

**The Country of Kazakhstan**  
**Barriers of Entrepreneurship and Support for Entrepreneurship**  
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**Subject:** The Primary obstacles to entrepreneurship development and the means to overcome them within the Republic of Kazakhstan (Slide 1).

**Introduction:**

Kazakhstan became the first country to sign a joint development agreement directly with the US Government, known as the Program for Economic Development, which will fund the United States Agency for International Development (USAID) at increasing levels per year (Year 1 – 25%, Year 2 – 35%, Year 3 – 45%, Year 5 – 50%) in terms of programs focused on entrepreneurial and economic development in Kazakhstan. Thereby USAID and the Government of Kazakhstan (GOK) have now begun to jointly fund projects such as the Kazakhstan Small Business Development Project, which will provide assistance to business support providers that in turn will strengthen and build SMEs. And, during January 2007 Kazakhstan became the first Central Asian country to become accepted in to the GEM (Global Entrepreneurship Monitoring) Consortium, as a result of assistance provided through USAID's and GOK's Kazakhstan Small Business Development Project. Consequently, a GEM survey focused on Entrepreneurship is now being implemented across the country, and next year we look forward to having an even clearer picture of entrepreneurship development in our country. Overall, Kazakhstan is at a crossroad in its development. The country, government and its people want improvement and change; President Nazarbayev has stressed small and medium enterprise development as an important mechanism for growth. We need to make changes now so that our economy is not alone dependent upon mineral resources. As a result, we are striving to introduce change now to make our economy more competitive and improve the quality of life for Kazakh citizens for the future.

**1. Small Business Monitoring -- Republic of Kazakhstan**

As of October 1, 2006 data of the Statistics Agency of the Republic of Kazakhstan reports 823156 small business entities as registered, yet the agency also reports that only 48739 are active enterprises. The Statistics Agency also reports 168130 legal entities and 116550 operating entities.

Despite the fact that the number of small businesses during 2006 grew by 22.7% from 2005, still the number of actively operating small business entities is rather small and constitutes only 29%. In Kazakhstan, the primary reason for this lack of strong growth in entrepreneurship is a coinciding lack of knowledge and experience in creating new business.

In our country, the highest entrepreneurial activity continues to be noted in the trade sector, where 341632 entities are registered with a total of 533181 employees. As of this time, there has not been a sufficient level of innovation to counter the downturn in production.

To overcome the organizational, legal and administrative problems associated with the development of small business in Kazakhstan, a new uniform Law on Private Enterprise has been adopted, led by the Ministry of Industry and Trade of the Republic of Kazakhstan [1].

The adoption of this law reduces administrative pressure, regulates all oversight departments in conducting audits of private enterprises, and forbids adopting normative by-laws on audits. A legal project entitled “On Amending and Inserting other Articles into Legislative Acts on Entrepreneurship” has been developed, striving to correct 57 current laws in the Republic of Kazakhstan.

The share of small business (small business and households) in the GDP of the republic amounted to 35.2% in 2006. The number of registered small business entities amounted to 739122 in 2006, 569127 of them are operating, which constitutes 77% (Slide 2).

An analysis of regional small business within Kazakhstan indicates by the number of registered entities that Almaty is undoubtedly ahead of the rest of the country - 35 %, followed by Astana – 9.1 %, and then South-Kazakhstan region – 9.1 %. (Slide 3).

An industry analysis regarding the development of small business within Kazakhstan indicates that the trade sector still shows the highest level of entrepreneurial activity – 45.8% of entities with the number of 161 500 workers, construction follows – 13.8%, industry – 10.9 % (Slide 4).

## **2. Obstacles to Entrepreneurship Development**

### **2.1. Financing Small Business**

#### **2.1.1. Financing SMEs Through Second-tier Banks.**

One source entrepreneurship finance is obtained through a loan with second-tier commercial banks (Slide 5). Recently, interest rates of commercial banks have decreased from 30% down to 12-14%. In addition, one can now obtain a loan with a 10% annual rate through the Small Business Development Fund, a governmental source of finance established specifically to address SME development. Competition in the banking sector is expected to allow further decrease of interest rates down to 6-8 % (Slide 6). As well, loan issuance periods have been broadened to 5 years, however it is still not viewed as sufficient enough to support large innovation projects (Slide 7).

