



**On approval of the Programme for attracting investments “National Investment Strategy” and making amendments to the Resolution No. 1136 of the Government of the Republic of Kazakhstan dated December 30, 2015 On Approval of the List of Government Programmes and Repeal of Certain Decisions of the Government of the Republic of Kazakhstan**

*Invalidated Unofficial translation*

Resolution No. 498 of the Government of the Republic of Kazakhstan dated August 22, 2017. Abolished by the Decree of the Government of the Republic of Kazakhstan dated July 15, 2022 No. 482

**A footnote. Abolished by the Decree of the Government of the Republic of Kazakhstan dated July 15, 2022 No. 482**

The Government of the Republic of Kazakhstan **DECREES that:**

1. proposed Programme for attracting investments “National Investment Strategy” (hereinafter – the Programme) Shall be approved

2. Central and local executive bodies and other institutions shall take measures to implement the Programme.

3. Responsible central and local executive bodies shall provide information according to the Programme Implementation Action Plan in accordance with the Rules for the development, implementation, monitoring, evaluation and control of the Strategic Development Plan of the Republic of Kazakhstan, state and government programmes, strategic plans of state bodies, programmes of development of territories, as well as the development, implementation and control of the Forecast Scheme of the Territorial and Spatial Development of the Country, approved by Decree No. 931 of the President of the Republic of Kazakhstan dated March 4, 2010 On Certain Issues relating to Further Operation of the State Planning System in the Republic of Kazakhstan.

4. The Ministry for Investments and Development of the Republic of Kazakhstan shall be responsible for the monitoring of this Resolution implementation.

5. Resolution No. 1136 of the Government of the Republic of Kazakhstan dated December 30, 2015 On Approval of the List of Government Programmes and Repeal of Certain Decisions of the Government of the Republic of Kazakhstan (CAPP of the Republic of Kazakhstan, 2015, No. 77-78-79, article 583) shall be amended as follows:

The List of Government Programmes approved by the above stated Resolution shall be supplemented with a line, ordinal number 8, with the following text:

6. This Resolution shall come into force on the date of its signing.

*Prime Minister  
of the Republic of Kazakhstan*

*B. Sagintayev*

Approved by Decree  
No. 498 of the Republic  
of Kazakhstan  
dated 22 August 2017

### **Programme for attracting investments “National Investment Strategy”**

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## 1. Programme Passport

Description	Programme for attracting investments “National Investment Strategy”
Basis of development	<p>Decree No. 922 of the President of the Republic of Kazakhstan dated February 1, 2010 On Strategic Development Plan of the Republic of Kazakhstan until 2020;</p> <p>The Address of the President of the Republic of Kazakhstan, Leader of the Nation, N. A. Nazarbayev to people of Kazakhstan dated 14 December 2012 Kazakhstan-2050 Strategy: a New Political Course of the Successful State;</p> <p>Decree No. 874 of the President of the Republic of Kazakhstan dated August 1, 2014 On approval of the Government Programme of Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019 and amendments to Decree No. 957 of the President of the Republic of Kazakhstan dated March 19, 2010 On approval of the List of Government Programmes;</p> <p>Decree No. 1030 of the President of the Republic of Kazakhstan dated April 6, 2015 On approval of the Government Programmes of Infrastructure Development Nurly Zhol for 2015-2019 and amendments to Decree No. 957 of the President of the Republic of Kazakhstan dated March 19, 2010 On Approval of the List of Government Programmes</p> <p>The Programme of the President of the Republic of Kazakhstan dated May 20, 2015 National Plan - 100 Concrete Steps;</p>

	<p>The Address of the President of the Republic of Kazakhstan, the Leader of the Nation N. A. Nazarbayev to people of Kazakhstan dated January 31, 2017, The Third Modernization of Kazakhstan: Global Competitiveness;</p> <p>Decree No. 420 of the President of the Republic of Kazakhstan dated February 14, 2017 , On Approval of the Government Programme for Development of the Agricultural and Industrial Complex of the Republic of Kazakhstan for 2017-2021 and amendments to Decree No. 957 of the President of the Republic of Kazakhstan dated March 19, 2010 On Approval of the List of Government Programmes</p>
Instruction of the state body responsible for development and implementation of the government programme	The Ministry for Investments and Development of the Republic of Kazakhstan
Goal	Creating a favourable investment climate and attracting the efficiency-oriented investments
Objectives	<p>First area. Improving the Investment Climate of Kazakhstan:</p> <ol style="list-style-type: none"> <li>1. Creation of favourable conditions for attracting investments</li> <li>2. Upgrade of the investors' rights protection</li> <li>3. Improving the trade logistics and developing the production and sale relations between foreign investors and local companies</li> </ol> <p>Second area. Implementation of effective operational measures and development of new approaches to attract investment:</p> <ol style="list-style-type: none"> <li>4. Improving the institutional mechanisms for attracting, guiding and supporting investors</li> <li>5. Development of proactive approaches to attracting and retaining investments</li> </ol> <p>Third area. Compliance of the privatization plan and public-private partnership mechanisms with the priorities of attracting foreign investment:</p> <ol style="list-style-type: none"> <li>6. Ensuring the participation of foreign investors in the privatization process</li> <li>7. Attracting investments to the public private partnership projects</li> </ol>
Period of implementation	2018 - 2022
Target indicators	<p>By 2022 the following target indicators will be achieved :</p> <ol style="list-style-type: none"> <li>1. Gross inflow of foreign direct investment ( hereinafter-FDI) will increase 1.26 times (compared to 2016 level).</li> <li>2. Gross FDI and gross domestic product ratio.</li> <li>3. FDI inflow to the processing industry increased 1.5 times (compared to 2016 level).</li> <li>4. The volume of investments in fixed capital of the non-oil sector of the economy (except for the</li> </ol>

	<p>government budget) will increase 1.46 times (compared to 2016 levels).</p> <p>5. The volume of outward investments in fixed capital of the non-oil economy sector will increase 1.5 times (compared to 2016 level).</p>
Sources and volume of funding	<p>At the expense and within the funds provided for to the Ministry for Investments and Development of the Republic of Kazakhstan, in accordance with the fiscal legislation of the Republic of Kazakhstan, and also at the expense of extra budgetary funds that do not contradict the fiscal legislation of the Republic of Kazakhstan</p>

## 2. Introduction

The Programme for attracting investments National Investment Strategy ( hereinafter – the Program) has been developed in accordance with the instructions of the President of the Republic of Kazakhstan, given in the Address to the nation of Kazakhstan dated January 31, 2017 The Third Modernization of Kazakhstan: Global Competitiveness.

The Programme designed to contribute to the goals of development and modernization of the economy of the Republic of Kazakhstan builds the investment perspectives of the country aimed at enhancing and diversification of investments. The core of this Programme is to increase the investment competitiveness of the country, ensuring the attraction of the efficiency-oriented investments in greater amounts.

This Programme is launched at a time when the world economy is still recovering from the global financial crisis. The fall in world prices in commodity markets has made the situation worse both for the financial and economic condition of individual enterprises and for aggregate macro indicators.

At the same time, the Republic of Kazakhstan continues to be a location attractive for investments aiming at gaining access to the country's rich natural resources. Besides, the country continues to attract investors who are interested in the growing domestic market of the Republic of Kazakhstan.

The importance of investments in achieving the development goals of the Republic of Kazakhstan, increasing the level of economic diversification, productivity growth, exports and job creation has been stated in several documents of the State Planning System (Kazakhstan 2050, the Strategic Development Plan of the Republic of Kazakhstan until 2020, the Government Programmes of Infrastructure Development Nurly Zhol for 2015-2019, Nation Plan - 100 Concrete Steps; The Government Programme of Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019, the Government Programme of the Agricultural Complex Development , Modernization 3.0.).

Attracting large amounts of investments aiming at improving efficiency is a real challenge for the Republic of Kazakhstan. This type of investment increases the competitiveness of the financed production in international markets and in global value chains by using the competitive strengths of the investment climate of the Republic of Kazakhstan, offers the recipient country a package of capital, know-how and technologies that contribute to the modernization of industries and the expansion of production capabilities to achieve economic diversification.

This type of investment does not “enter” the country as well as investments focused on the domestic market. Attracting and retaining them require the enforcement of international competitiveness of the Republic of Kazakhstan and improvement of the investment climate.

The programme involves an active government and investment policy aimed at encouragement of investments oriented at improving efficiency. In the Programme implementation, the Government of the Republic of Kazakhstan will continue to improve the competitiveness and attractiveness of the investment climate of the country in accordance with the standards of the Organization for Economic Cooperation and Development (hereinafter - OECD).

The successful implementation of this Programme should contribute to the sustainable economic development of the country. To substantiate individual proposals and activities, a country and regional analysis is carried out, as well as analysis of the international experience in the implementation of investment policy, and also the factors that will contribute to achievement of the country's advantages.

The Programme and its components are based on a detailed estimation of the institutional and regulatory environment to attract investment. The estimation was implemented by the Ministry for Investments and Development of the Republic of Kazakhstan with the technical support of the World Bank group. Besides, the analytical findings made by the OECD and stated in a detailed review of the investment climate of the Republic of Kazakhstan for 2016 and 2017, as well as research and analytical work of other international and national organizations, analytical centers were taken into account for the development of the Programme.

### **Basic terms and definitions**

New terms and definitions used in this Programme are as follows:

1) efficiency-oriented investment is a type of investment aimed at organizing production in a particular country in order to use its competitiveness factors, which will provide an opportunity to export to other countries or regions. Such competitiveness factors may include efficient labour force in terms of cost, education or specialization, easy access to foreign markets, high-quality infrastructure, etc. The motivating factors in attracting this type of investments are the level of competitiveness in international

markets offered by a country to an investor, and in particular, the ability to integrate into global value chains;

2) domestic market oriented investment is a type of investments aimed at development of domestic market of the recipient country. Thus, the main factors of this type of investment are the size and growth rate of domestic market.

3) information and monitoring system IRM (follow-up) is a unified information platform for Kazakh, foreign investors and entrepreneurs, which contains complete, accurate and up-to-date information about investors, investment projects, production facilities and information requests of potential investors;

4) freelance advisors - regional Directors working as freelance advisers of akims of regions and Astana and Almaty cities, who monitor and fully support the implementation of investment projects, targeted work with investors to address problematic issues through interaction with central and local executive bodies and other organizations;

5) investment preferences are targeted advantages, provided to legal entities of the Republic of Kazakhstan in accordance with the laws of the Republic of Kazakhstan, implementing investment project, and leasing companies, importing technological equipment within the framework of the investment project under financial leasing agreement for a legal entity of the Republic of Kazakhstan, implementing the investment project;

6) Investment Ombudsman is an officer appointed (assigned) by the Government of the Republic of Kazakhstan, who is entrusted with the functions of assistance in protecting the rights and legitimate interests of investors;

7) 'One Window/ ('Single Window') is a centralized form of assistance to investors by the authorized body for investments in the provision of public services, which provides for minimizing the participation of investors in the collection and preparation of documents and limiting their direct contact with public authorities.

### **3. Analysis of the current situation Improving the global economic conditions**

The objective of ensuring sustainable and balanced economic growth of the Republic of Kazakhstan on the basis of diversification of the economy and increasing its competitiveness under the conditions of limited domestic financial resources cannot be achieved without implementation of a stimulating policy to attract investment.

Investments have a significant impact on the social and economic development of the country:

at macro level, they are the basis for the implementation of the policy of expanded reproduction, structural changeover of the production sector and balanced development of all sectors of the economy, introduction of innovations, competitiveness of the country's economy;

at the micro level, they are needed to expand and develop production, increase its technical and technological levels, reduce the moral and physical deterioration of fixed assets, improve the quality and competitiveness of products, and also reduce the environmental hazards.

The Republic of Kazakhstan is launching a new Investments Attracting Programme at a time when the world economy continues to recover from the global financial crisis. Economic activity is expected to increase in 2017 and 2018, despite a 13% decline in global FDI flows in 2016 due to weak global economic growth and low global trade dynamics especially in developing countries and countries with economies in transition

It should be particularly noted that when considering foreign investment in the country's economy, FDI is traditionally considered on the basis of the amounts by which the effectiveness of working with foreign investors is measured.

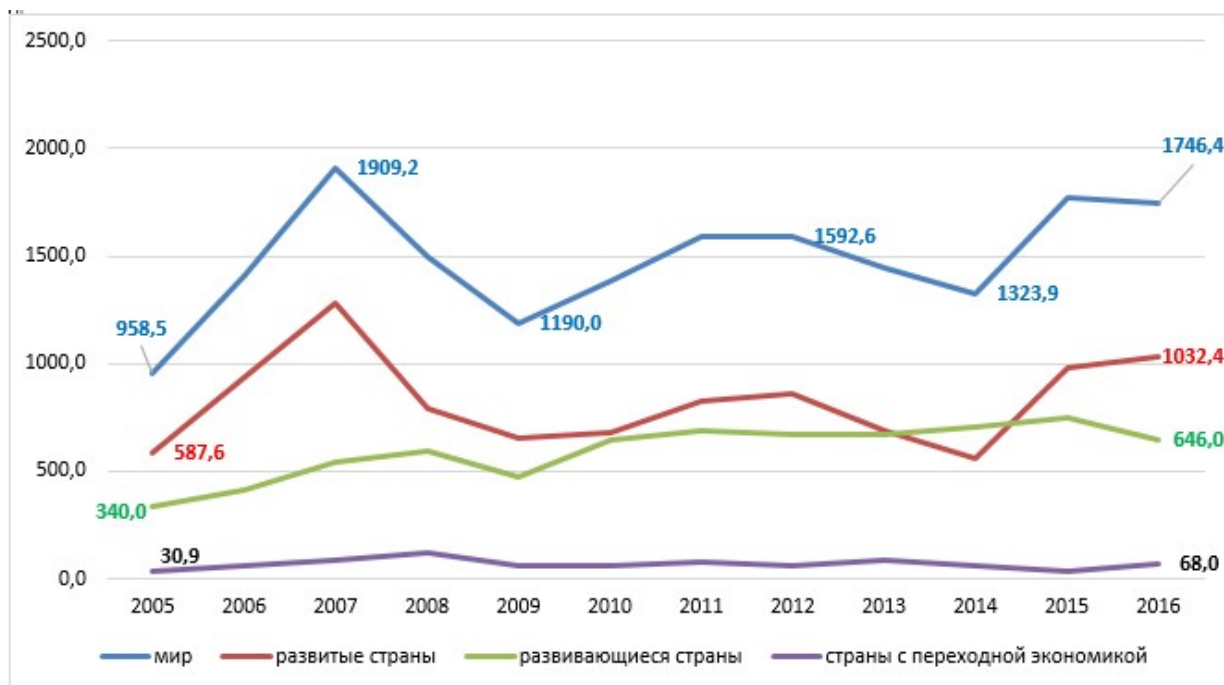
Despite global geopolitical and economic uncertainty, FDI is in a preliminary stage of recovery after the crisis. According to the United Nations Conference on Trade and Development (hereinafter - UNCTAD), the highest level of global investment flows was recorded in pre-crisis 2007 amounting to USD 1.9 trillion. At the same time, total FDI inflows in 2015 and 2016 increased up to USD 1.8 trillion (Figure 1), which is the highest rate since 2008.

The FDI increases in the last two years were caused by the state of the global macroeconomic environment, in which the reduction in the growth rates of emerging markets and the sharp decline in commodity prices prevailed. Also, this growth was impacted by the process of mergers and acquisitions (hereinafter M&A) of companies at the transnational level.

Fig. 1

The FDI inflows at the global level and for selected country groups (USD billion)





Source: UNCTAD

According to UNCTAD, gross fixed capital investment in developing countries, including countries with economies in transition is expected to increase. At the same time, the volume of world trade in goods and services in 2017 is expected to increase by 3.8%, which exceeds the volume of 2016 (2.3%).

