initiative;

4) criteria of territorial (regional, inter-regional) clusters selection, as well as investment projects.

To coordinate the development of industries, streamlining support system through institutions for development it is necessary on the basis of the National Institute for Development of industry to continue in the prescribed manner forming a competence center in the field of industrial policy with the main activities: information and analytical support industrial development, monitoring implementation of the Program, the development of programs to improve productivity, the development of

systems and suppliers integration into the global industry chain, coordination of public policies to support clusters, develop roadmaps to reduce administrative barriers; support Industrialization Map, support operations and analytical support to the Commission and other.

In order to ensure control over the execution of the Program's tasks it is necessary to implement a comprehensive evaluation system for its implementation based on the achievement of key indicators, the quality of performance measures by the central and local executive bodies on specific sectoral areas and regions, raising the efficiency of budgetary funds; attract independent companies and associations to provide an objective assessment of the implementation of the Program.

The key mechanism in the system of monitoring the implementation of the Program should be an assessment based on facts, and financing the performers depending on the results achieved. Implementing this approach will require further improvement of the system of state planning of the Republic of Kazakhstan, which is primarily reflected in new kinds of analysis and assessment - such as pre-evaluation of programs and projects, evaluation of effectiveness of their implementation with respect to public resources spent.

#### **4. List of laws and regulations, which will be developed for implementation of the Concept.**

Achieving the goals and objectives of the Concept is expected to be done through the adoption in 2014 the following acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan:

1) Decree of the President of the Republic of Kazakhstan on the approval of the State Program of industrial development of Kazakhstan for 2015-2019;

2) Resolution of the Government of the Republic of Kazakhstan on the approval of the Action Plan for implementation of the State Program of industrial development of Kazakhstan for 2015-2019.

Explanation of abbreviations: STB - Second-tier banks

GDP - Gross Domestic Product

WTO - World Trade Organization

WEF - World Economic Forum

PPP - Public Private Partnership

IMF - International Monetary Fund

SME - Small and Medium Business

NCE - National Chamber of Entrepreneurs of Kazakhstan

UN - United Nations

OECD - Organization for Economic Cooperation and Development  
FDI - Foreign Direct Investment  
CIS - Commonwealth of Independent States  
SEC - socio-entrepreneurial corporations  
SEZ - Special Economic Zone  
CU- The Customs Union

The terms used:

Additive Technology - class of technology, in which an object is formed by means adding material, rather than removing it from the unfinished, as in traditional technologies.

Dutch disease - state of the economy, which is characterized by two symptoms. The first is boosting production and export of raw materials. The second - decrease in domestic industrial production. The appearance of the second symptom is inextricably linked with the first one. In other words, "Dutch disease" - it is a state of the economy in which the export of raw materials dampens the development of the national economy.

Business climate - a wide range of political, economic, legal and financial factors that determine the advantages of the country to foreign investment, as well as the tendency of the national companies of all sizes and industries to invest in development.

Diversification - the dispersal of capital investments between different objects in order to reduce economic risks.

"Green" economy - the economy, aimed at preserving the welfare of society through the effective use of natural resources, as well as providing end-use products return to the production cycle. First and foremost, the "green" economy aims at the economical consumption of those resources that are currently subject to depletion (minerals - oil, gas) and the rational use of inexhaustible resources.

National institutions for development - legal entities, fifty percent or more of voting shares (shares of the authorized capital) of which are directly or indirectly owned by the state, authorized to implement measures of the state support of industrial innovation.

Internationalization - technological development techniques to simplify the adaptation of the product to the linguistic and cultural characteristics of the region other than the one where the product was developed.

Cluster - geographically concentrated group of interrelated and complementary companies and organizations, which includes manufacturers final or intermediate goods and services, suppliers of parts, specialized services, producers of production and other equipment, specialized infrastructure providers, academic and research

organizations, higher education institutions of technical and vocational education, and other organizations that have a specific industry specialization.

Commodities - actively exported goods of mass production, having qualitative homogeneity, comparable quality characteristics for extended periods of time and interchangeability of individual parties, allowing them to be traded by descriptions and samples.

Middle-income trap - a situation in economic development, when a country that reaches a certain income is "stuck" at this level.

Localization - accommodation in the country of production originally of foreign origin.

Macro-region - a region which consists of five levels, depending on the degree of integration with the Republic of Kazakhstan.

The first level includes the border regions of the Russian Federation: Astrakhan, Volgograd, Saratov, Samara, Orenburg regions, Republic of Bashkortostan, Chelyabinsk, Kurgan, Tyumen, Omsk, Novosibirsk regions, Altai Territory, the Republic of Altai.

The second level includes all the regions of the Russian Federation, Ukraine and Belarus.

The third level includes the western regions of China which border with the Republic of Kazakhstan. The fourth level includes all the regions of China, Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan.

The fifth level includes Turkey, Iran, Iraq, Azerbaijan.

Method of lean production - the concept of manufacturing facility management, based on the constant quest to eliminate all kinds of losses.

The new economy - economy of knowledge economy, new technologies and new business processes, providing leadership and competitiveness.

Industry - set of enterprises (factories, plants, mines, shafts, power stations), engaged in the production of tools for both the industry and for other sectors of the economy, as well as extraction of raw materials, fuel, energy production, timber harvesting and further processing of products derived from or produced by industry in agriculture (Great Russian Encyclopedia).

Transnational company - a company that owns manufacturing units in two or more countries, as well as the company, the foreign assets of which accounts for about 25-30% of the total volume.