In previous periods, loan guarantees were required to be twice the size of the loan, but now need only amount to 20% of the sum in case of providing a deposit and 80% of the loan sum as acquired fixed assets (Slides 8-9).

Due to the development of the banking sector (according to a World Bank rating), Kazakhstan’s index for access to financial resources has improved by 69 points, from the 117<sup>th</sup> to the 48<sup>th</sup> position (Slide 10).

**2.1.2 Obstacles to Financing Small Business through the Microcredit Organizations** (Slide 11). In March 2003 a Law entitled “On Microcrediting Organizations” was adopted, and subsequently more than 300 such microcredit organizations were created. As a result 77,000 microcredit loans have been issued amounting to 24 billion tenge (\$200,000,000) in Kazakhstan. Presently it is recommended to further develop the microcredit organization network in the rural areas, considering such factors as the low income level, absence of marketable mortgages and securitization, absence of knowledge and experience in organizing a business and seeking credit (Slide 12). On December 8, 2006, law amendment # 198 increased the maximum size of the given credit allowed from approximately \$8,958 up to \$71,666 (Slide 13).

#### **2.1.3. Finance Obstacles in Reference to Small Entrepreneurship Development Fund and Development Institutes.**

Governmental support in financing small business is performed by the “Small Business Development Fund” JSC (the Fund). Formed in April 1997 by the Government of Kazakhstan, the Fund seeks to stimulate economic growth of SMEs, by utilizing state financial assets to support small business development (Slide 14).

The Fund provides credits to SMEs, both directly, and through second-tier banks, and has branches in all 14 regional centers of the country, in Astana city, as well as representatives in

Zhezkazgan, Semipalatinsk, and Arkalyk. Financial support for the development of small business enterprises in all programs implemented by the Fund has resulted in the creation of approximately 250,000 new jobs throughout Kazakhstan since the beginning of 2005.

On an annual basis, 10 billion tenge (\$83,333,333) are allotted for the development of small business from the state budget to Small Entrepreneurship Development Fund (SEDF). Since the end of 2002 SEDF began to credit small entrepreneurship entities through its own resources with a term of up to 5 years under 12% annual interest rate, and since June 2004 the interest rate has been decreased to 10%. As of October 1, 2006, SEDF financed a total of 1392 projects amounting to 16.5 billion tenge (\$137,500,000), including 343 projects for the first 9 months of 2006 amounting to almost 4.4 billion tenge (36,700,000) through its own resources targeted to project financing and leasing.

However the Fund has not been viewed as entirely effective. As bank rates are already equal to 12%-14%, and considering the long decision-making credit process at SEDF, entrepreneurs tend to prefer obtaining credits at commercial banks. To increase the competitiveness of the Fund it is recommended to decrease the interest rate down to 6-8 %, as well as to provide autonomous decision-making on credits to its branches, and reduce the number of procedures for obtaining a credit (Slide 15).

Beginning in 2005, SEDF has begun to provide guarantees to small entrepreneurship entities -- those obtaining credits in second-tier banks backed by SEDF guarantees. The Mortgage requirements are the following – secured to not less than 20% of the loan sum, minimum guarantee sum is 1 000 000 tenge (\$8,333), the maximum guarantee sum is 120 000 monthly calculation indices (131.04 million tenge or \$1,092,000). The Fund guarantee share is up to 80% of the principal debt of small entrepreneurship entities, the basic fee rate on the Fund guarantee is up to 2.5% of the guarantee remainder, and the maximum guarantee term is up to 7 years (84 months). As of October 1, 2006, SEDF provided guarantees for 18 projects amounting to 475.7 million tenge (\$3,962,500), including 11 projects for the first 9 months of 2006 amounting to 298.2 million tenge (\$2,485,000).

In order to improve implementation of the small entrepreneurship guarantee program SEDF branches should develop partnerships with second-tier banks. As well, issuing greater authority to branch offices could decrease the amount of time spent on project consideration, but this would also entail ensuring the branch personnel is sufficiently and adequately trained to do the work.