It should be noted that the FDI flow is changing under the influence of global economic trends and the factor influence of domestic economic policies of global players.

Depending on the classification of countries by level of development, most FDI flow to developed countries as compared to other groups of countries. In addition, this segment is characterized by relative volatility, which makes it difficult to determine specific trends for certain periods of time.

Thus, FDI inflows to developed countries in 2016 again showed a positive trend, even though at a slower pace, reaching USD 1.03 trillion (USD 0.98 trillion in 2015).

In the medium-term perspective, global FDI flows are projected to resume growth in 2017 exceeding USD 1.8 trillion in 2018 that presents the expected growth in the global economy.

At the same time, FDI inflows to emerging economies show an upward trend, which resumed after the 2008 crisis and declined slightly by 2016.

In comparison with other groups of countries with economies in transition, the Republic of Kazakhstan is characterized by low levels of FDI. In 2016, FDI inflows to this group amounted to USD 68 billion, having increased by 81 % compared to 2015 that imply a presence of some volatility.

Countries with transition economies have a small positive net FDI stock, but it can be affected by a huge outflow from Russia. The share and amount of FDI in these countries (as a trend) have been declining since 2008. Thus, FDI inflows to these countries reduced by more than half from USD 85 billion to USD 35 billion from 2013 to 2015. This represents a decline from nearly 6 % of global FDI outflows to 2 %.

Despite the positive perspectives for the world economy recovery, the new geopolitical realities and growing tensions can have potential consequences. FDI inflows in transition economies have fallen to levels of almost 10 years ago. This is due to factors such as low primary commodity prices, weakening of domestic markets and the impact of restrictive measures due to geopolitical tensions.

The rapid decline in oil prices that occurred in 2014 had a major impact on FDI flows to oil-exporting countries in Africa, the South America and countries with transition economies. FDI outflows from the region have also declined due to reduced access to international capital markets.

At the present time it is possible to identify three major players which influence the global FDI flows, they are namely: The United States, developed European countries and China. At the same time, the US continues to be the largest recipient of FDI, attracting approximately USD 385 billion in 2016.

At the same time, net FDI indicators show that the East and South Asia region (including the second largest economy - China) was and continues to be the recipient of FDI. Only the developed Europe changed its role, leaving the net FDI recipient countries group for the FDI donor countries group.

With due regard to the changes taking place in the world investment capital markets, several trends should be identified that will have a direct impact on the Republic of Kazakhstan and the prospects for attracting FDI:

- 1) changes in raw commodity groups situation, especially oil and gas, have been the main reason for the decline in FDI worldwide and the reorientation of investment flows;

- 2) a number of countries have made some amendments in existing laws providing for new investment incentives and also simplification of practical investment measures, with significant simplification of the regulatory and supervisory functions of the government in relation to investment preferences;

- 3) a number of developing countries have opened access to economic sectors previously inaccessible to foreign investment, including through privatization and public-private partnerships (PPP), but investment restrictions have been imposed in the most strategic sectors, such as defence industry, energy and transport;

- 4) the real estate market is beginning to show an upward trend, while in developed countries there was a regular demand for high quality real estate and infrastructure, in developing countries the demand has only now started to pick up steam again;

5) the service sector is taking a key role in global investment flows. In absolute terms, it is still inferior to the manufacturing sector, but in terms of growth rates and share in the total volume it is significantly strengthened. The changes are especially noticeable in the area of transnational mergers and acquisitions of companies in the service sector.

6) links within regional value chains in the countries of the Association of Southeast Asian Nations (hereinafter - ASEAN), and also China and India are strengthening. Through the strengthening of intraregional production links, a new outline of attractiveness for investment flows is emerging.

7) Chinese companies are rapidly trending towards the advanced processing and production of products with high added value. This is particularly noticeable in the sectors of high-tech chemical products, electronics, automotive and aircraft manufacturing. New Chinese brands, their innovative developments and global sales networks are emerging.

8) any companies take a wait-and-see attitude towards placing their foreign investments, preferring to reinvest in existing production facilities;

9) cities are becoming a key point for investment. This is not due to a mechanical increase in the population, but because of the concentration of certain kinds of economic activity in and around cities. Today, large cities are reservoirs of capital and skilled labour force, especially in the service sectors.

The totality of these trends determines the need to develop mechanisms that will not only overcome the risks brought by these changes, but also use them in order to build investment potential. Therefore, economic uncertainty and changes in the global FDI structure entail both difficulties and opportunities for the Republic of Kazakhstan.

The investments inflow situation in the Republic of Kazakhstan also has its own dynamics and some peculiarities.

Attraction of FDI by the Republic of Kazakhstan in recent years trends towards a reduction, while some of the nearest neighbours, and at the same time competitors, have recovered faster after the recession.

The rates of net FDI inflows to the Republic of Kazakhstan exceed the average one of the countries with transition economy, which is about USD 4 billion in 2016, according to UNCTAD.

According to the National Bank of the Republic of Kazakhstan in 2005-2016 the volume of gross FDI inflows to the Republic of Kazakhstan amounted to USD 243 billion, out of it: in 2016 – USD 20.6 billion, which is more than in 2015 by 39.9 %. However, in 2005-2016, net FDI inflows to the Republic of Kazakhstan amounted to USD 115.1 billion, out of it: in 2016 – USD 9.1 billion.

In total, the largest amount during this period came to the following industries: professional, scientific, and technical activities (35.8 % or USD 86.9 billion), mining

industry (27.1 % or USD 65.9 billion), processing industry (12.3 % or USD 30 billion), trade (8.9 % or USD 21.6 billion); financial and insurance activities (5 % or USD 12.2 billion); construction (3.5 % or USD 8.5 billion).

Figure 2

FDI dynamics in the Republic of Kazakhstan over 2005-2016.  
(USD billion)



Source: the National Bank of the Republic of Kazakhstan, 2017.

As you can see in Fig. 2, the largest gross inflow took place in 2012, amounting to USD 28.9 billion. However, due to some internal and external factors, over the next 3 years there is a decrease in investment (reduction from USD 28.9 billion to USD 14.8 billion). Due to the worsening of the global economic situation and the reduction in process for energy and metals, there is a noticeable 37% decline in the flow of investment in 2015 (a reduction from USD 23.7 billion in 2014 to USD 14.8 billion in 2015). The main reason for the negative dynamics of FDI is the decrease in investment in the production of crude oil and natural gas by 62 % (USD 4.5 billion less than in 2014).

But after a gradual decrease in investment inflow from 2013, in 2016 the negative trends were reversed. Thus, the growth of investments in 2016 is noticeable again, the gross inflow of FDI increased by almost 40%.

It should be noted that the Republic of Kazakhstan has become a leader in the Central Asian region in the attracting investment to the economy since its independence.

For 20 years, the gross domestic product (hereinafter - GDP) per capita increased 17.4 times from USD 735.9 in 1994 to USD 12,806.7 in 2014. There is no doubt that foreign investment has played an important role in the recovery and reorientation of the country's economy.

Thanks to the received foreign capital, the Republic of Kazakhstan has strengthened its position as a country with powerful energy resources having ambitious , but at the same time sustainable plans for the future.

During the five-year period (2005-2009) before the launch of the Government Programme on Forced Industrial and Innovative Development of the Republic of Kazakhstan for 2010–2014, the attracted investments amounted to only USD 82.1 billion, while over 2010-2014 they reached USD 149.5 billion (1.5 times growth), which confirms the growing interest of foreign investors in the country's economy.

At the same time, over 2005-2016, the gross outflow of direct investments from the Republic of Kazakhstan to foreign countries amounted to USD 60.2 billion. The largest outflow of domestic capital is channeled to the Netherlands (USD 37.2 billion), the United Kingdom (USD 5.5 billion), the Russian Federation (USD 2.9 billion) and Ireland (USD 1.8 billion).

The FDI flows to the Republic of Kazakhstan are sensitive to changes in world commodity prices.

The economy of the Republic of Kazakhstan is closely connected with the investment-related resources; that is, in the extractive industries (oil and gas, mining, metallurgical and related services industries), the country is exposed to high risks associated with insufficient diversification.

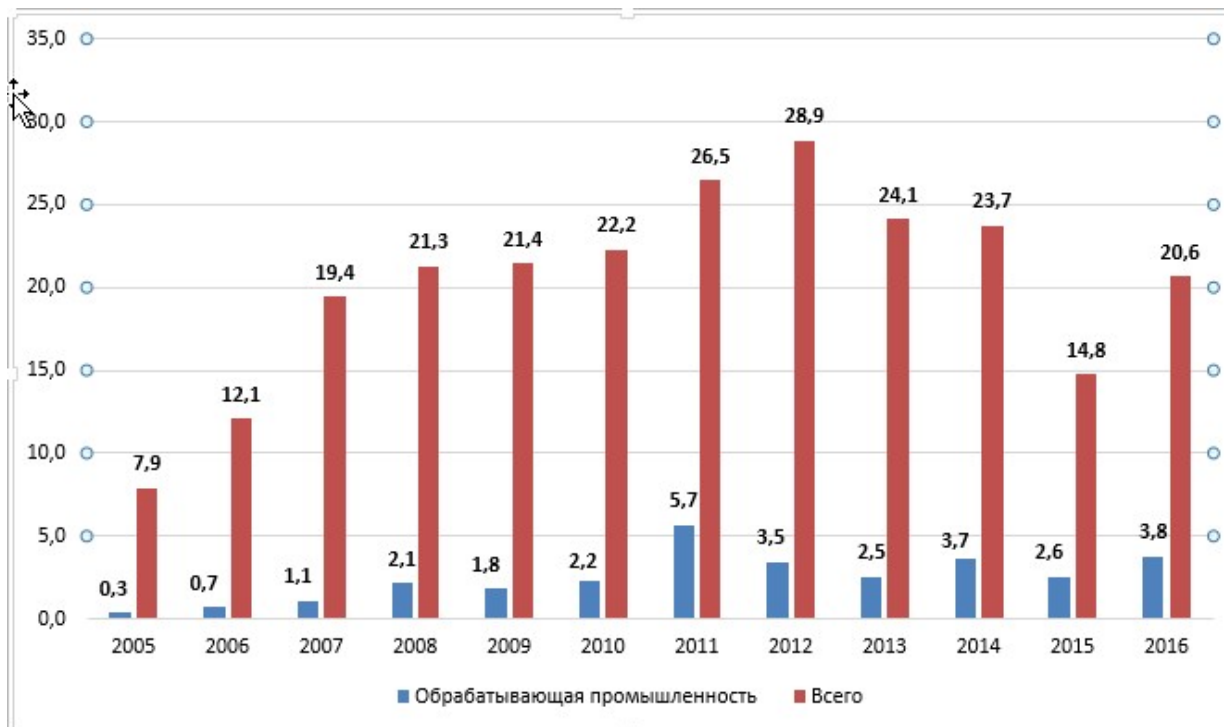
Overall, FDI in mining and quarrying have declined by 58 %, in wholesale and retail trade by 46.7 % (USD 1.3 billion less), and in geological exploration and survey activities by 5.1 % (USD 295 million less). At the same time, the share of manufacturing industry in total FDI flows is growing but still remains small (Fig. 3).

Economic diversification is one of the priorities of the country's development.

In order to diversify the economy, the Government of the Republic of Kazakhstan is taking measures, including various documents of the State Planning System, and namely: Kazakhstan 2050, the Strategic Development Plan of the Republic of Kazakhstan until 2020, the Government Programme of Infrastructure Development Nurly Zhol for 2015-2019, 100 Concrete Steps National Plan, the Government Programme of Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019, the Government Programme of Agricultural and Industrial Complex Development.

Fig. 3

Amount of FDI in the Republic of Kazakhstan from 2005 to 2016  
(USD billion)



Source: the National Bank of the Republic of Kazakhstan, 2017.

Moreover, the Strategic Development Plan of the Republic of Kazakhstan until 2020 states that the implementation of programs for the development of competitive and diversified economy need further continuation.

As shown in Figure 3, the portion of manufacturing industry in total FDI inflows is increasing but still remains small. Thus, the share of the manufacturing industry has increased from 4.4% in 2005 to 18.4% in 2016.

There is a high volatility of reinvestment in the Republic of Kazakhstan. At the same time, investors prefer to invest their revenues to new projects in the commodity sector.

As you can see in the next Figure, the main part of the gross inflow of FDI belong to debt instruments, the share of which decreased from 80.6% in 2005 to 51.4% in 2016. At the same time, it is noticeable that the share of instruments of capital participation and reinvestments increases every year. Thus, the share of capital participation instruments increased from 16.8% in 2005 to 24.8% in 2016. The share of reinvested earnings increased from 2.6 % to 23.8 % over 2005-2016 (Figure 4).

Figure 4

Break down of gross FDI inflow:



Source: the National Bank of the Republic of Kazakhstan, 2017.

It should be noted that reinvestments in the Republic of Kazakhstan demonstrate high volatility: the portion of reinvested earnings in FDI inflows grows, and then falls steeply. For example, if in 2014 this indicator amounted to 21%, then in 2015 (-1.8 %) and in 2016 again it increased to 23.8 %. In general, over 2005-2016 the average value for this indicator is 10.4%, while the world average is 30-35%.

The low level of country indicator is explained by investors' preferences in relation to industry and raw materials.

Besides, the low portion of reinvested earnings may indicate problems with retaining existing foreign investors thereby affecting their ability to continue and expand activities in the country.

Large-scale investments inflow in the real sector of the economy of the Republic of Kazakhstan is one of the determining conditions for development.

In general, great efforts should be taken in order to attract efficiency-oriented investments for economy diversification. This type of investments is a source of capital ; it promotes the active transfer of technology and knowledge, as well as export diversification, the growth of global competitiveness of the host economy and the creation of new high quality jobs in the country.

The portion of efficiency oriented FDI in the Republic of Kazakhstan remains low.

The structure of FDI flows in the Republic of Kazakhstan has not significantly changed over the past decade. Thus, according to the methodology of the World Bank ( Fig. 5):

from 55 % to 78 % of FDI are concentrated in extracting sectors, including related services, such as geological exploration;

from 19 % to 36% of FDI are concentrated in market-oriented sectors, such as financial, insurance, and retail sectors;

only from 2 % to 17% of FDI are concentrated in the industry generating high added value, and in particular, in the metal industry.

Figure 5

The FDI types in respect of the investors' motivation in the Republic of Kazakhstan (in respect of portion)



Efficiency-oriented, market-oriented, natural-resources-oriented (% portion of the total amount)

Source: National Bank of the Republic of Kazakhstan, 2017, calculation by the World Bank Group

It should be noted that the decrease of investments has occurred also in the industries having a significant state participation.

The portion of the public sector in the economy remains high.

The ratio of gross value added, controlled and indirectly controlled by the state, organizations, to GDP for 2014 amounted to 21.1 %, and for 2015 - 19.1 %.

It should be noted that in most OECD countries the level of state participation in the national economy is on average 15% of GDP.

To resolve this issue, in 2014 the Government of the Republic of Kazakhstan announced a large-scale privatization of legal entities with the participation of the state and their affiliates. In total, 878 legal entities with the participation of the state and national holdings subsidiaries in the amount from USD 4 billion to USD 7 billion shall be sold during the period from 2016 to 2020, and out of them:

1) 68 big companies (top-68), out of them 14 institutions of republican ownership, 1 institution of communal ownership, and 53 institutions of national managing holdings;

2) 168 institutions of JSC National Wealth Fund Samruk Kazyna, which are not included in top-68;



3) 50 institutions of republican ownership and 440 institutions of communal ownership;

4) 152 institutions of national managing holdings, national holdings, national companies, including social entrepreneurship corporations.

There are certain sectors which are marked as the most profitable to attract new efficiency-oriented investments.

