

## **On approval of requirements for the feasibility study of the project**

### *Unofficial translation*

Order of the Minister of Industry and Infrastructural Development of the Republic of Kazakhstan dated July 11, 2019 № 501. Registered with the Ministry of Justice of the Republic of Kazakhstan on July 18, 2019 № 19045

### **Unofficial translation**

In accordance with subparagraph 7) of paragraph 3 of Article 18 of the Law of the Republic of Kazakhstan dated April 3, 2019 “On Special Economic and Industrial Zones”, I HEREBY ORDER:

1. To approve the requirements for the feasibility study of the project.
2. To recognize as invalid the order of the Deputy Prime Minister of the Republic of Kazakhstan - Minister of Industry and New Technologies of the Republic of Kazakhstan dated November 21, 2011 № 425 "On approval of the requirements for the feasibility study of a project submitted by an applicant to carry out activities as a participant in a special economic zone" (registered in the Register of regulatory legal acts of the Republic of Kazakhstan under № 7345, published in the newspapers "Kazakhstanskaya Pravda" dated December 29, 2011, № 421-423 (26812-26814), "Egemen Kazakhstan" dated December 29, 2011 № 660-665 (27057)).
3. The Committee for Industrial Development and Industrial Safety of the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan, in accordance with the procedure established by law, shall ensure:
  - 1) state registration of this order with the Ministry of Justice of the Republic of Kazakhstan;
  - 2) within ten calendar days from the date of state registration of this order, sending it in Kazakh and Russian languages to the Republican state enterprise on the right of economic management "Institute of Legislation and Legal Information of the Republic of Kazakhstan" for official publication and inclusion in the Reference control bank of regulatory legal acts of the Republic of Kazakhstan;
  - 3) placement of this order on the Internet resource of the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan.
4. Control over the execution of this order shall be assigned to the supervising Vice-Minister of Industry and Infrastructural Development of the Republic of Kazakhstan.
5. This order shall enter into force upon expiration of ten calendar days after the date of its first official publication.

Minister of Industry and Infrastructural

## **Requirements for the feasibility study of the project Chapter 1. General provisions**

1. These requirements for the feasibility study of the project have been developed in accordance with subparagraph 7) of paragraph 3 of Article 18 of the Law of the Republic of Kazakhstan dated April 3, 2019 "On Special Economic and Industrial Zones" (hereinafter - the Law).

2. The feasibility study of the project submitted by an applicant for carrying out activities as a participant in special economic or industrial zones shall be developed in accordance with the legislation of the Republic of Kazakhstan on special economic and industrial zones and these Requirements.

## **Chapter 2. Structure of the feasibility study of a project submitted by an applicant for carrying out activities as a participant in special economic or industrial zones**

3. The structure of the feasibility study of a project submitted by an applicant for carrying out activities as a participant in special economic or industrial zones depends on the direction of the project and contains the following sections:

- 1) project introduction;
- 2) project summary;
- 3) general description of the project;
- 4) marketing and sales of products (services);
- 5) production plan;
- 6) financial and economic section;
- 7) appendices.

4. The section "Project introduction" describes the existing socio-economic, natural-climatic, geographical, engineering-geological conditions in which the implementation of the project of special economic and industrial zones is expected.

Also, this section indicates the problems, a partial or complete solution of which is possible by creating a project on the territory of special economic and industrial zones.

5. The section "Project summary" contains a brief description, the effectiveness of the project, the main areas of activity, the scale, including capacity, project components, an action plan, proposed sources and financing schemes, as well as the period of implementation of special economic and industrial zones.

6. The section "General description of the project" must describe the project and its position in the market, organizational and legal form, main types of activities, achievements, and main financial indicators of the project.

The general description of the project contains the following information:

- 1) name of the product, goods, services;
- 2) general information about the applicant (when, where, and by whom established, number of employees, authorized capital, fixed and working capital);
- 3) financial and economic indicators (project scope);
- 4) management structure;
- 5) personnel (qualifications and experience of the management team and leading specialists, personnel requirements and education);
- 6) occupational health and safety standards;
- 7) areas of activity;
- 8) economic sector and its prospects;
- 9) contribution to the development of the region, public and social activity (role in the regional economy, participation in solving regional problems, sponsorship and charity, participation in public associations);
- 10) export potential or import substitution;
- 11) competitiveness of products (services);
- 12) degree of readiness (scientific and technical documentation, layout);
- 13) patentability and copyright;
- 14) availability and necessity of a license and quality certificate;
- 15) safety and environmental friendliness.

The section "Marketing and sales of products (services)" reflects an assessment of the existing and prospective (for the period of development and operation of the project in the territories of special economic and industrial zones) demand for the types of products (services) that will be produced (provided) as a result of implementation of the project in the territories of special economic or industrial zones.

This section must include a marketing analysis (characteristics of the market, consumers of products), a marketing plan (strategy for promoting products to the market - pricing policy, advertising, sales system, after-sales service, sales volumes), a description of the goods and services offered by the production, the possibilities of their use, compliance with standards, their attractive aspects, and product analysis.

8. The section "Production plan" contains a description of the technological process and reflects the general approach to organizing the project, indicating sources of raw materials and supplies, technological equipment (name and main characteristics), project needs for premises, communications, energy sources, requirements for labor resources (personnel,

terms of payment and incentives, working conditions, structure and composition of departments, personnel training, expected changes in the personnel structure as the project develops).

9. "Financial and Economic section" contains an assessment of financial costs and income, along with an assessment of alternative schemes and sources of financing, an analysis of project creation, a cash flow statement, a profit and loss statement, project performance indicators in the territories of special economic and industrial zones from the point of view of the republic (region) economy as a whole.

This sections shall include:

1) an assessment of the expected costs of creating the project, including the costs of building infrastructure facilities;

2) calculation of total investment costs, distribution of financing needs;

3) calculation of production costs (operating costs);

4) financial analysis of the project, including;

analysis of the project, carried out using simple financial assessment methods, including calculation of the payback period, simple rate of return, debt coverage ratio;

analysis of the scheme, sources, terms of financing and their alternatives;

assessment of financial risks, determining the main risk factors, the expected nature and range of changes, expected measures to reduce risks.

5) project risk analysis;

6) analysis of the economic situation of the project in and outside the territories of special economic and industrial zones;

7) an assessment of economic benefits and costs, including analysis of results, consequences and impact, cost-effectiveness analysis and immeasurable benefits, incremental benefits and costs, additional consumer benefits, sunk costs, external effects, international effects, indirect benefits.

10. The "Appendices" section of the project in the territories of special economic and industrial zones may include additional data in the form of detailed expense tables, marketing research results, auditors' reports, photographs of product samples, payback graphs and other materials, documents confirming and disclosing the information provided in the feasibility study of the project.