The Fund guarantee fee rate amounts to 2 % of the loan sum. It is recommended to use the Japan's experience, with an Association loan guarantee, representative offices in all 52 administrative territories of the country, provides guarantees to small firms for the whole loan sum under 1 % of the total sum.

During the year 2000, the adoption of the Law "On Financial Leasing" allowed entrepreneurs to have access to purchase equipment. According to 2005 data approximately 20 leasing companies were present in the country, with 15 of them actively working, and the leasing portfolio total at roughly US\$ 200 million. (Slide 16).

To obtain leased equipment the following requirements must be fulfilled: advance payment is from 10% to 30%, the finance sum is up to 60000 minimum calculation indices (MCI), the basic fee rate is 10% per annum, the term is from 3 to 5 years with a grace period is to 1 year, repayment is made on a monthly basis, debt principal repayment is made on a monthly, and quarterly basis.

Leasing companies prefer to finance already existing profitable businesses. Particularly, they tend to require a lack of debt by the leaser, and income during the past year of work. In addition, the share of capital in balance should amount to no less than 15% of the value of assets, and the fixed assets value should exceed the value of the leased equipment.

It is necessary to further develop competition in the leasing services market, among both domestic and foreign companies. "Reiffeisen Leasing" and "IMG Leasing" have already come to

the Kazakhstan leasing market, and it is expected that this competition for clientele may cause improvement of conditions in this arena.

To implement the “Strategy of Industrial and Innovation Development (2003-2015)” in Kazakhstan the following development institutes were created with government finances: Kazakhstan Development Bank (KDB), the National Innovation Fund (NIF), Investment Fund of Kazakhstan JSC (IFK), State Corporation on Insurance of Export Credits and Investments JSC (SCI). Creation of these development institutes will also allow to overcome one of primary financing problems in Kazakhstan: unwillingness of banks and other financial institutes to finance the innovation and production projects due to high risk and long payback periods (Slide 17).

The development institutes continue the work implementation investment projects and formation of an innovation infrastructure. As of October 1, 2006, the portfolio of investment projects for development institutes consisted of 144 projects approved for financing amounting to 3.7 billion dollars, with the participation of development institutes of more than 1.0 billion dollars. A total of 117 projects have been financed amounting to almost 2.5 billion dollars, with the participation of development institutes funding at 0.8 billion dollars. As of October 18, 2006, the aggregate authorized capital stock of “Kazyna” JSC, combining the development institutes, amounted to 162.7 billion tenge (\$1.355 billion), including 34.7 billion tenge (\$0.289 billion) allotted from the government budget in 2006 for replenishment of authorized capital stock of “Kazyna” JSC group companies.

At the same time, we should increase the work efficiency of these development institutes, decrease the number of procedures necessary for project consideration, increase the objectivity and justification of project selection, it is also necessary to structure appropriately the financial and credit institutes in Kazakhstan.

## **2.2. Obstacles in Business Taxation**

### **2.2.1. Lowering Tax Rates.**

In Kazakhstan entrepreneurs pay the following taxes: the value added tax is 14 % of taxable income, the corporate tax is 30% of taxable profits, the social tax is 20-22 % of salaries and other taxes. The share of taxes on gross profit amounts to 40 % (Slides 18-19).

A policy of lowering taxes has begun in Kazakhstan. Starting from 2007, the value added tax rate is decreased by 1 %, it is now amounting to 14 % instead of 15% in 2006. Effective in 2008 a decrease in the value added tax is planned to be reduced to 13 %, and from 2009 – down to 12 % (Slide 20).

Earlier there was a progressive individual income tax scale, however now a flat rate of income tax has been introduced amounting to 10 %, and so presently persons of low and high income pay out equal individual income tax in percentage terms.

Special tax incentives have been introduced a) based on a one-time coupon b) patent-based c) based on a reduced declaration. Special tax incentives based on a one-time coupon is applied to physical persons, and are periodic in nature, i.e. performed for no more than ninety days in a calendar year, except on activity performed on the basis of contracts made with tax agents (Slide 21).