In general, there are two groups of sectors to proactively attract investments that fulfill the export potential of the Republic of Kazakhstan.

Group I - Sectors with Existing Potential: food industry, advanced oil, gas and minerals processing (metallurgy, chemistry and petrochemistry), and also mechanical engineering. Group I consists of sectors in which it is possible to promote efficiency-oriented FDI in the short or medium term perspectives. These sectors are the sources of competitive advantages of the Republic of Kazakhstan and will attract the FDI, which will use Kazakhstan as a production base for exports. Awareness-raising will proactively target these sectors, as well as improving the number and quality of local suppliers.

Group II Promising Sectors: Information and communication technologies (ICT), tourism and finance. This group consists of sectors in which investor can be interested in long term perspective. In cases of increasing competitive advantages of the country and increasing the scope of the market, these industries can demonstrate good potential for attracting investment and increase export potential (for example, increasing the number of tourists in tourism sector; the successful functioning of the Astana International Financial Center (AIFC) in the financial sector, building up a critical mass of experts in this field for ICT sector). These industries show a strong global demand for new investments and can potentially provide high returns for the country. However, currently they do not offer sufficient advantages to foreign investors:

the major obstacles to attracting investment to ICT sector are the following: the lack of skilled labour force, limited infrastructure, shortcomings in the legislation, including in the area of PPP and others;

the tourism industry does not demonstrate a significant growth, since the main problems impeding the development of the sector are connected with the underdevelopment of tourism infrastructure, the high cost of air transportation in international directions and the low level of services provided by local companies;

if the AIFC is successfully developed as a regional financial hub, the country's financial sector will become more attractive for foreign investment. Advanced standards, English law, attracting international staff will have the effect of the overflow on the financial sector through the retransmission of improved standards and technologies.

With regard to the sectors of groups I and II, it is important to effectively advertise the investment advantages (value proposition) offered by the Republic of Kazakhstan aimed at improving efficiency.

It is necessary to determine competitive advantages in comparison with other regional competitors.

In this regard, it is necessary to implement measures to adjust and improve sectoral policies and regulatory framework in order to eliminate existing investment barriers. The development of sectoral policies should be carried out by concerted efforts of the main stakeholders in order to continuously improve the proposed sectoral benefits which the Republic of Kazakhstan is ready to offer to potential investors.

Determining a list of priority countries for attracting investments in selected groups of industries, as well as increasing the volume of reinvestment is the first step in the process of identification of target foreign investors.

Based on their geopolitical and economic conditions of cooperation with the Republic of Kazakhstan, the following clusters were identified:

EAEU member states and large investors in the Republic of Kazakhstan at the same time;

Asian countries that own capital and technology in the world and also have large assets in the Republic of Kazakhstan;

OECD member- and partner-countries - owners of capital and technology;

Middle East countries - owners of capital.

As a result, a target list of countries that meet most of the criteria in the target FDI industries has been formed. The historical backgrounds of the cooperation used as criteria are as follows:

FDI international investment position;

number of legal entities in the Republic of Kazakhstan with foreign participation;

trade turnover;

compliance with the previously selected sectoral priorities.

At the same time, a special priority is given to those countries that are in the top 30 by all criteria (see Table 1).

Table 1

The List of countries which meet most of the criteria in the FDI target industries

Country	Assets (FDI) of the country in Kazakhstan (as of 01.01.2017)	Number of enterprises with capital in the RK (as of 01.05.2017)	Turnover (for 2016)	top 30 by criteria
EAEU				
RF	6th position (USD 4,3 billion or 3 % of total number)	1st position (12 579 or 31 % of total number)	1st position (USD 12.7 billion or 20 % of total number)	3

Asia				
China	8th position (USD 3,5 billion or 2 % of total number)	3rd position (2 853 or 7 % of total number)	3rd position (USD 7.9 billion or 13 % of total number)	3
Japan	9th position (USD 3,2 billion during the period from 2010 to 2016 or 2 % of total number)	47th position (82 or less than 1 % of total number)	12th position (USD 1.1 billion or 1.7 % of total number)	3
South Korea	10th position (USD 2.6 billion during the period from 2010 to 2016 or 2 % of total number)	8th position (1 011 or less than 2.4 % of total number)	19th position (USD 0.6 billion or 1 % of total number)	3
EU (OECD)				
USA (OECD country )	2nd position (USD 24 billion or 17 % of total number)	9th position (1 012 or 2 % of total number)	7th position (USD 1,9 billion or 3 % of total number)	3
France	3rd position (USD 13 billion or 9 % of total number)	30th position (224 or 1 % of total number)	6th position (USD 2.8 billion or 5 % of total number)	3
Germany	19th position (USD 0,4 billion or 0.3 % of total number)	5th position (1 442 or 4 % of total number)	8th position (USD 1.7 billion or 3 % of total number)	3
Great Britain	7th position (USD 3.8 billion or 3 % of total number)	11th position (859 or 2 % of total number)	14th position (USD 1.3 billion or 2 % of total number)	3
Austria	28th position (USD 0,1 billion or 0.1 % of total number)	29th position (224 or 1 % of total number)	35th position (USD 0.2 billion or 0.3 % of total number)	2
Italy	23th position (USD 0.2 billion or 0.1 % of total number)	20th position (363 or 1 % of total number)	2nd position (USD 8.3 billion or 13 % of total number)	3
Netherlands	1st position (USD 69 billion or 48 % of total number)*	7th position (1 173 or 3 % of total number)	4th position (USD 3.5 billion or 6 % of total number)	2
Poland	32nd position (USD 0.1 billion or 0 % of total number)	32nd position (209 or 1 % of total number)	18th position (USD 0.8 billion or 1 % of total number)	1
Spain	33rd position (USD 0.1 billion or 0 % of total number)	40th position (94 or 0 % of total number)	12th position (USD 1.4 billion or 2% of total number)	1
Middle East				
UAE	13th position (USD 0.9 billion or 1 % of total number)	23rd position (280 or 1 % of total number)	25th position (USD 0.4 billion or 1 % of total number)	3
Kuwait	58th position (USD 0.009 billion or 0.1 % of total number)	97th position (7 or 0 % of total number)	89th position (USD 0.001 billion or 0 % of total number)	0

Qatar	35th position (USD 0,1 billion or 0.01 % of total number)	103rd position (6 or 0 % of total number)	75th position (USD 0.001 billion or 0 % of total number)	0
Iran	49th position (USD 0,015 billion or 0,0 % of total number)	14th position (544 or 1 % of total number)	20th position (USD 0.6 billion or 1 % of total number)	2
Saudi Arabia	29th position (USD 0.1 billion or 0.1 % of total number)	64th position (38 or 0 % of total number)	51th position (USD 0.04 billion or 0.1 % of total number)	1
Turkey (OECD country)	16th position (USD 0.5 billion or 0.4 % of total number)	2nd position (4 076 or 10 % of total number)	11th position (USD 1.5 billion or 2 % of total number)	3

\* it is not taken into account due to the fact that the Netherlands, being an offshore jurisdiction, is widely used in tax structuring.

The identification of priority countries is the first step in the process of identifying target foreign investors. The final goal is to select companies - potential investors which will be offered investment proposals, as well as to launch a negotiation mechanism.

It should be noted that at this stage of attracting foreign investment, it important to attract "high quality" investments, taking into account the listed criteria for the selected target countries, which will strengthen the connection of investment and innovation projects with the domestic economy.

#### **4. Goals, target indicators, objectives and indicators of achievement of the Programme implementation**

##### **4.1 Goals of the Programme**

Creating a favorable investment climate and attracting efficiency-oriented investments

##### **4.2 Target Indicators**

Ser. No	Target indicators	Unit of measurement	Source of information	Base year	Planned year	Years of implementation					Body in charge for fulfillment
				2016	2017	2018	2019	2020	2021	2022	
1	Gross inflow of FDI	% compar	Data from NB	100	102	104	109	113	118	126	MID, MNE, MFA, MF, ME, MA, MH, MLSP, MES, MDAI, akimats of regions

		ed to 2016 level									and cities Astana & Almaty, JSC NC KazakhI nvest ( a s agreed)
2	The ratio of gross FDI to GDP	%	Statistic al data	15,3	16	16,5	17	17,5	18	19	MID, NB (as agreed), MNE, MFA, MF, ME, MA, MH, MLSP, MES, MDAI, akimats o f regions and cities Astana & Almaty, JSC NC KazakhI nvest ( a s agreed)
3	FDI inflow to the manufa cturing industry	% compar ed to 2016 level	Data from NB	100	105	110	120	130	140	150	MID, MNE, MFA, MF, ME, MA, MH, MLSP, MES, MDAI, Akimats o f regions and cities Astana & Almaty, JSC NC

												KazakhInvest (as agreed)
4	The amount of investments in fixed capital of the non-oil sector of the economy (except for the state budget)	% compared to 2016 level	Statistical data	100	103	106	113	123	134	146		MID, MNE, MFA, ME, MA, MH, MLSP, MDAI, Akimats of regions and cities Astana & Almaty, JSC NC KazakhInvest (as agreed)
5	Volume of foreign investments in fixed capital of non-oil sector of economy	% compared to 2016 level	Statistical data	100	103	107	115	130	140	150		MID, MNE, MFA, MF, ME, MA, MH, MLSP, MDAI, Akimats of regions and cities Astana & Almaty, JSC NC KazakhInvest (as agreed)

### 4.3. Objectives

To achieve the goals and target indicators of the Programme, the work will be carried out in the following three areas:

1. Improvement of the investment climate of the Republic of Kazakhstan.

2. Implementation of effective operational measures and development of new approaches to attract investment.

3. Compliance of the privatization plan and PPP mechanisms with the attracting foreign investment priorities.

**The first area: improvement of the investment climate of the Republic of Kazakhstan**

Within the framework of this area the following tasks will be solved:

1. Creation of favorable conditions for attracting investments

Table 1. Indicators of achievements

Ser. No	Description of achievement indicator	Unit of measurement	Source of information	Base year	Planned year	Years of implementation					Body in charge
				2016	2017	2018	2019	2020	2021	2022	
1	The regulation of FDI: impact on business GCI WEF	position	GCI WEF	92	91	90	85	80	75	70	MID
2	Partnership between Employers and Employees GCI WEF	position	GCI WEF	60	59	58	56	53	49	45	MLSP
3	Complexity of Administrative Regulation GCI WEF	position	GCI WEF	38	36	34	32	31	30	29	MNE
4	Index of restrictions for FDI (1= closed, 0= open)	Index	OECD	0,215	0,210	0,205	0,195	0,180	0,160	0,150	MID

## 2. Enhancement of Investor's rights Protection

Table 2. Indicators of achievements

Ser. No	Description of achievement indicator	Unit of measurement	Source of information	Base year	Planned year	Years of implementation					Body in charge
				2016	2017	2018	2019	2020	2021	2022	
1	Portion of issues resolved in favor of investors based on the results of their appeal within the CRM System, JSC NC Kazakh Invest	%	Data from JSC NC Kazakh Invest	-	-	90	90	100	100	100	MID
2	Protection of investors GCI WEF	position	GCI WEF	25	25	24	24	23	22	21	NB (as agreed), SC (as agreed) MID, MNE
3	Independence of Court Processes GCI WEF	position	GCI WEF	68	67	66	63	60	55	50	SC (as agreed)
4	Rights Protection Index GCI WEF	position	GCI WEF	86	85	84	83	82	81	80	NB (as agreed), MF, MNE
5	Protection of Minority Shareholders' Interests	position	GCI WEF	65	64	63	62	61	60	59	NB (as agreed), MNE,



	GCI WEF										MJ, MID
6	Investor Confidence Level	%	Enquiry by JSC NC Kazakh Invest	-	-	50	55	60	70	80	MID
7	The Effect of Taxation on the Intention to Invest GCI WEF	position	GCI WEF	57	55	53	48	42	35	28	MNE, MF
8	Taxation. The World Bank's Doing Business rating	position in rating	World Bank	60	59	57	55	50	45	40	MF, MNE

3. Improving trade logistics and developing supply chains between foreign investors and local companies.

Table 3. Indicators of achievements

Ser. No	Description of achievement indicator	Unit of measurement	Source of information	Base year	Planned year	Years of implementation					Body in charge
				2016	2017	2018	2019	2020	2021	2022	
1	Logistics performance index (LPI)	position	Index of the World Bank	77	76	73	70	67	64	60	MID
2	Foreign Market Index GCI WEF	position	GCI WEF	47	46	45	43	41	38	35	MNE, MID, MA
	Quality of Suppliers in the										MID, JSC NADLoC (as agreed),

3	Domestic market GCI WEF	position	GCI WEF	97	96	95	90	84	77	70	NCE Atameken (as agreed)
4	Number of Suppliers in the Domestic Market GCI WEF	position	GCI WEF	113	112	111	107	100	90	80	MID, JSC NADLOC (as agreed), NCE Atameken (as agreed)
5	Agreements on service support to foreign investors on building production and sales relations with local companies	Total number	Administrative data from MID	-	2	5	7	9	12	15	JSC NC KazakhInvest (as agreed)

Second area: implementation of efficient operational measures and development of new approaches to attract investment

Within this area the following objectives will be achieved:

4. Improvement of institutional mechanisms for attracting, guiding and supporting investors

Table 4. Indicators of achievements

Ser. No	Description of achievement indicator	Unit of measurement	Source of information	Base year	Planned year	Years of implementation					Body in charge
				2016	2017	2018	2019	2020	2021	2022	
	Prepared investment proposals for potential	Unit		-	50	50	70	100	150	200	
		USD billion	Administrative data	-	0,5	1	1,5	2,25		5	JSC NC KazakhInvest (

1	investors		from MID						3,5		as agreed)
2	Announced projects in priority sectors with the participation of foreign investors	Total number		-	10	16	25	33	43	53	MID, ME, MA, MIC, MH, MES, Akimats of regions and cities Astana & Almaty, JSC NC Kazakh Invest (as agreed)
		USD billion	Administrative data from MID	-	0,5	1	1,2	1,5	2	2,5	

## 5. Development of proactive approaches to attracting and retaining investments.

Table 5. Indicators of Achievements

Ser. No	Description of achievement indicator	Unit of measurement	Source of information	Base year	Planned year	Years of implementation					Body in charge
				2016	2017	2018	2019	2020	2021	2022	
1	Number of transnational companies involved in the processing sector	Total number	Administrative data from MID	-	7	14	22	31	41	52	MID, ME, MA, MIC, MH, MES, Akimats of regions and cities Astana & Almaty, JSC NC Kazakh Invest (as agreed)

2	Number of established joint ventures with anchor investors' in priority sectors	Total number	Administrative data from MID	-	2	4	6	9	12	15	MID, ME, MA, MIC, MH, MES, Akimats of regions and cities Astana & Almaty, JSC NC Kazakh Invest (as agreed)
3	Foreign investors who left the Kazakhstan market due to unfavorable circumstances of the investment climate	Unit	Data from JSC NC Kazakh Invest	-	-	5	3	1	0	0	JSC NC Kazakh Invest (as agreed), MID, MNE, MF, ME, MA, MKS, MIC, Akimats of regions and cities Astana & Almaty
4	The volume of reinvestments to the economy of Kazakhstan by existing foreign investors	% versus the 2016 level	Data from NB	100	101	103	107	110	115	120	MID, NB (as agreed), JSC NC Kazakh Invest (as agreed)

Third area: compliance of the privatization plan and public-private partnership mechanisms with the priorities of attracting foreign investments

Objective to be addressed within this area:

6. Ensuring the participation of foreign investors in the privatization process

Ser. No	Description of achievement indicator	Unit of measurement	Source of information	Base year	Planned year	Years of implementation					Body in charge
				2016	2017	2018	2019	2020	2021	2022	
1	Number of privatization facilities which were sold to foreign investors	% of the total number of privatized facilities	JSC AO NWF Samruk Kazyna	-	-	15	33	33	-	-	JSC NWF Samruk Kazyna (as agreed)

7. Attracting investments to PPP projects.

Table 7. Indicators of achievements

Ser. No	Description of achievement indicator	Unit of measurement	Source of data	Base year	Planned year	Years of implementation					Body in charge
				2016	2017	2018	2019	2020	2021	2022	
1	PPP projects with FDI	Unit	Data of MNE	-	2	3	5	15	20	30	JSC NC Kazakh Invest (as agreed), MID, MNE, MES, MH
		USD billion		-	0,2	0,5	0,7	1	1,5	1,8	

**5. Main areas, ways to achieve the goals and objectives of the Programme, and appropriate measures**

The key bodies implementing the Programme are the following: the Government Council on attracting investors (Investment Headquarters) (hereinafter - the Council) and the Ministry for Investments and Development of the Republic of Kazakhstan.