Patent-based tax incentives are applied to individual entrepreneurs under the following conditions: 1) they are not using hired labor; 2) they are performing their activity in a form of private entrepreneurship; 3) the income does not exceed 2.0 million tenge for one year. During 2007 the rates of patent-based special tax incentives decreased from 3% down to 2%.

Special tax incentives based on reduced declaration is applied to small business entities with the following characteristics:

1) individual entrepreneurs with a maximum average number of workers for the tax period amounting to twenty-five people (including the individual entrepreneur), and the maximum income for the tax period amounts to 10 000.0 thousand tenge (\$ 83,333);

2) legal bodies with the maximum average number of workers for the tax period amounting to fifty people; the maximum income for the tax period amounts to 25000.0 thousand tenge (\$ 208, 333).

During 2007 a special tax incentive of a 3% flat rate was introduced instead of the separate progressive scale for individual entrepreneurs (3% to 5% rates) and for legal bodies (3% to 7% rates.)

The exceedingly high social tax rates of 20 % and more in the progressive scale causes workers' salaries to remain in a "shadow economy" for the most part. During 2008 it is planned to effect a lowering of the social tax to 5-13% from currently 30%. (Slide 22).

The corporate tax rate in Kazakhstan is considered fairly high and amounts to 30 % of taxable income. The Government adopted a law entitled 11-III "On amending and adding new articles to some statutes of the Republic of Kazakhstan on taxation issues." These measures stipulate:

- exemption from payment of corporate income tax by newly created tax payers while performing activities in priority branches of economy in particular investment projects which focus on a creation of new production;
- introduction of a preferential tax for organizations producing products with high value added and implementing a management system conforming to international standards requirements;

The incentive of special taxation for organizations producing products with high value added takes into account the lowering of corporate income tax by 30%, and, in case of certification of the process of goods production on compliance with the requirements of international quality standards and ecological management, preference on payment of this tax is increased from 30% up to 50%.

Further tax legislation improvement will contribute to entrepreneurship development and lead entrepreneurs to exit "the shadow economy." According to the experience of South Korea, where the corporate tax only amounts to 15 %, it is necessary to further decrease the corporate tax rate. (Slide 23).

### **2.2.2. Simplifying Tax and Statistical Reporting.**

One of the barriers to development of entrepreneurship is the unjustified time-consuming and cumbersome system of tax reporting of small enterprises to the government (Slide 24). The formation of tax reporting within the framework of an "E-government" program and its regional subprograms allowed for substantially facilitating the process of presenting tax reports (Slide 25).

According to the Law on private entrepreneurship, small entrepreneurship entities have a right to apply a simplified form of accounting and financial reporting according to the legislation on accounting and financial reporting. State agencies do not have a right to require information not stipulated by normative statutes according to state statistics.

In the Netherlands the main work on reducing administrative costs is conducted by the independent ACTAL agency created in 2000 (the Advisory committee on control of administrative expenditures). The committee only has 9 staff members and is authorized to offer consultations on all proposed laws and regulations. Today, administrative procedures have been simplified in enterprise taxation, social insurance, environmental protection, and statistics. According to estimations, a savings of 600 million US dollars has been due to simplifying the tax requirements. It is recommended to use the experience of the Netherlands in this area of simplifying administrative procedures in taxation, social insurance, environmental protection, and statistics.

## **2.3. Administrative Barriers -- Ways to Overcome Them**

### **2.3.1. Improvement of the Legal Base.**

The existence of an extensive list of types of production, goods, and services, subject to licensing, accreditation, standardization, certification, impedes the growth of business activity, and entrepreneurial initiative. In addition, there are authorization systems (permissions, conclusions and agreements), stipulating both the issuing of licenses and licensed activities. It restrains

the development of entrepreneurship in the country and, especially, of small and medium enterprise growth and development.

Thus, the primary burden of administrative barriers, includes the following:

- there is a considerable number of acts, and multitude of regulations;
- there exists the excessive statistical and tax reporting required by the government of all such entities;
- certain state agencies do not strive for reduction of their control, supervisory, sanction, and agreement functions and powers but in fact increase it (Slide 26).