At the same time, the membership and functions of the Council will be expanded.

It is therefore proposed to nominate to the Council the representatives of key state bodies, public organizations, business communities, business associations.

At the same time, the Council will continue to operate under the chairmanship of the Prime Minister of the Republic of Kazakhstan, in its activities it will be governed by the Constitution of the Republic of Kazakhstan, laws and other legal acts of the Republic of Kazakhstan, as well as its position.

The Ministry for Investments and Development of the Republic of Kazakhstan will be the working body of the Council.

Moreover, the Council will develop proposals in the following areas:

- overall monitoring of Programme implementation and regular recording of achievements;

- protection of the rights and interests of foreign investors, improvement of the legal framework of the Republic of Kazakhstan regarding investment policy;

- systemic issues of investors related to tax, customs and migration laws;

- challenging issues of investment projects in cooperation with the Investment Ombudsman;

- involvement of foreign investors in the development of legal acts addressing the interests of investors and taking into account international experience;

- the choice of effective negotiation tactics in relation to the priority countries-investors;

- removal of restrictions that prevent attracting investment to the regions, etc.

The monitoring and evaluation system, which is an integral part of the Programme, will form the basis for Programme management and achievement monitoring.

Compliance with the fundamental principles of the Programme

The programme is based on four fundamental principles that are crucial for its successful implementation at all stages of attracting, supporting and retaining investments.

1. Transparency and appropriateness of decisions of the Government of the Republic of Kazakhstan. There is a need to make the activities of public authorities more transparent, especially when interacting with investors. The actions of the Government of the Republic of Kazakhstan will be substantiated by empirical observations and data, i.e. the decisions and actions related to the attracting investments will be based on high-quality industry analytics, and regulatory instruments will undergo special regulatory impact assessment.

2. Private sector involvement. The private sector will be involved in the development and implementation of public investment policies. This requires to strengthen the role of industry associations as public-private dialogue platforms (economy-wide and/or sector-specific), along with a new culture of dialogue with the private sector and joint decision-making. For example, the Government of the Republic of Kazakhstan will not only publish information on proposed laws and regulations, but will also actively request a constructive assessment of the initiatives from the private

sector. Other stakeholders will be involved as needed to improve the investment climate.

3. Focus on result. Monitoring and evaluation of the implementation of the Programme will be ensured in an appropriate manner. It is planned to develop and introduce a set of key performance indicators (hereinafter - KPIs) to assess the economic impact of the measures and reforms, as well as to ensure the effective implementation of monitoring and evaluation, which will be crucial for the implementation of the Programme. Public policies, programmes and reforms are often ineffective due to shortcomings in the implementation process. To ensure the high-quality implementation of activities related to key reform initiatives, effective feedback mechanisms will be developed, which allow receiving timely comments from investors about the current situation and the quality of implemented measures. Based on the information received, corrective actions will be taken as necessary. Particular attention will be given to a rigorous and empirical evaluation of Programme implementation measures to improve their effectiveness.

4. Efficient coordination of central governments (hereinafter – CGs) and local governments (hereinafter- LGs). Insufficient coordination and exchange of information between CGs and LGs is often the reason of inefficient implementation of state regulatory policy. Inconsistency and incoherence of state regulatory policy are the main causes leading to the creation of an unpredictable investment environment for investors. In this regard, the procedure of interaction of the Ministry for Investments and Development of the Republic of Kazakhstan and JSC National Company Kazakh Invest (hereinafter – Kazakh Invest) with all CGs and LGs with clearly defined regulations and areas of responsibility will be developed and approved.

### **5.1. First area: improvement of investment climate in the Republic of Kazakhstan**

The main objective of this Programme is to create favorable conditions for attracting and retaining investments, promoting the economic activity and development of the manufacturing sector in the Republic of Kazakhstan.

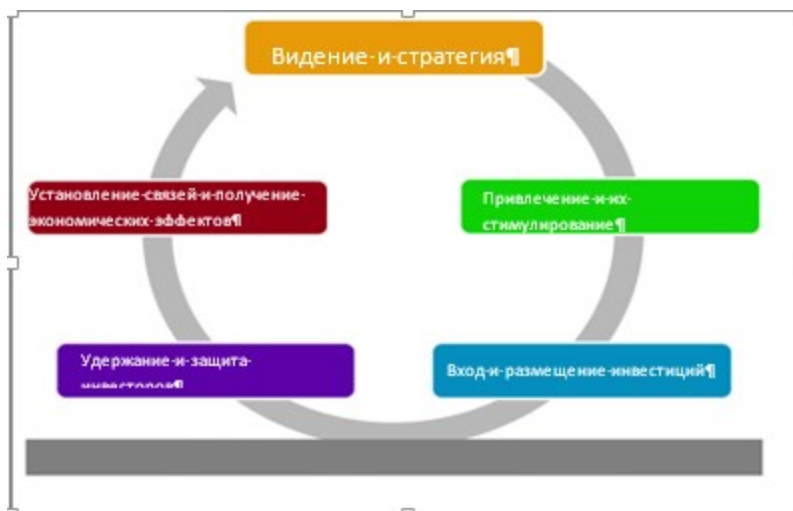
To become one of the 30 most competitive countries in the world by 2050, the Republic of Kazakhstan is carrying out large-scale reforms aimed at improving the business environment and strengthening the economic effect of investments oriented towards export and diversification. In the State of the Nation Address dated January 17, 2014 Kazakhstan – 2050: Common Goal, Common Interests, Common Future, the President of the Republic of Kazakhstan Nursultan Nazarbayev set a goal of introducing a number of OECD principles and standards to increase investments to the Republic of Kazakhstan.

Thus, the measures of the Programme for the Improvement of Investment Climate of the Republic of Kazakhstan include recommendations that were given in the context of the first and second reviews of the OECD investment policy in 2012 and 2016.

In order to achieve the best economic effect from efficiency-oriented FDI, it is necessary to bring the Investment policy framework in conformity with the specific requirements of this type of FDI at all stages of the investment life cycle. FDI should not be viewed as a one-time transaction between the Government and individual foreign companies, but rather in the context of the development of long-term production and economic relations between different stakeholders at different stages of a foreign investor's activity in the country. The life cycle of FDI begins with the determination of country's overall investment concept and priorities. This is followed by the stages of attracting, entering and placing, as well as retaining investments through effective investment protection measures. With the right approach to interaction with the investor, it is possible to establish sustainable production relationships with local suppliers and customers, which have an additional effect on the economy.

Figure 6

Structure of investments life cycle



Source: The Works Bank Group

### 5.1.1. Creation of favourable conditions for attracting investments

#### Increasing transparency of investment activity regulation

Improving the institutional environment, increasing the transparency of the predictability of the state's investment policy are key factors in strengthening investor



confidence. In this part, the work will continue to further improve the legislation and its administration, as well as to strengthen the mechanisms of interaction with the investment community.

At the same time, the translation into English of a large base of regulatory documents governing the state's investment policy will be organized and implemented. Besides, the wider involvement of the private sector in the development of legal acts regulating investment activities will be ensured on a systematic and transparent basis. The publication of draft laws, including in English, will be carried out with arrangement of open hearings.

### **Transparent and effective investment promotion regime**

An investor implementing an investment project in the Republic of Kazakhstan can be currently granted with investment preferences in the form of exemption from customs duties and value added tax on imports, Government grants-in kind, and tax preferences.

At the same time, the analysis for 2016, taking into account the new package of incentives, showed that investment contracts have not become a real tool in attracting investments to the priority sectors of the economy. A number of regulatory and administrative barriers to attracting and retaining investment in the country were identified.

To address the challenges of improving the investment climate, the issue of enhancement of the legislation related to entrepreneurship and taxation will be worked out.

A facilitated access to relevant information on existing preferences for investors in the English language will be provided through the regular publication of a list of all investment preferences proposed at the national and regional levels. This includes the publication of complete and detailed up-to-date information on the official Internet resource. The procedures and conditions for granting all investment preferences will be transparent and publicly available. In addition, a model investment contract will be made and posted in English.

The process of granting and implementation of investment preferences will be provided with a description of the role of CG and LG. For this purpose, the work will be done to revise the legislation in relation to duplicating functions of state bodies involved in the granting of preferences with a view to their reduction and elimination.

### **Facilitation of access to the country market and placement of foreign investments**

Facilitation and placement of foreign investments, as well as availability of highly skilled labour force in the Republic of Kazakhstan are important factors for attracting investments.

A number of important initiatives have been undertaken, such as the creation of a 'Single Window' for foreign investors under the Ministry for Investment and Development of the Republic of Kazakhstan. The Republic of Kazakhstan continues the work aimed to facilitate the regime for issuing visas and work permits for foreign experts, expanding the list of countries for visa-free entry, exemption from the requirements for obtaining quotas and work permits for foreign individuals working at enterprises that have concluded an investment contract for the implementation of priority investment projects.

For the purpose of increasing the flow of foreign investments, technologies and innovations, the country will continue taking actions to remove barriers and restrictions

### **Visa regime and work permit**

Restrictions on the visa regime can result in the lowering of competitiveness of the Republic of Kazakhstan in attracting the labor resources needed to create a favorable investment environment.

Restrictions in the visa regime can result in the decrease of competitiveness of the Republic of Kazakhstan in attracting the labour forces needed to create a favorable investment environment.

Given the challenges of technological modernization and economic development, it is necessary to take measures to further improve the visa regime for competent and in-demand human resources, business representatives and investors. Work will, thus, be undertaken to reduce restrictions on employment and facilitate migration procedures in order to attract highly skilled executive and scientific and technical personnel.

The issue on comprehensive evaluation of the procedures and rules for issuing work permits to foreign nationals in the FDI-targeted sectors of the economy will be defined. As a result of the evaluation, there will be taken measures to improve the visa and migration regime.

At the same time, burdensome requirements for intra-company transfers of foreign experts will be eliminated, qualification requirements (provision of diplomas, certificates, etc.) for technical specialists who in fact have sufficient experience in their professional field will be simplified, and this fact can be confirmed by an official letter from the enterprise engaging this expert.

The measures taken to improve the visa regime and issue work permits to foreign citizens will provide additional opportunities for the business community of the country to establish cooperation with the outside world and facilitate contacts between our citizens and foreign partners in various areas of activities.

### **Development of Special Economic Zones**

The experience of developed and developing countries shows that the establishment of special economic zones (hereinafter - SEZ) is one of the effective forms of incentives for investment activity in the region.

To date 10 SEZs of manufacturing industry been established in Kazakhstan.

About KZT275 billion have been invested in the infrastructure of 10 SEZs, the infrastructure of 5 SEZs (Ontustik, Burabay, Saryarka, ITP, Khorgos) has been fully constructed, and the infrastructure of other SEZs is in different stages of construction.

157 projects (32 of them with foreign participation) were launched on the territory of SEZ, KZT651 billion have been invested this year and it is planned to launch 24 more projects for KZT100 billion:

- 1) Astana-New City SEZ (2002-2027); focus: construction, mixed;
- 2) Khorgos – Eastern Gate SEZ (2011-2036); focus: logistics, mixed;
- 3) Ontustik SEZ (2005-2030); focus: textile;
- 4) Taraz Chemical Park SEZ (2012-2037); focus: chemistry;
- 5) Innovation Technology Park SEZ (2003-2028); focus: ICT and R&D;
- 6) Saryarka SEZ (2011-2036); focus: metallurgy and heavy engineering industry;
- 7) Pavlodar SEZ (2011-2036); focus: chemistry and petro-chemistry;
- 8) Burabay SEZ (2007-2017); focus: tourism;
- 9) Seaport Aktau SEZ (2003-2028); focus: petro-chemistry and petroleum equipment, logistics;
- 10) National Industrial Petrochemical Technopark SEZ (2007-2032); focus: chemistry and petro-chemistry.

The SEZ special legal regime in the Republic of Kazakhstan provides for customs relief, various tax benefits, simplified procedure for access to the SEZs territory, as well as a simplified procedure for engaging foreign labour force.

The following preferences are provided for participants of all SEZs:

- exemption from corporate income tax;
- exemption from land tax;
- exemption from property tax;
- exemption from value added tax on the sale of goods on the territory of the SEZs, which are fully consumed in the production process.

There are additional tax benefits for the participants of the Innovation Technology Park SEZ, e.g. an exemption from social tax; and also, a provision for principle of extraterritoriality.

Nevertheless, the analysis of law enforcement practice in the Special Economic Zones revealed a number of system-related barriers impeding the development of SEZs capacities.

To date, investors on the SEZs territory face the following challenges:

1) the SEZ infrastructure development is rather slow. The average term for the construction of infrastructure in the Republic of Kazakhstan is more than 5 years. In the world practice it is 2-3 years (UAE, Poland, and China). As it is noted in the Government Programme of Infrastructure Development Nurly Zhol, the development of industrial infrastructure is a precondition for effective operation of the SEZs and industrial zones.

2) low occupancy rate and weak operational efficiency of management bodies (managing companies). Today there are available 1417 hectares of land plots with a ready infrastructure on the territory of all SEZs.

3) problems related to the use of SEZ benefits due to complex administration;

4) sectorial limitations on the SEZ territory. Today the procedure of expansion of priority activities is a complex and rather long process (on average, it takes from 6 months to 1 year).

5) process of land registration in the regions takes a long time. The obtaining permits under the general rules also increases the duration of project, while according to world practice, the SEZ regime should provide for a special facilitated regime;

6) social tax exemption for the Innovation Technology Park SEZ (ITP SEZ) is inefficient due to the impractical requirements;

7) restrictions on accessibility to the SEZs at the stage of creating infrastructure for new participants.

Given the above, the Ministry for Investments and Development of the Republic of Kazakhstan will work to eliminate them by improving the legislation.

### **Development of industrial zones**

One of the effective tools for development of small and medium-sized businesses, as well as the enhancement of production is the creation and development of industrial zones (hereinafter - IZs).

IZs allow both enterprises and the state to significantly reduce the cost of engineering infrastructure.

The analysis of international practices in the creation and operation of IZs, which has been made to date, showed that IZs, as a rule, are industrial and industrial parks.

According to the world practice, along with IZs in production, IZs are actively developed in the field of logistics, tourism, trade and IT-industry (technoparks). In addition, private IZs function successfully, where the state budget costs are minimal.

Today there are more than 20 industrial zones with ready-made infrastructure in the Republic of Kazakhstan, out of them 4 IZs are private. 9 IZs are under construction in South Kazakhstan, East Kazakhstan, and Kostanay oblasts and in Almaty city. Another 13 IZs are at the design stage.

In total, KZT 53.1 billion were allocated from the Republican budget to develop IZs. 113 manufacturing facilities with investment of about KZT 100 billion have been launched in IZ territories. About 7 thousand permanent jobs have been created.

It is necessary to note a high potential of the IZs which are planned and under construction. There are about 218 investors who are ready to place their projects with the prospect of creating about 20 thousand new jobs.