The presence of the large number of regulations and instructions restrains the development of entrepreneurship. It is necessary to amend the law, where they should differentiate small business entities depending on their industrial specificity.

Kazakhstan should conduct a revision of the statutes and regulations affecting entrepreneurship activity utilizing the experience of Sweden, where hundreds of out-of-date orders are cancelled after periodic revisions as required by the government.

According to the “Law on Private Entrepreneurship,” Advisory Councils have been created at the central and local state agencies in Kazakhstan, to examine statutes concerning private entrepreneurship (Slide 27).

The explanatory note to the normative statute project, concerning private entrepreneurship entities, must without fail contain the results of calculations confirming the decrease and (or) the increase of costs of private entrepreneurship entities in connection with the enactment of the normative statute.

In many countries, particularly, in South Korea one does not need notarized documents, because the chief manager is responsible for the content of any document, therefore, it is recommended to Kazakhstan to eliminate the need for requiring all notarized documents.

### **2.3.2. Introducing the Simplified System of Registration and Liquidation of Enterprises.**

According to the Law on Private Entrepreneurship, for state registration an individual entrepreneur presents the following to the registration agency:

- 1) registration application;
- 2) payment confirming for state registration of individual entrepreneurs. (All other document demands is prohibited.)

The agency performs state registration of the individual entrepreneur is required to act not later than on the following working day after presentation of documents, however this has not been fully integrated. Introduction of a “one window” registration to some extent facilitated the procedure, however, up to now the problem has not been fully solved (Slide 28).

Registration should be completed within two-three days with the enterprise starting its work during one month according to the experience of developed countries. In countries, where registration of the enterprise takes the least time (e.g., Canada), a uniform registration system is used, which can be downloaded from the Internet.

In the USA registration takes 1 day and costs from 8 to 10 dollars. In Australia opening a business takes completion of only two procedures — registration for statistical purposes and for taxation and social insurance. In Sweden three procedures are proposed, also including registration in employment agencies managing the labor forces.

During 1996 in Denmark the system of regulation of enterprise registration was changed eliminating several procedures, and creating an electronic data processing system and cancellation of all payment duties (Slide 29).

The enterprise bankruptcy procedure is complicated and sometimes expensive. According to the Law on Private Entrepreneurship the activity of an individual entrepreneur is considered stopped upon elimination of the entrepreneur from the Public register (based on an application) or enacted court decision.

For small entrepreneurship entities that do not have liabilities, the laws of the Republic of Kazakhstan can establish a simplified order of voluntary liquidation/bankruptcy. However, there are more than 100 thousand inactive enterprises in Kazakhstan, liquidation becomes problematic because of the high cost of this procedure. It is also important to note that the entrepreneur cannot start a new business without closing the old enterprise.

Therefore, it is suggested to conduct a liquidation of inactive enterprises which do not hold any liabilities, so as not to continue to distort the actual number of small enterprises in Kazakhstan (Slide 30).

The simplicity of business creation is one of criteria, by which we can determine how easy it is to do business, as well as the simplicity of opening and liquidating an enterprise, access to financial assets and so on. As for the simplicity of opening business, Kazakhstan is in the 86<sup>th</sup> position, ahead of such countries as China, Azerbaijan, Uzbekistan, but lagging behind New Zealand, which holds the 1<sup>st</sup> place, Armenia, Russia (Slide 31).

The number of procedures necessary for creation of business also plays a significant role in determining the simplicity of doing business, since cumbersome, expensive, lengthy procedures decrease incentives for creation of enterprises. Seven procedures have to be passed in Kazakhstan for creation of business (Slide 32).

The time necessary to create a business is also a criterion -- 24 days are needed in Kazakhstan for the creation of an enterprise. (Slide 33).

### **2.3.3 Lowering the Number of Licensed Activities; Simplification of Licensing, Certification, and Accreditation procedures.**

The current system of mandatory certification in Kazakhstan has created duplication of functions, expensive procedures, increased costs, decreased competitiveness of production both in the domestic and international markets.

Thus is felt that only products which may harm health, and protect the security of citizens or the environment, should be subject to mandatory certification. (Slide 34).