An analysis of domestic IZs activities was carried out with visits to the regions to identify problematic issues that impede their further development (South Kazakhstan oblast, Almaty oblast, Kyzylorda oblast, Atyrau oblast, Aktyubinsk oblast), and in particular:

1) conditions of allocation and withdrawal of land for IZs are the not regulated at the legislative level;

2) mechanisms of interaction between IZs participants and service companies providing maintenance services to IZs infrastructure, which would minimize the dependence on such investors companies, including the formation of tariffs for utilities.

Therefore, a draft Law of the Republic of Kazakhstan on Special Economic and Industrial Zones aimed to address the systematic problems of the IZs development and creation was developed taking into account the analysis findings, the world practices, and domestic experience.

The draft law provides for:

1) determination of a single authorized state body – the Ministry for Investments and Development of the Republic of Kazakhstan on the state policy of creation and functioning of IZs. Today, the functions of the Ministry for Investments and Development of the Republic of Kazakhstan include the implementation of the programme of industrialization and attraction of investments.

2) Determination of implementation functions for the M&E, as well as the Single Coordination Center (hereinafter - SCC), identified by the Decision of the Government of the Republic of Kazakhstan, which will analyze, monitor, and plan IZs and expertise projects;

3) establishing effective mechanism for financing the construction of infrastructure of public and private IZs;

4) establishing a simplified mechanism for granting, withdrawal and return of land plots (in order to avoid previous errors in the SEZs, it is proposed to consider the issue of withdrawal of land which is used irrationally);

5) defining the functions of IZ managing companies in terms of management, selection and distribution, issuance of documents for land plots and infrastructure management;

6) regulation at the legislative level of issues on the creation and functioning of private IZs..

Given the above, and taking into account the importance of moving to a new stage of industrialization, it is advisable to take into account all the mistakes and shortcomings made in practice. This allows improving the efficiency of IZs and achieving a number of objectives for the industrial and innovative development of the country, the development of small and medium-sized businesses, attracting investment and increasing the level of employment noted in the SPIID.

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8 of the President of the Republic of Kazakhstan dated August 1, 2014 № 874

### **5.1.2. Increase in the level of investor's rights protection**

Investment protection is a key aspect in the work aimed at investments increasing and retaining. In particular, proper implementation of basic guarantees for the protection of investors' rights are deemed to be the priority. This includes protection from expropriation, ensuring compliance with the principles of justice and equity in investor relations, the most favored nation treatment, guarantees of free conversion and transfer of currency / capital and access to dispute settlement mechanisms.

#### **The mechanism of effective and rapid response to requests from investors for retaining the investments**

To further increase investor confidence and minimize the risk of disputes between investors and the state, as a result of non-fulfillment of obligations to protect the rights of investors, the following measures will be taken.

An effective mechanism has been developed for solving emerging problems, in particular, those related to the violation of the provisions of international investment agreements (hereinafter referred to as "IIA") prior to initiation of the court proceeding.

Appropriate tool will be developed for feedback with investors that will make it possible to settle the disagreements at the time of their occurrence. In addition, dispute settlements may occur at the level of investor interaction with KazakhInvest, through appeal to the investment ombudsman and / or the Board.

Kazakh Invest will develop a tool to trace the investors' problems, which will systematically identify investors' complaints, assess their sources, as well as quantify investments at risk, and the costs incurred by investors in connection with complaints. In addition, the electronic system of interaction with investors<sup>9</sup> will include a system of accounting for investment projects, status, development status and owners of these projects. The accounts will allow to assess the risks and possible losses connected with the closure of individual investment projects.

With due regard to the best international practice, mechanisms for managing investors' complaints and effective methods for solving problems will be introduced, supported by relevant technical and law enforcement potential at the highest level of the Government of the Republic of Kazakhstan. A coordination mechanism will also

be developed and implemented with other central government authorities (CGA) and local executive authorities (LEA) involved in consideration of, and making decisions on complaints.

Measures will be taken to raise investors' awareness of the existence of this mechanism, starting from the moment of entry and placement of investments (investor registration), throughout the investment life cycle, before the period of investment (reinvestment).

To implement these initiatives, it will be necessary to amend a number of legislative and subordinate regulatory legal acts.

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<sup>9</sup>IRM – investor relationship management system

### **National legislation coherence with international investment law**

The certain Work will be carried out to ensure the fulfillment of the international obligations of the Republic of Kazakhstan at all levels of the government bodies.

In addition, for this purpose, programs will be arranged to improve the skills and competencies of government officials.

### **Consistency between the IIA and the new regulation on the conclusion of international agreements aimed at promotion and mutual protection of investments**

Currently, it is necessary to introduce a coordination mechanism in the area of interaction between state bodies, as well as among various state bodies participating in the negotiations and IIA conclusion. Lack of such mechanism may lead to the loss of transparency and a proper understanding of the international obligations of the Republic of Kazakhstan.

It is proposed to develop "Common approaches to the conclusion of international agreements aimed at promotion and mutual protection of investments", which will determine the features and criteria for the conclusion of international agreements aimed at promotion and mutual protection of investments.

At the same time, the common approaches will provide for the main provisions of the IIA of the Republic of Kazakhstan, in particular:

- the purpose of the IIA conclusion;
- the scope of the IIA;
- conditions for investment and investor activities;
- envisaged investment protection for the investor;
- procedure for settlement of disputes between the IIA parties;
- general exceptions;
- other obligations and provisions.

Conducting a comprehensive analysis at the stage of the IIA conclusion will make it possible to provide for rationale of FDI attracting and taking the measures required to eliminate possible risks.

In addition, it is provided for to approve the permanent membership of the negotiating group, which will act under the Council.

In order to develop the effective state investment policy, measures will be taken to increase the professional competence of government officials for analytical support and effective use of the relationship between international obligations in the form of IIA, preferential trade agreements, double taxation avoidance agreements (hereinafter – “DTAA”, World Trade Organization agreements (hereinafter – “WTO”) and domestic legislation.

### **Improving the Dispute Settlement Mechanism**

In the event of disputes, transparency of procedures, consistency of court decisions and dispute settlement mechanisms, in general, provide a high level of predictability for existing and new investors.

To date, a number of legal and institutional reforms in the judicial system have been implemented. The Entrepreneur Code of the Republic of Kazakhstan entitles the enterprises to apply for assistance from Kazakhstan courts and provides a wide range of alternative dispute settlement mechanisms, including arbitration and mediation.

Also, starting from 2016, a special investment legal procedure has been created and is functioning. To settle investment disputes, a specialized judicial board has been formed in the Supreme Court, and a specialized board of judges has been formed in Astana court. In addition, on the AIFC platform it is planned to create a special regime for settlement of investment disputes with an autonomous judicial system based on English law. These decisions are important steps towards increasing the Republic of Kazakhstan attractiveness for investors.

Work on improving the judicial as well as out-of-court dispute settlement systems will be continued.

Reform efforts will be aimed at improving judicial practice in investment disputes and other disputes related to investment activities of investors, in particular:

measures to establish uniform practices in investment disputes have already been taken;

improved qualifications of judges in matters related to business activities have been improved - through additional training of judges in specialized economic and investment issues.

### **Increasing the transparency and predictability of tax administration for investors**

Kazakhstan’s tax regime is one of the key policy instruments affecting investment decisions, and in connection with this, the Government of the Republic of Kazakhstan, among other things, has concluded 52 DTAA with major trading and investment



partners. Such agreements play a significant role in the process of attracting and retaining investments.

Numerous changes in tax legislation should positively affect the investment attractiveness of the country. However, further improvements are required to increase the transparency and predictability of the rules for investors.

As a matter of priority, problems regarding the transparency and predictability of tax legislation, voiced by investors, will be solved.

DTAA versions in English also will be available. Currently, some agreements are only available in Kazakh or Russian, and it is difficult to access them.

The key problem consists in the lack of uniform application of tax legislation among central and regional tax authorities. In addition, there is no predictability in applying tax policies and strengthening control over decisions related to tax matters. These problems existence affects domestic as well as international taxation, corporate income and capital flows within and outside the country.

In this regard, following results of consultations with foreign investors, a number of measures will be developed and implemented on a unified approach to the application of legislation by government officials.

The Government of the Republic of Kazakhstan will play an important role in developing effective tax rules that will be clearly and objectively defined and explained in order to simplify their observance and prevent unnecessary disputes between taxpayers and tax authorities. In addition, tax administration will be improved, unnecessary rules and complex criteria will be eliminated, allowing them to subjectively interpret their meaning. They will be replaced by a system to allow investors to better understand the tax environment and reduce their concerns about the lack of equal conditions.

### **5.1.3. Improving trade logistics and developing supply chains between foreign investors and local companies**

#### **Improving trade logistics**

China's new initiative "One belt – One road", strengthening regional economic integration through the Eurasian Economic Union, Central Asian Regional Economic Cooperation (hereinafter – "CAREC") and joining the WTO open up new prospects for more successful economic integration of the Republic of Kazakhstan on a regional and global scale, and also positioning the country as a key trade and transit corridor between Asia, Europe and the Middle East.

Since investors need to reduce trade costs and reduce the time spent on customs procedures<sup>10</sup>, improving and simplifying the administrative border crossing procedures are the most important measures for the Republic of Kazakhstan in attracting efficiency-oriented investments.

The Government of the Republic of Kazakhstan is conducting a series of reforms in the field of international trade. As part of its WTO commitments, Kazakhstan is working on simplification of trade procedures in order to facilitate and expedite the customs release of goods and reduce trade costs. The WTO Trade Facilitation Agreement was ratified by the Republic of Kazakhstan in October 2015 and entered into force in February 2017.

In order to meet the challenges of attracting and retaining investments aimed at increasing efficiency and transforming the country into a center for regional transit, business and logistics, measures will be taken in the following three key areas:

international trade conditions will be improved by applying a differentiated approach to participants in foreign economic activity, speeding up customs procedures, enhancing the transparency, increasing the effectiveness of applying risk management, improving transit freedom and further harmonizing customs procedures at the level of the Eurasian Economic Union.

modernization of the trade and logistics infrastructure will be carried out with a focus on improving the competitiveness of the logistics sector in order to reduce costs and connect the regions of Kazakhstan with regional and international markets. Examples of international indicators that investors are targeting are: the World Bank Logistics Performance Index, the World Bank Enterprise Survey, or the Global Competitiveness Index of the World Economic Forum 2015-2016 for the quality of transport infrastructure.

3) measures will be taken to create intermodal infrastructure and logistics centers, stimulate the introduction of modern approaches to logistics and introduce international best practices, develop the multimodal transport industry and promote greater use of ICT and electronic data interchange systems.

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<sup>10</sup> Kazakhstan– 2050

### **Development of production tides and spillover effects for the national economy**

Objective of the Government of Kazakhstan on the FDI attracting and retaining consists in achievement of a higher level of positive economic benefits associated with such investments. Broadening and deepening of production and marketing linkages between FDI and local businesses is a key mechanism for the transfer of new technologies, innovations and best practices among local companies, as well as contribution to the sustainable long-term economic development.

In the Republic of Kazakhstan it is necessary to create a high-quality, international standard-compliant base of local suppliers in order to increase the attractiveness for new investors and investors aimed at a long-term presence in the country.

As a rule, production-and-market relations (value chain) between foreign investors and local companies do not appear immediately with the coming of the investor. The emergence and development of mutually beneficial cooperation are influenced by a wide range of existing restrictions and market imperfections faced by the investor, the local business community and the Government of the host country. All these factors form the economic potential of production-and-market relations in the context of regions, industries and value chains.

In this regard, a program to develop similar supply chain between foreign investors and local companies based on international best practice will be developed and implemented. The introduced approaches will be subject to the laws of the market and focus on the economic and technological opportunities in the priority sectors identified under this Program.

### **Local content requirements affecting supply chains**

As effective mechanisms are developed to protect local suppliers that meet WTO requirements in priority sectors with high export potential reflected in this Program, policies will be maintained where there are no mandatory local content requirements, including any targets or minimum thresholds for selecting suppliers of goods, services, personnel or sources of funding in the Republic of Kazakhstan. Efficiency-oriented investments are extremely sensitive to additional regulatory requirements that can reduce their competitiveness. Therefore, it is necessary to ensure compliance of regulatory practices with existing obligations of the Republic of Kazakhstan in the framework of international trade and investment agreements.

Creation of conditions and incentives improving the skills of workers, especially in the foreign language skills, primarily English will become the priority. Given the focus on global investor markets looking for efficiency, the strategic goal shall be to provide the local market with qualified workers with the English language skills.

In the meantime, the development and implementation of a supplier development program in priority sectors for FDI will contribute to the development of supply chain links with local suppliers. The supplier development program will form the basis of state policy for the development of supply chains.

The suppliers' database creation will be an important tool for providing partner search services, as well as reducing the costs for finding acceptable and economically viable conditions.

Development of support measures in targeted sectors for FDI, stimulating domestic investments in production modernization, introduction of new management models and professional development of personnel, compliance with international standards and certification will speed up the process of exit of Kazakhstan producers of goods, works and services to the international level. Obligatory conditions for this will be the motivation of foreign investors to purchase goods, works and services from local

suppliers and the development of these suppliers, including through training and improving the competencies of local companies.

Measures will be taken to facilitate market entry and investment by suppliers of internationally competitive goods and services, including market entry methods, by removing existing legal or administrative barriers and providing targeted support.

In all measures taken, the principles of best international practice in the field of accountability, non-discrimination, transparency and efficiency will be applied. Support will focus on more competitive local companies and will not depend on the size or country affiliation of the companies. Foreign investors will be the key stakeholders in the implementation of measures to create and develop value chains, providing consulting assistance in the design and implementation of programs, as well as ensuring the necessary market demand for manufactured products.

Kazakh Invest will play an important role in the development of value chain links between local companies and foreign investors, performing post-investment services and finding business partners for investors. Examples of such measures will include building up B2B contacts, developing databases of transnational corporations ( hereinafter – “TNC”) and local suppliers, jointly implementing vendor development programs, and promoting broader reforms, often in collaboration with other government agencies.

The measures taken will be consistent with the SPIID for 2015–2019 (in the area of industrial and cluster development) and the developing export strategy in order to ensure a more sustainable and long-term inclusion of Kazakhstani producers and exporters into global and regional value chains through well-established relations with leading foreign investors.

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<sup>11</sup>Type of information and economic interaction, classified by type of interacting entities.

## **5.2. The second area: implementation of effective operating measures and development of new approaches to attracting investments**

In order to attract new efficiency-oriented investments, together with the retention and expansion of current investments, the Government of the Republic of Kazakhstan will continue to improve the efficiency and effectiveness of measures taken to attract investments.

For investors focused on efficiency, the main priority is the competitiveness of the price of products on world markets. As a result, they choose those production sites for investment that provide the lowest final cost of production for export. Important factors in the formation of this price are the quality of the investment climate and ease of

trading, while for resource-based and market-oriented investors making a positive investment decision is generally sufficient to have a substantial resource base or to provide access to the domestic market to sell their products.

In view of the increasing global competition for investments between the countries, the Republic of Kazakhstan needs to be proactive in its approaches to successfully attracting such investors.

Attracting investments aimed at improving efficiency will require reforms, both in terms of improving the investment climate of the country as a whole, and in concrete changes in the operational processes of the investment attraction system.

The important directions of this process are the definition and transfer to the global investment community of information on the competitive advantages of the Kazakhstan economy, primarily for export-oriented investments.

In addition to attracting new investments, the system of attracting investments of the Republic of Kazakhstan should be focused on keeping current investors and expanding the additional effects of their investment activities.

#### **5.2.1. Improving institutional mechanisms for attracting, guiding and supporting investors**

##### **Development of national operator to attract investments**

In order to achieve its goals to attract investments, the Government of the Republic of Kazakhstan established a specialized national investment company, Kazakh Invest, with broad powers of a national operator to attract investments with a network of foreign representatives and regional branches. The control of Kazakh Invest will be carried out by the Board of Directors headed by the Prime Minister of the Republic of Kazakhstan.