### **2.3.4 Reducing Bureaucracy and Corruption**

In Kazakhstan, complicated problems of development of entrepreneurship include artificial barriers, such as audits and inspections of regulation agencies. According to article 37 of the Law on Private Entrepreneurship, the primary task of state oversight focuses on providing for production safety on goods produced and sold by entrepreneurs, as well as, protection of property, environmental safety, and national security (Slide 35).

The regulative and licensing barriers are a hold over from the soviet times, when it was necessary to obtain permission even for a very simple activities. The economic climate created by the "permission system" is characterized by burdensome regulation. It continues to damage all sectors of economy in Kazakhstan.

According to the Law on Private Entrepreneurship, governmental agencies are prohibited from adopting regulations and statutes on issues pertaining to the conducting of audits of small enterprises.

Quite simply in Kazakhstan, it is necessary to decrease the number of regulating procedures. In Bolivia, where the state regulation is one of the most rigid in the world, 82% of entrepreneurial activity is performed in the informal (or grey economy) sector. According to statistics of the World Bank, the informal economy amounts to 43.2% of GDP in Kazakhstan (73.7 billion dollars) (Slide 36).

Corruption within Kazakh governmental authorities is especially developed in the area of licensing, customs duties, and loans. The corrupt system again pushes business into the informal sector, thus strengthening corruption yet more so and impeding the freedom of market competi-

tion. Other firms, which have decided to operate in the formal sector, find themselves at the mercy of state regulation and licensing and, eventually, are forced out of business.

A Law “On Anticorruption Measures” (1998) has been adopted in Kazakhstan. There has been an Ethics Code for governmental employees which were approved in 2005. As well a Commission under the President focuses on issues of anticorruption and compliance of state employees with the Ethics Code.

The primary measures to counter corruption include:

- Decentralization of functions of the central state agencies with a step-by-step transfer of part of their functions to regions as well as the private sector;
- Reduction of monopolization and creating conditions for the development of competition in particular with the rendering governmental services;
- Implementation of a “one window” principle while servicing population needs;
- Transparency and objectivity in the competitive selection process of state employees, implementation of principles of selection and promotion based on management qualities and professionalism;
- Legislative consolidation so that those persons, who previously committed corruption crimes will not be permitted to enter into state service;
- Implementation of a system of rotation for political state employees;
- Implementation of an “E-government” program for 2005-2007, reducing contact between organizations and the population;
- Countering the “shadow economy” – with the creation of anticorruption committees (Slide 37).

Singapore is one of the few countries, where market methods are used while calculating salaries of ministers and officials. In addition, officials receive bonuses, the size of which depends on how well the economy of the country is doing overall. In case of the economic recession there are salary decreases. The salary of Prime-minister of Singapore is one of the highest in the world (1.9 million Singaporean dollars). From 2000 the payment of annual bonuses to state officials was connected with the individual success for each individual. Governmental service of Singapore operates based on a system of meritocracy (system of personal merits), neutrality, accountability to society, honesty, and anticorruption discipline. It reacts to complaints of the population – each ministry has a Department focused on improving the quality of their work. One key purpose is to ensure that visitors do not wait for more than 15-20 minutes for servicing.

Another distinctive feature of Singaporean state service is the high level of computerization. A program of computerization for governmental service was initiated in 1981 and completed in 1991. The cost of the program amounted to 61 million dollars. This program helped increase work efficiency and reduced labor power by 5000 people. Computerization also touched upon the provision of citizen services, with an Electronic Government operating efficiently in Singapore, e.g., the E-CITIZEN (Electronic Citizen) Center provides various services to citizens in the electronic form via Internet. There is also a program entitled, “State Service-XXI” in Singapore, which seeks to implement the most advanced ideas and technologies in the government. Admittedly, the government of Singapore is one of the most organized and high-performance in the world, however, we recommend this be used as a benchmark for Kazakhstan.