The Kazakh Invest activities are aimed at assisting investment projects, including the provision of public services at all stages of the life cycle, from conducting initial negotiations in the host country and providing all the information necessary for the investor to make investment decisions, to the implementation of projects and subsequent maintenance.

In this context, Kazakh Invest will perform the following functions:

- a single negotiator representing the interests of the Government of the Republic of Kazakhstan when discussing the prospects and conditions for the implementation of investment projects;

- a single channel of access to the public services system, which includes both government support for investors in the form of investment preferences, and the issuance of various permits and approvals necessary for the further implementation of investment projects.

At the same time, the responsible state bodies will make decisions on rendering state services or setting reasons for refusal. Kazakh Invest on the principle of single

window will perform functions that eliminate or minimize the need for an investor in cooperation with representatives of state bodies of the Republic of Kazakhstan, for example, collect the necessary documents, represent the interests of the investor at meetings, issue permits, etc.

In order to carry out activities in accordance with international practice for attracting FDI, Kazakh Invest follows the following principles:

well-defined mandate and management structure, competent, motivated and well-trained staff;

members of the Board of Directors represent both the private and public sectors (the Board shall not only provide operational oversight of the activities of Kazakh Invest, but also provide support both in servicing investors and informing the global investment community about improvements in the investment climate);

internal processes are aligned with the business needs of investors;

Kazakh Invest in the management of its activities uses a medium-term plan for the promotion of investments, approved by the Council, as well as annual operational plans with a number of specific and tracked performance-oriented KPIs;

stable relationship with customers through the provision of services that meet international standards;

employees have an in-depth knowledge of the industries / market and a clear understanding of the investment promotion objectives;

Kazakh Invest has an attractive website containing all the necessary information about the conditions of doing business in the Republic of Kazakhstan;

there is a project management system for servicing investors, allowing investors to gain access to various government agencies on a “single window” basis.

### **Customer Relationship Management System IRM**

The IRM Client Relationship Management System (hereinafter – “IRM”), a single information platform for investors and entrepreneurs, containing complete, reliable and up-to-date information about investors, investment projects, production sites and information requests of potential investors, will be developed and launched, along with the principle of a "single window" based on Kazakh Invest will be automated.

The final results are the possibility of providing reference materials, ensuring the monitoring of the implementation of investment projects, the subsequent execution of agreements (follow-up) of officials and the complete elimination of the "loss" of any projects without a high-quality and full-fledged study until the start of implementation. In addition, this system will become a tool to monitor the reasons for the delay in the issuance of public services to investors, showing problem areas of our system, and provide an opportunity to effectively eliminate them.

For all parties responsible for working with investors, special virtual rooms will be created with up-to-date information on the progress of each investment project in the online mode.

### **Investor Confidence Survey**

In order to identify systemic preconditions that influence the topical issues in the investment project implementation, a survey of the trust and business needs of the investment community in the Republic of Kazakhstan will be conducted on an ongoing basis. The tools for identifying needs are field studies and surveys of investor confidence, and investor tracing system.

In order to obtain objective information about the problems of the investment community in the Republic of Kazakhstan, cooperation will be established with institutions that have information about current problems of investors in the Republic of Kazakhstan, such as the Investment Ombudsman, investor service centers (hereinafter –“ISC”) at akimats, the Council of Foreign Investors and the Council on Investment foreign institutions and associations of foreign countries in the Republic of Kazakhstan.

All components of investor relations (the investor confidence survey subsystem, monitoring the implementation of projects, information support for investors, etc.) will be combined into a single electronic system of interaction with investors.

Based on the results of the problematic areas assessing and understanding of the investors' needs, the Council will systematically make suggestions on how to improve investment legislation.

### **5.2.2. Development of a system for attracting investments in Kazakhstan**

Currently, a mixed investment management model is being introduced, when the role of the coordinating body in this area is assigned to the Ministry of Investment and Development of the Republic of Kazakhstan, and the authority to resolve practical issues of FDI is transferred to the established Kazakh Invest.

At the same time, other ministries and departments also take an active part in the process of attracting investments to the Republic of Kazakhstan. In general, the system of attracting investments in the Republic of Kazakhstan can be divided into 3 levels:

At the external level, the Ministry of Foreign Affairs of the Republic of Kazakhstan, investment advisers at foreign institutions of Kazakhstan and representatives of Kazakh Invest will work to spread image information about investment opportunities in the Republic of Kazakhstan, identify target investors, negotiate with potential investors, organize visits of investors to Republic of Kazakhstan.

To ensure effective work on attracting the foreign investment, it is practible to work with potential investors in the countries of their operation. In this regard, in addition to the use of the resource of the overseas institutions of the Republic of Kazakhstan, Kazakh Invest offices will be established abroad.

The tasks of the investment advisors of the Republic of Kazakhstan and the foreign representatives of Kazakh Invest in the context of attracting investments include:

identification of potential foreign investors in various sectors of the economy of the Republic of Kazakhstan;

holding meetings in the supervised region / country with companies of the governmental, non-governmental and corporate sectors;

3) organization of visits of potential investors to the Republic of Kazakhstan;

4) implementation of targeted informational work with investors and the organization of various events.

2. At the central level, the Ministry for Investments and Development of the Republic of Kazakhstan, as the authorized investment body, will determine the policy and strategy for attracting FDI, form the legislative framework in this area, coordinate the work of sectoral government bodies and organizations, along with monitoring the implementation of investment projects.

Kazakh Invest will act as a single negotiator on behalf of the Government of the Republic of Kazakhstan on issues of attracting investments, as well as servicing investors on the principle of "single window", ranging from the preparation of documents for issuing Kazakhstani visas to authorized bodies to permits, thereby ensuring the implementation of investment projects and prompt resolution of emerging issues.

Sectoral state bodies and organizations will determine priority areas / sectors for attracting foreign investments, make industry conclusions on the feasibility of implementing investment projects, send to the authorized investment bodies information on investment projects requiring foreign investments, information on current agreements and results of negotiations with foreign investors on investment projects.

For investments aimed at improving efficiency, it is important to provide access to consumer markets, convenient transport links, easy customs procedures and reliable logistics in all target industries.

In this regard, in order to eliminate existing barriers in economic sectors, measures will be taken to improve the legislation regulating sectoral development. This work will be carried out by concerted efforts of key stakeholders in order to continually improve the proposed industry benefits (value proposition) of the Republic of Kazakhstan. For each of the target sectors, a mechanism will be created for determining the restrictions and barriers of investment policy with the participation of representatives of central and local government bodies, industry associations, private business, professional consultants, and educational institutions. The objectives are to conduct a regular analysis of the international competitiveness of target industries, as well as the adoption of measures and policies that will help the Republic of Kazakhstan



to remain an attractive investment direction. Improving sectoral advantages is particularly important in relation to the industries of Group II, in which the country's competitiveness now faces some limitations.

3. At the regional level, the IOI, together with the network of regional representatives of Kazakh Invest, will develop an investment concept for the region, where they will identify priority areas for attracting foreign investment, and taking into account the competitive advantages of the region will draw conclusions about the feasibility of implementing investment projects in the region, approving regional investment projects plans, a list of investment projects requiring investment, to provide support in the implementation of investment projects according to the principle of the "single window".

At the same time, special attention should be paid to the process of supporting investment projects on the ground, since the final results of the activity of the entire system are the opening and development of production at specific local investment sites in the country. The involvement of local executive bodies in attracting investment and subsequent maintenance are extremely important.

Akimats provide support to foreign investors operating in the regions through regional ISC. This support includes the implementation of investment incentives and access to production sites, also by solving problems related to ownership.

Reform of the investments attracting system in the Republic of Kazakhstan requires the close involvement of Akimats in the development and implementation of sectoral policies that affect the flow and retention of investments aimed at improving efficiency

In order to achieve the goals for attracting investments, the investment climate and potential of each region will be regularly analyzed, IOI will be assessed and measures will be taken to strengthen basic investment attraction and investors assistance skills.

In this regard, in order to improve the effectiveness of state policy in attracting FDI, it is necessary to introduce a new system of work of government bodies and organizations with clear definition of the functions and tasks in the field of FDI, making proposals to the Government of the Republic of Kazakhstan.

The authorized body on investments will develop a document regulating cooperation in attracting investments and clearly defining the functions and tasks of all participants in the system of attracting investments in the Republic of Kazakhstan.

Also, for the effective implementation of plans for attracting investments, sectoral and regional plans for attracting investments with clear indicators and projects for attracting and monitoring will be approved annually by agreement with the Ministry of Investment and Development of the Republic of Kazakhstan.

It is necessary to analyze the possible risks of foreign investments attracted by sectors of the economy, taking into account their expected socio-economic effect.

As a result of this work, a guide should be developed for state and local executive bodies and organizations involved in attracting investments.

### **Investment Project Map**

For effective work with investors and monitoring the implementation of investment projects Kazakh Invest, an Investment Project Map will be developed (hereinafter referred to as the “Map”), which will be divided into two groups: high potential investment projects and ongoing projects.

High potential investment projects will be formed annually based on the analysis conducted by Kazakh Invest, as well as proposals from interested government agencies, national companies and private business. Kazakh Invest basing on the submitted proposals will conduct an examination of projects and form a list of high potential investment projects in the context of industries and regions, with the further formation of a package of documents in accordance with international standards.

The Map will contain qualitative and quantitative indicators of investment projects and will provide an interactive process of collecting and processing information on projects using modern information technologies, providing the opportunity to signal arising problems.

In case if a problem arises in a project, those responsible for the implementation of the project together with the project initiators adopt an agreed plan of measures to resolve problem issues.

Map is monitored by the Ministry of Investment and Development of the Republic of Kazakhstan in cooperation with Kazakh Invest on the basis of information provided by government agencies and organizations responsible for project implementation, as well as local executive bodies on whose territory an investment project is being implemented or will be implemented.

The rules and mechanism for maintaining the Map will be determined by a separate document that, in addition to a fixed date for the inclusion of high potential projects, will determine the possibility of including projects as soon as they are ready.

The Map will be considered as a priority when considering issues of providing state support.

### **Formation of a leading international financial center**

The creation of the AIFC constitutes a part of the Plan of the Nation "100 concrete steps" on the implementation of the five institutional reforms of the President of the Republic of Kazakhstan aimed at long-term development. In his message to the people of Kazakhstan, "The Third Modernization of Kazakhstan: Global Competitiveness", the President set the task of maintaining leadership in attracting foreign investment, while the AIFC should play an important role in attracting financial resources to the country's economy.

For successful development of the international financial center, as one of the most significant and important projects of the country, the AIFC has been granted a special legal status and a separate territory was allocated, including the high-tech infrastructure of EXPO - 2017.

The special status of the AIFC is legislated by the Constitutional Law of the Republic of Kazakhstan. So, on the AIFC site, a number of privileges are provided for creating favorable conditions for attracting investments:

1) special legal regime. The AIFC will have special jurisdiction with its own commercial and civil law, based on the principles of English law. The main institute for the resolution of disputes between participants of the AIFC will be the AIFC court, provided by highly qualified judges with practical experience in countries with jurisdiction over English law. The AIFC will also have an International Arbitration Center, providing an alternative method for resolving disputes.

2) independent regulatory regime. To ensure fairness, transparency and efficiency of the financial market, an independent regulator will operate on the territory of the AIFC, and a regulatory framework conforming to recognized international standards will be developed.

3) special tax regime. The AIFC provides tax concessions in the form of exempting the AIFC participants from paying corporate and individual income taxes until the end of 2065.

4) creating a favorable business environment. By analogy with advanced foreign experience, the AIFC introduces a single window system, a simplified mode for issuing visas, registration, work permits and other registration procedures. It is planned to create a specialized center - Expat Center AIFC - to ensure favorable conditions for the entry and localization of foreign employees of the AIFC and their family members by consolidating the services of the migration and administrative police, government revenues, the ISC and investors.

5) official language. English is the official language of the AIFC on its territory (acts of the AIFC, documentation, legal proceedings, transactions, as well as in all AIFC-regulated spheres of public relations).

Foreign portfolio investment, along with FDI, is an important way to attract investment to the country. For the successful functioning of the capital market in the country and the growth of portfolio investments, work is underway to create the necessary ecosystem, develop high-quality infrastructure and provide favorable conditions for investors and market participants. The AIFC Exchange with a high-tech exchange infrastructure, created in cooperation with the world's leading exchanges, will provide broad functionality for business and investment. Moreover, the AIFC Exchange will become the main platform for issuing new instruments for the domestic market, such as green finance, Islamic finance, and financial technologies.

One of the priorities for the AIFC, as an integral component of a successful financial center, is the development of the asset management market. The formulation of a regulatory environment and the creation of a favorable investment climate will give an effective impetus to the development of a local market for asset management and a capital market, and will subsequently facilitate the entry of large institutional and private investors into the market.

Thus, the development of the AIFC will make it possible to positively influence the growth of foreign investments, the attraction of foreign financial institutions and highly qualified personnel to the country's economy.

### **5.2.3. Formation of proactive approaches to attract and retain investments**

#### **Targeted country and industrial investment attraction**

Targeted attraction of investments will be aimed at attracting to the Republic of Kazakhstan a greater flow of investments focused on increasing efficiency. Proactive<sup>12</sup> investment targeting requires the definition of competitive industries in which it is most beneficial to attract new investment.

In this regard, based on the analysis, identified sectors of the economy of the Republic of Kazakhstan that are of interest to investors and meet the interests of the development of countries.

A proactive approach of attracting investment will be the basis for Kazakh Invest's operations in FDI-targeted industries, countries and companies. An individual approach will be selected for each priority industry, which will provide targeted work with each investor.

In relation to priority sectors, it is important both to determine the benefits for investments offered by the Republic of Kazakhstan and to report about them to the global investment community. At the same time, determining the competitive advantages of the Republic of Kazakhstan in comparison with other regional competitors with which the Republic of Kazakhstan shares preferential market access within the EAEU is of particular importance.

Kazakh Invest, in view of the volatility of the global economic environment and the emergence of subversive technologies that change the sectoral structure of value chains, together with reforms in the Republic of Kazakhstan to improve business conditions, will periodically analyze target sectors of the economy, identify and create investment proposals for potentially attractive industries.

Of great importance in addressing the attraction of efficiency-oriented investments is the definition of specific countries, both in the context of attracting investors and within the framework of exporting products.

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<sup>12</sup> to be pro-active

### **Hold current investors and expand their activities**

Investment entails ongoing relationships with many stakeholders at different stages of the investment life cycle. In this regard, support will be provided to investors not only at the stage of their involvement in the Republic of Kazakhstan for starting production, but also at the subsequent phases of the investment project in order to keep investments at the expense of an appropriate level of investor protection and assist in developing sustainable ties with the local economy.

The ultimate goal is to ensure that the investor remains in the country and continues to increase and expand production in the Republic of Kazakhstan, as well as upgrade its production to a higher level of value added. The mastery, development and introduction of new upgraded products with higher value added services that are of strategic value to the production and business of foreign investors will be constantly encouraged and supported. Local entrepreneurs will be supported in the development of production and technological capacities, management capacity to the level of international standards, so that they become certified suppliers of foreign investors.

A number of large international companies have been attracted to the Republic of Kazakhstan, mainly in the resource and market sectors (oil and gas, services related to the extractive industries, retail trade). The priority tasks are to increase the economic benefits of the presence of foreign companies in the country, to expand their activities and to achieve deep integration with the local economy. This will be achieved mainly by providing investors with services that meet international standards at all stages of the investment cycle, which will give the country a serious competitive advantage in attracting investments. Kazakh Invest will provide support not only to potential but also to existing investors in the implementation of their strategic objectives. Receiving regular feedback from investors about their business experience in the Republic of Kazakhstan will become a permanent component of the work.

As part of its commitment to support investors in the country, Kazakh Invest will launch a new post-investment service, which will provide a wide range of services to foreign investors in close cooperation with regional ISC:

- 1) administrative services that facilitate the work of companies in Kazakhstan;
- 2) operational services that support the efficient and operational activities of foreign investors;
- 3) strategic services that affect the further development of investments in the Republic of Kazakhstan, the introduction of new capacities and the expansion of production processes.

### **5.3. The third direction: the compliance of the privatization plan and the mechanisms of public-private partnership with the priorities of attracting foreign investment**

FDI attracting through the PPP mechanism contains significant opportunities for a program to diversify the economy of the Republic of Kazakhstan. FDI can generate a positive effect in strengthening the role of the private sector in the national economy.

The experience of many countries shows that privatization involving strategic foreign investors both in competitive industries and in regulated markets may entail additional investments both from existing strategic investors and new investors. Similarly, the successful implementation of PPP can provide the necessary financial incentive for the implementation of strategic projects in such sectors as transport, energy, housing and communal services (hereinafter – “housing and communal services”) and social infrastructure. In the future, the availability of high-quality telecommunications infrastructure will be one of the main conditions for attracting FDI, focused on improving efficiency, in particular, in the services sector of the Republic of Kazakhstan.

The Government of the Republic of Kazakhstan will take measures to increase the FDI participation in service (including telecommunications) and infrastructure projects, as they can help improve the competitiveness of the economy, but also increase the attractiveness of the Republic of Kazakhstan for FDI focused on efficiency in the medium term. Efficiency-oriented investment flows depend on having access to world-class services, as well as infrastructure that facilitates effective integration into regional and potential, global supply chains. Targeted privatization and an effective PPP mechanism can accelerate the process of attracting such investments.

#### **5.3.1. Foreign investment attracting to privatization**

In order to enhance the role of the private sector in the Kazakhstan economy, it is planned to continue privatization, which will become the largest one after gaining independence in 1991.

In accordance with estimations, more than 800 assets, where 215 of which belong to National Welfare Fund Samruk-Kazyna Joint Stock Company (hereinafter - “NWF Samruk-Kazyna” JSC), will be privatized from the state and quasi-state sectors between 2016 and 2020. Privatization will include facilities engaged in the oil and gas sector, transport and logistics, manufacturing of industrial goods, communications, post, electricity generation, among other industries.

The AIFC Exchange, which will host the IPO<sup>13</sup> of major assets of the National Wealth Fund Samruk-Kazyna, will allow the country to concentrate the entire stock market of the Republic of Kazakhstan in the city of Astana. Placing shares on the AIFC market will increase liquidity and create a liquid capital market in the country.

High quality and the fundamental characteristics of the assets will certainly arouse great interest from domestic and foreign investors. At the same time, the involvement of foreign investors in this privatization program will create an accompanying effect on related sectors of the country and arouse the interest of the world community to further study the investment potential of the Republic of Kazakhstan.

A number of measures will be implemented to maximize the potential positive effects of such large-scale privatization.

In December 2015, the Government of the Republic of Kazakhstan adopted a resolution on the adoption of the Comprehensive Privatization Plan for 2016-2020, on the basis of which an action plan will be developed to promote companies subject to privatization, aimed at explaining the objectives and principles of the privatization process, harmonized with the priorities of this Program. In particular, the relationship with the objectives of the national socio-economic development of the country will be presented (including increasing productivity, attracting investment, the growth of highly skilled jobs, service economy, etc.).

The role of foreign capital participation in the privatization of state-owned facilities will also be disclosed, including the information about which industries and projects will be open to foreign capital and what is the role of Kazakh Invest in the inclusion of foreign investment in the privatization process. In addition, the principle of equal access to privatization for foreign and local firms will be ensured basing on competitive supply.

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<sup>13</sup>IPO (Initial Public Offering) - the initial public sale of shares of a joint stock company among an unlimited number of persons.

### **5.3.2. Investments attracting to public-private partnership projects**

PPP can provide more opportunities for private sector participation, including FDI, in sectors where state-owned enterprises still dominate. The Republic of Kazakhstan, in particular, would receive substantial financial revenues through PPP projects through which efficiency-oriented investments will come. In addition, the transport, energy, and social infrastructure, as well as housing and utilities services, could have initiated the development of PPP with foreign participation.

Thus, several reforms have been implemented and, in particular, the Law of the Republic of Kazakhstan "On public-private partnership" was adopted on October 31, 2015 to create a legislative framework for cooperation between government and business organizations in implementing PPP projects. The Kazakhstani PPP Center, established in July 2008, coordinates the work on the development of PPP.

Although private enterprises and international financial organizations from a number of countries have shown interest in PPP projects, some significant barriers still hinder their successful implementation.

PPP projects requiring infrastructure investments will be designed to attract FDI focused on efficiency increase. For this, the legislative base will be improved, which will provide the model legal provisions necessary for attraction of high-quality international investors to projects.

Focusing on a relatively small number of projects at the design stage will be critical. In this regard, it is necessary to improve the efficiency of spending public funds envisaged to support PPP projects.

This requires a building stronger PPP capacities within relevant agencies, including hiring highly qualified professionals who are able to manage complex tender offers and risks, while removing barriers to project implementation and improving the maintenance process, especially large-scale infrastructure projects. This, in turn, will require the creation of a new system of institutional support for the processes of selection, preparation and management of PPP projects.

Clear rules of participation will be adopted to support the flow of transactions, including the development of specific competencies for managing and developing projects, simplifying and standardizing the processing of PPP projects, among other functional needs of accompanying PPP.

Kazakh Invest will be vested with the functions of promoting PPP projects and will accompany investors on the basis of "single window".

The infrastructure of long-term financing will be mobilized, the budget process mechanism will be improved to support PPP, as they constitute necessary condition for the success of such projects among potential investors and financiers.

The involvement of international financial organizations in the financing of PPP projects can be one of the successful measures.

To develop an Agenda, it is necessary to take into account the recommendations of the study conducted by the World Bank in 2016 "Attracting investment in the economy through the development of political and institutional mechanisms of PPP and the selection of viable PPP projects."

### **Monitoring investor confidence**

In order to ensure continual increase in investor confidence as a result of improved enforcement of investor protection guarantees and other reforms, investors will be regularly surveyed using the Multilateral Investment Guarantee Agency's analysis of global investment and political risks. This methodology will be tested for the Republic of Kazakhstan and subsequently used on an ongoing basis.

### **Regulatory impact assessment**



The Institute for the Analysis of Regulatory Impact in the Republic of Kazakhstan has been introduced since 2015 and is currently being implemented in the regions. However, there is no similar mechanism for assessing the government regulation impact on FDI in order to prevent deterioration of conditions for foreign investors.

It is necessary to develop a methodology for assessing the government regulation impact on FDI.

**6. Necessary resources.**

The program in 2018–2022 will be implemented at the expense and within the funds provided for the Ministry of Investment and Development of the Republic of Kazakhstan, in accordance with the budget legislation of the Republic of Kazakhstan, as well as through extrabudgetary funds that do not contradict the budget legislation of the Republic of Kazakhstan.

Annex to Program

**Agenda on the implementation of the Investment Attraction Program "National Investment Strategy"**

Ser.No	Title	Unit of measure	Form of closing	Deadline	Responsible for execution	Including years					Total	Revenue sources	Budget program code
						2018	2019	2020	2021	2022			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Goal. Creation of favorable investment climate and attracting efficiency-oriented investments													
1	Gross FDI	% to the level of 2016			MID, MNE, MFA, MF, ME, MA, MH, MLSP P, MES, MDAI, oblast akimats, akimats of Almaty and Astana,	104	109	113		126			

				Kazakh Invest NC JSC (to be agreed to be agreed)			118				
2	The ratio of gross FDI to GDP	% to the level of 2016		MID, NB (to be agreed to be agreed), MNE, MFA, MF, ME, MA, MH, MLSP P, MES, MDAI, oblast akimats, akimats of Almaty and Astana, Kazakh Invest NC JSC (to be agreed)	16,5	17	17,5	18	19		
				MID, MNE, MFA, MF, ME, MA, MH, MLSP P, MDAI							

3	FDI inflows into manufacturing	% to the level of 2016			, oblasts, akimats of Almaty and Astana, Kazakhstan Invest NC JSC (to be agreed)	110	120	130	140	150			
4	The volume of investments in fixed capital of the non-primary sector of the economy (excluding the state budget)	% to the level of 2016			MID, MNE, MFA, ME, MA, MH, MLSP P, MDAI, oblasts, akimats of Almaty and Astana, Kazakhstan Invest NC JSC (to be agreed)	106	113	123	134	146			
	The volume of				MID, MNE, MFA, MF, ME, MA, MH, MLSP P,								

5	foreign investment in fixed assets of non-primary sector of the economy	% to the level of 2016			MDAI , oblast akimats , akimats of Almaty and Astana , Kazakh Invest NC JSC ( to be agreed )	107	115	130	140	150			
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**The first area. Improving the investment climate of Kazakhstan**

Mission 1. Creating a favorable environment for attracting investment													
	Performance Indexes												
1	"Regulation of FDI: Impact on Business" GCI WEF	Ranking			MID	90	85	80	75	70			
2	"Partnership in relations between					58	56	53	49	45			



1.	Empowering the Government Council for Attracting Investors (Investment Headquarters) with additional functions and powers to implement the National Investment Strategy Program	Decree of the Prime-Minister of the Republic of Kazakhstan	February 2018	MID, MNE, MF, MA, MDAI, MFA, MJ, Kazakh Invest NC JSC (to be agreed), NCE Atameken (to be agreed)							not	
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<p>3. n g invest ments and workin g with invest ors ( prepari n g invest ment project s , workin g in the IRM system , Englis h busine s s langua ge, interna tional and foreig n econo mic relatio ns, negoti ating: conclu sion interna tional invest ment agree ments, contra cts)</p>		<p>Traini n g progra m</p>	<p>Decem ber 2017</p>	<p>MID, Kazak h Invest NC JSC ( to be agreed ), involv ed state authori ties</p>							<p>not require d</p>	
<p>Prepar ation of a list of the main laws and</p>												



<p>4.</p> <p>regulations affecting business and investment activities (investment promotion, activities of the SEZ and the IZ, tax laws, customs procedures, labor laws, licensing procedures, etc.) for the translation to English</p>		<p>Information to MID</p>	<p>December 2017</p>	<p>involved state authorities, Kazakh Invest NC JSC (to be agreed)</p>							<p>not required</p>	
<p>Address the issue of organizing the translation of laws and other regulatory legal acts in</p>		<p>publication</p>										

5.	accordance with the approved list, with subsequent publication on the information-legal system of regulatory legal acts of the Republic of Kazakhstan	on information and legal systems of the Republic of Kazakhstan	December 2018	Kazakhstan Invest NC JSC (to be agreed), MJ, MID, MF, MNE							not required	
6.	Elaboration of the issue of transition to a trilingual (Kazakh, Russian, English) regulatory activity in the field of investment	Council decision	September 2018	MID, MNE, MF, MA, ME, MDAI, MFA, MJ, MES, MCS, Kazakhstan Invest NC JSC (to be agreed), NCE Atameken (to be agreed)							not required	
	Development of an agenda											

7.	<p>for the implementation of specific improvements in the process of developing new regulatory legal acts, including those involving:</p> <ul style="list-style-type: none"> <li>- wider involvement of the private sector in the development of new regulatory legal acts through a survey among business entities, industry associations, key stakeholders and</li> </ul>	Council decision	May 2018	MID, involved state authorities, NCE Atameken (to be agreed)								
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9.	Elaboration of proposals for improving tax and customs legislation	Proposals to MID	January 2018	MNE, MF, Kazakhstan Invest NC JSC (to be agreed)								not	
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10.	<p>Republic of Kazakhstan on Improving the Investment Climate", providing improvement of the visa and migration regime, conditions for attracting foreigners, tax and customs legislation, etc.</p>	<p>t and minutes of Inter-institutional Commission</p>	<p>March 2018</p>	<p>(to be agreed), NSC (to be agreed), SE (to be agreed), SC (to be agreed), Kazakhstan Invest NC JSC (to be agreed)</p>							not	
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12.	<p>Attracting strategic international partners in the management of special economic zones with the possible use of the PPP mechanism, as well as strategic investors</p>	<p>Information to MID</p>	<p>December 2018</p>	<p>Kazakhstan Invest NC JSC (to be agreed), MNE, MF, ME, oblast akimats, akimats of Almaty and Astana</p>							not	
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												required	
	<p>Elaboration of the issue of launching an electronic portal on land plots (including free economic zones and IZ), with a visual map of the location of free sites and other inform</p>				Kazakhstan Invest NC								

13.	ation for investors and ensuring that akimats continuously update information by removing unused orphaned sites vacated as a result of the demolition of the structure and boundaries of the settlement)	Information to MID	December 2018	JSC (to be agreed), MA, NCE Atameken (to be agreed)							not		
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16.	the effectiveness of existing investment preferences and other types of government support, taking into account international experience and priority sectors to attract investment		Information to the Government	December 2018 and 2021	MID, MF, MJ, ME, MAKa zakh Invest NC JSC (to be agreed), NCE Atameken (to be agreed)							not required	

17.	Elaboration of questions on the improvement and optimization of existing measures of state support for investors		Council decision	December 2018	MID, MNE, MF, ME, MA, Kazakh Invest NC JSC (to be agreed), NCE Atameken (to be agreed)							not	
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8	the World Bank "Doing Business"	Ranking			MF, MNE	57	55	50	45	40			
	Events												
	Address the issue of conducting a comprehensive study of the effectiveness of the Investment Ombudsman, policies and institutional				MID, MNE, MF,								

18.	mechanisms for the protection of investors' rights in Kazakhstan and the development of proposals for further improvement, taking into account international best practices	Council decision	July 2018	Kazakhstan Invest NC JSC (to be agreed), NCE Atameken (to be agreed)						not		
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											required
19.	Elaboration of proposals for improving the protection of the rights of investors and the activities of the Investment Ombudsman together with foreign investors, business associations and organizations based on international experience		Council decision	September 2018	MID, MNE, MF, Kazakh Invest NC JSC (to be agreed), NCE Atameken (to be agreed)						not required
	Elaboration of proposals for further improvement of judicia				MID, MJ, SC (to be agreed), SE (to be agreed),						

20.	Protection of investors' rights and an effective mechanism for the consideration of public law disputes	Council decision	September 2018	MNE, MF, Kazakh Invest NC JSC (to be agreed), NCE Atameken (to be agreed), AIFC (to be agreed)							not required	
21.	Elaboration of proposals for the reduction of inspections of investors in conjunction with foreign investors, business associations and organizations based on international experience	Council decision	September 2018	MID, MNE, MF, ME, MJ, MA, MDAI, МБД, SE (to be agreed), Kazakh Invest NC JSC (to be agreed), NCE Atameken (to be agreed)							not required	
	Launching a tool to track											

22.	and systematically identify investor complaints, assess their sources, as well as measuring investments at risk and assess investor costs in connection with complaints	Information to MID	October 2018	Kazakhstan Invest NC JSC (to be agreed)							own fund of Kazakhstan Invest NC JSC	
	Development and implementation of an effective mechanism of interdepartmental coordination on international investment agree			MID, MNE, MF,								

23.	ments, providing for the creation of a permanently functioning interdepartmental working group, the development of common approaches to the conclusion of international investment agreements	Decree from MID	March 2018	MJ, NSC (to be agreed), Kazakhstan Invest NC JSC (to be agreed)								not required	

24.	Elaboration of proposals to reduce the facts of contradictory application of tax legislation in the field, with an emphasis on those that may lead to disputes between investors and the state	Council decision	December, annually	MF, MID, MNE							not	
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													required
25.	Development and placement of tax authorities explanatory manuals and / or letters on a single interpretation of the norms of tax and customs legislation, which form a unified approach to law enforcement practice, on the information resources		Information to MID	December, annually	MF, MNE								not required

Mission 3. Improvement of trade logistics and development of supply chain between foreign investors and local companies

	Performance Indexes												
1	Logistics Performance	Ranking			MID	73	70	67			60		



26.	Analysis of the areas of international trade, modernization of logistics infrastructure, the creation of intermodal infrastructure and logistics centers	Information to MID	February 2018	MNE, ME, MF, SWF Samruk-Kazyna JSC (to be agreed), Kazakh Invest NC JSC (to be agreed)							not required	
Devel												

27.	<p>opment of a set of measures to improve the conditions of international trade, modernization of the logistics infrastructure, the creation of an intermodal infrastructure and logistics centers</p>	Council decision	November 2018	MID, MNE, ME						not		
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												required
28.	Address the issue of conducting research on the development of supply chains between foreign and local companies		Propo s al to MID	Sept ember 2018 and 2021	Kazak h Invest NC JSC (to be agreed), MNE, NCE Atame ken (to be agreed)							not require d
29.	Development of a set of measures for the development of supply chain between foreign and local companies		Counc il decisio n	Octob er 2018	Kazak h Invest NC JSC (to be agreed), MNE, MID, ME, MA, NCE Atame ken (to be agreed)							not require d
	Creation and maintenance of a publicly available list				NADL oC JSC (							

30.	of domestic suppliers engaged in the production and supply of high-quality products and services with integration into the IRM system	Information to MID	June, annually	to be agreed), Kazakh Invest NC JSC (to be agreed), MNE, NCE Atameken (to be agreed)							not required	
31.	Conclusion of agreements on service support for foreign investors to build supply chain with local companies	Information to MID	December, annually	Kazakh Invest NC JSC (to be agreed)							not required	
	Creation and maintenance of a publicly available list of			Kazakh Invest NC								

32.	domestic companies, potential partners for investors with integration into the IRM system	Information to MID	Quarterly from June 2018	JSC (to be agreed), MID, MNE, NCE Atameken (to be agreed)									not required
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**The second area. Implementation of effective operating measures and development of new approaches to attracting investments**

**Goal 1. Improving institutional mechanisms for attracting, guiding and supporting investors**

	Performance Indexes												
1	Ready investment offers for potential investors	Number of projects			Kazakhstan Invest NC JSC (to be agreed)	50	70	100	150	200			
		total cost of projects, bln. USD				1	1,5	2,25	3,5	5			





34.	Elaboration of the issue of implementation of the informational - monitoring system (IRM) on the basis of Kazakhstan Invest NC JSC	Information to MID	октябрь 2017 г.	Kazakhstan Invest NC JSC (to be agreed)							not		
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												required
35.	Amendment of Rules for the Organization of “single window” activities for Investors, approved by the Government of the Republic of Kazakhstan on December 30, 2015, No. 1133	Draft decree of the Government of the Republic of Kazakhstan	February 2018	MID, MA, Kazakhstan Invest NC JSC (to be agreed), CTCA T LLP (to be agreed), involved state authorities								not required
	Development and adoption of joint orders with state bodies responsible for the provision of public services, by definition of			MID, involved state authorities and local authorities, Kazakhstan								

36.	responsible persons for interaction with Kazakhstan Invest NC JSC within the framework of public services	Joint decrees	April 2018	Invest NC JSC (to be agreed), CTCA T LLP (to be agreed)							not required	
	Elaboration of a mechanism regulating the procedure for											

37.	cooperation in attracting investments between MID, MFA, overseas agencies, central and local executive bodies, national companies and Kazakhstan Invest NC JSC	Joint decrees	December 2017	MID, MFA, Kazakhstan Invest NC JSC (to be agreed), local executive authorities						not	
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												required
38.	Developing and approving sectoral and regional investment attraction plans to be agreed with MID		Decrees from CEO of national companies; decisions of oblast akimats, akimats of Almaty and Astana;	December, annually	MID, MA, ME, MDAI, MIC, MCS, MES, SWF Samruk-Kazyna JSC (to be agreed), NMH Baiterek JSC (to be agreed), NMH KazAgro JSC, (to be agreed), oblast akimats, akimats of Almaty and Astana, NCE Atameken (to be agreed)							not required
	Address of the issue of conducting a comprehensive study				MF, ME, MA, Kazakh Invest NC JSC (to be							

39.	to assess and improve the investment climate and potential of the regions of Kazakhstan	Information to MID	December 2018	agreed), oblast akimats, akimats of Almaty and Astana, NCE Atameken (to be agreed)							not required	
40.	Analysis and development of proposals for improving the mechanisms for attracting investment at the regional level, taking into account the recommendations of the World Bank for Kostanay region	Submission for consideration of the Council	March 2018	MID, MNE, oblast akimats, akimats of Almaty and Astana, Kazakhstan Invest NC JSC (to be agreed), NCE Atameken (to be agreed)							not required	
				oblast akimat								

41.	Development of an agenda for the introduction of a mechanism to attract investment in the region (at least 2 pilot regions)		Decision of oblast akimats, akimats of Almaty and Astana	March 2018	s, akimats of Almaty and Astana, MID, MNE, Kazakhstan Invest NC JSC (to be agreed), NCE Atameken (to be agreed)							not required	
42.	Development of an agenda to improve the mechanism for attracting investment in the regions on the experience of positively recommended pilot regions (at least 2 pilot regions)		Decision of oblast akimats, akimats of Almaty and Astana	December 2018	MID, oblast akimats, akimats of Almaty and Astana, Kazakhstan Invest NC JSC (to be agreed), NCE Atameken (to be agreed)							not required	

43.	Development of rules, procedures and mechanisms for maintaining the Map of investment projects with integration into the IRM system		Resolution of the Board of Kazakh Invest NC JSC	December 2017	Kazakh Invest NC JSC (to be agreed), MID, NCE Atameken (to be agreed)							not required	
					Kazakh Invest NC JSC (to be agreed), MID, MA, ME,								



44.	Formation of a package of documents for high-potential investment projects in accordance with international standards	Resolution of the Board of Kazakh Invest NC JSC	June, annually	MIC, MH, "NMH" Baiterek" JSC (to be agreed), SWF Samruk-Kazyna JSC (to be agreed), Zerde NIH JSC (to be agreed), oblast akimats, akimats of Almaty and Astana, NCE Atameken (to be agreed)						not		
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													required
45.	Examination of the generated package of documents for high-potential investment projects		Resolution of the Board of Directors of Kazakhstan Invest NCJSC	August, annually	Kazakhstan Invest NC JSC (to be agreed), MID, MA, ME, MIC, MH, NMH Baiterek JSC (to be agreed), SWF Samruk-Kazyna JSC (to be agreed), Zerdeni JSC (to be agreed), oblast akimats, akimats of Almaty and Astana, NCE Atameken (to be agreed)								not required
					Kazakhstan Invest NC JSC (to be								

46.	Inclusion of the formed package of documents for high-potential investment projects in the Map of investment projects		Resolution of the Board of Directors of Kazakh Invest NC JSC	November, annually	agreed), MID, MA, ME, MIC, MH, NMH Baiterek JSC (to be agreed), SWF Samruk-Kazyna JSC (to be agreed), Zerde NIH JSC (to be agreed), oblast akimats, akimats of Almaty and Astana, NCE Atameken (to be agreed)							not required	
	Elaboration of proposals for the improvement of financi				Kazakh Invest NC JSC (to be agreed), NMH Baiterek JSC (to be agreed),								

47.	al instruments and mechanisms for financing investment projects		Proposal to MID	December 2017	SWF Samruk-Kazyna JSC (to be agreed), AIFC (to be agreed), NCE Atameken (to be agreed)							not required	
48.	Elaboration of the issue of improving tools for financial support of investors		Proposal to MID	August 2018	MNE, MF, NB (to be agreed), NMH Baiterek JSC (to be agreed), Kazakh Invest NC JSC (to be agreed), SWF Samruk-Kazyna JSC (to be agreed), AIFC (to be agreed), NCE Atameken (to be agreed)							not required	

49.	Analysis of the possibility of developing bilateral cooperation in the field of investment activities with priority countries and the development of practical recommendations		Information to MID	December, annually	Kazakhstan Invest NC JSC (to be agreed), MFA							not required	
50.	Development of reference documents (white books) on cooperation with priority countries		Information to MID	December, annually	Kazakhstan Invest NC JSC (to be agreed), MFA							not required	
	Analysis of possible risks of				Kazakhstan								



54.	Address of the issue of holding an investment forum "Invest in Kazakhstan" in Astana		Information to MID	March, annually	Kazakhstan Invest NC JSC (to be agreed), involved state authorities, NB (to be agreed), oblast akimats, akimats of Almaty and Astana, NMH Baiterek JSC (to be agreed), Kazakhstan Invest NC JSC (to be agreed), SWF Samruk-Kazyna JSC (to be agreed), AIFC (to be agreed), Zerde NIH JSC (									
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56.	The decomposition of the target indicators of the Program in the context of priority sectors and regions is to be agreed with involved government agencies		Decree from MID	February 2018	MID, MNE, involved state authorities, Kazakhstan Invest NC JSC (to be agreed), oblast akimats, akimats of Almaty and Astana							not	
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3	Foreign investors who left the Kazakhstan market due to unfavorable circumstances of the investment climate	Unit		Invest NC JSC (to be agreed), MID, MNE, MF, ME, MA, MCS, oblast akimats, akimats of Almaty and Astana	5	3	1	0	0			
4	Volume of reinvestment in the economy of Kazakhstan by existing foreign investors	% to the level of 2016		MID, NB (to be agreed), Kazakhstan Invest NC JSC (to be agreed)	103	107	110	115	120			
	Events											
	Address the issue of conducting a comprehensive survey of investors for monitoring of the			Kazakhstan Invest								

57.	degree of investor satisfaction and identifying problematic issues arising in the course of investment activities	Information to MID	August, annually	NC JSC (to be agreed), MFA, MF, MNE							not required	
58.	Analysis of regional and sectoral restrictions in priority sectors for attracting investments	Information to MID	August, annually	Kazakhstan Invest NC JSC (to be agreed), MF, MNE, NCE Atameken (to be agreed)							not required	
	Analysis of the reasons for the departure of each foreign company registered with IRM,	Information	February,	MID, Kazakhstan Invest NC JSC (to be agreed), ME,								

59.	who left the Kazakhstan market, and develop recommendations for the elimination of identified issues	to the Government	annually from 2019	MA, MFA, oblast akimats и akimats of Almaty and Astana							not required	
60.	Development and publication of a report on the results of the survey, analysis of regional and industry constraints and analysis of investor withdrawal from the Kazakhstan market	Information to MID	April, annually	Kazakh Invest NC JSC (to be agreed), MFA, MF, MNE							not required	
	Development of a											

61.	set of measures to eliminate barriers and restrictions identified in the course of a survey of investors, analyses conducted to identify regional and sectoral restrictions, the reasons for investors leaving the Kazakhstan market	Council decision	May, annually	Kazakhstan Invest NC JSC (to be agreed), MID, MFA, MF, MNE, NCE Atameken (to be agreed)							not required	

62.

Elaboration of proposals on the mechanism for assessing the impact of government regulation on FDI

Council decision

April 2018

MID, MNE, MF

not



												required
63.	Service support for potential and existing exporters		Information to MID	quarterly	Kazakhstan Invest NC JSC (to be agreed), ME, MA, MCS, oblast akimats и akimats of Almaty and Astana							not required
64.	Introduction of service of post-investment service for investors		Resolution of the Board of Directors of Kazakhstan Invest NC JSC	November 2017	Kazakhstan Invest NC JSC (to be agreed), MID, ME, MA, MCS, oblast akimats и akimats of Almaty and Astana							not required
<b>The third area: the compliance of the privatization plan and the mechanisms of</b>												

public-private partnership with the priorities of attracting foreign investment

Mission 1. Attracting foreign investment to privatization

	Performance Indexes												
1	The number of privatization objects sold to foreign investors	% of total number of privatized objects			SWF Samruk-Kazyna JSC (to be agreed)	15	33	33	-	-			
	Events												
65.	Development of a plan of measures to promote companies to be privatized for foreign investors		Resolution of the Board of Directors of Kazakh Invest NC JSC	December 2017	Kazakh Invest NC JSC (to be agreed), SWF Samruk-Kazyna JSC (to be agreed)								not required
	Launch of information and				Kazakh								



67.	t of legislation in the field of public-private partnership	Propo- sals to MNE	June 2018	Kazak h Invest NC JSC, MID							not require d	
68.	Elaboration of proposals for the development of a mechanism for interaction with international financial organizations in financing public-private partnership projects	Counc il decisio n	March 2019	MID, Kazak h Invest NC JSC (to be agreed )							not require d	
	Elaboration of the issue of providing information support											

69.	services to investors on public-private partnership on the basis of the "single Window" principle for investors	Proposal to MID	March 2018	Kazakhstan Invest NC JSC (to be agreed)							not required	
70.	Elaboration of proposals for vesting "Kazakhstan Invest" NC JSC with the function of promoting public-private partnership projects (within the framework of the current staff)	Council decision	March 2018	MID, Kazakhstan Invest NC JSC (to be agreed)							not required	
				MID, MNE,								

71.	Monitoring of the Agenda for the implementation of the Investment Promotion Program "National Investment Strategy" following the results of the half-year		Report to the Government	Twice a year (by March, 20 and September, 20, at half-year end)	MF, MJ, MA, MFA, MIA, ME, MH, MLSP P, MIC, MES, MDAI, SC (to be agreed), oblast akimats и akimats of Almaty and Astana, NCE Atameken (to be agreed), SWF Samruk-Kazyna JSC (to be agreed), NMH Baiterek JSC (to be agreed), Kazakh Invest NC JSC (to be agreed), NADLOC								
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JSC (to be agreed),  
AIFC (to be agreed),  
Zerde NIH  
JSC (subject to an approval),  
CTCA  
T LLP

not

Note: interpretation of abbreviations:

MID – Ministry for Investments and Development of the Republic of Kazakhstan

MNE – Ministry of National Economy of the Republic of Kazakhstan

MF – Ministry of Finance of the Republic of Kazakhstan

MJ – Ministry of Justice of the Republic of Kazakhstan

MA – Ministry of Agriculture of the Republic of Kazakhstan

MCS – Ministry of Culture and Sport of the Republic of Kazakhstan

MFA – Ministry of Foreign Affairs of the Republic of Kazakhstan

MIA – Ministry of Internal Affairs of the Republic of Kazakhstan

ME – Ministry of Energy of the Republic of Kazakhstan

MH – Ministry of Healthcare of the Republic of Kazakhstan

MLSPP – Ministry of Labor and Social Protection of Population of the Republic of Kazakhstan

MIC – Ministry of Information and Communication of the Republic of Kazakhstan

MES – Ministry of Education and Science of the Republic of Kazakhstan

MDAI – Ministry of Defense and Aerospace Industry of the Republic of Kazakhstan

SC – Supreme Court of the Republic of Kazakhstan

NCE Atameken – National Chamber of Entrepreneurs of the Republic of Kazakhstan Atameken

KazakhInvest NC JSC – KazakhInvest National Company Joint Stock Company

SWF Samruk-Kazyna JSC – Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company

NMH Baiterek JSC – National Managing Holding Baiterek Joint Stock Company

NADLOC JSC – NADLOC National Agency for Development of Local Content Joint Stock Company

AIFC – Astana International Financial Center

Zerde NIH JSC – Zerde National Infocommunication Holding Joint Stock Company

CTCAT LLP – Limited Liability Partnership Center for Transfer and Commercialization of Agricultural Technologies