### **2.3.5. Entrepreneurship Development**

To increase governmental efficiency of management an Order of the Ministry (May 23, 2005), #189 approved “Recommendations on Mechanisms of Transferring non-specialized functions to the Market.” Large private companies including such as -- Aluminum Kazakhstan OJSC, Kazakhmys Corporation JSC, Kazzinc OJSC, Kazphosphate LLC, Mittal Steel Temirtau JSC was transferred into the competitive environment (Слайд 38).

To strengthen the interaction between the public and private sectors of economy a Resolution of the Government of the Republic of Kazakhstan of September 14, 2006, # 868 created a

Social and Entrepreneurial Corporation “Saryarka” in the region of Karaganda. The basic purpose of the Social and Entrepreneurial Corporations (SEC) to support and develop small and middle business in regions of the country (regional business communities), provide access to high technologies, financial resources and state development institutes. The primary difference between Social and Entrepreneurial Corporations and Commercial Corporations is the reinvesting of profits received from social projects. Each corporation must become a regional development institute, which will promote strengthening of cooperation.

The development of specific measures for creation of SEC is necessary, with a focus on organization of small business jointly with large national corporations based on franchising, outsourcing, and subcontracting, support of entrepreneurship (Slide 39).

### **2.3.6. Development of the infrastructure of entrepreneurship support.**

Forty-four business incubators have been created in Kazakhstan, including those with support of the Soros-Kazakhstan Fund and Eurasia Foundation, however, many of them were closed after financing ceased from international funds, the remaining business incubators limit their activity with only the provision of premises. Several business incubators working according to the international standards are operating in the Republic, including Sodbi (Shymkent), Almaty City Business Incubator (Slide 40-41).

A franchise Law entitled “On Complex Entrepreneurial Licensing (Franchising)” was adopted with the specific purpose to develop franchising in Kazakhstan. Kazakhstan should utilize the positive Russian experience to further develop franchising and decrease risk by 3 times (Slide 42).

Consulting services are rendered through entrepreneurship support centers, business incubators, resource centers, international funds, public associations, and private consulting firms. In order to increase access of consulting services it is recommended to have an organization of remote consulting via INTERNET system for all regions, support to consulting firms, especially in distant regions, as necessary (Slide 43).

Training of entrepreneurs is performed through the regional entrepreneurship development departments, entrepreneurship support centers, resource centers, international funds, public associations, and private training centers.

The training and support of small and medium entrepreneurship requires development of curricula and programs necessary for entrepreneurs, preparation and raising the skill level of trainers through government funded programs, providing education courses for both beginning entrepreneurs and experienced entrepreneurs wishing to increase their professional level.

It is recommended that in order to make training of small entrepreneurship entities more systematic, through the utilization of the well known FastTrac system, it is recommended to adapt the advanced foreign experience in the development of entrepreneurship and implement in the regions. One important direction with the training process is creating a team of teachers/trainers out of successful entrepreneurs – business veterans -- ready to share their knowledge with other entrepreneurs (Slide 44).

### **2.3.7. Informational Support of Private Business.**

A barrier constantly having adverse affects in entrepreneurship and resulting in growth of the informal sector is the shortage of information on current laws, their complexity, and inconsistency. Many amendments to laws have been adopted recently, and entrepreneurs think that the key to improvement of the situation is in access to information. As a result of the E-government program, there were sites created in all regions, where both general information and information on small business is reflected. It is recommended to post all normative statutes of the central state agencies concerning small and middle entrepreneurship on the WEB-site of the Ministry of Justice (Slides 45-47).

## **Conclusion:**

Small business has already become a rather powerful sector in the development of economy of modern Kazakhstan, however, it is felt to need appropriate governmental support due to the specificity of this sector of economy. The question Kazakhstan must grapple with is what is appropriate government support, as the private sector generally creates economic growth. Today small business has a number of branches and regional associations, qualified to protect and voice the entrepreneurs concerns, provide input into developing laws and regulating acts through advisory councils.

An extensive system of training and consulting in the area of small entrepreneurship has been created in the country, however, not every beginning-entrepreneur is able to succeed in these courses, therefore, the government should provide such an opportunity for them through its development institutes.

A famous American proverb says that instead of just giving a person a fish -- give him a fishing-line -- and teach him to fish. Having received a fishing-line and been taught to fish, a person will be able to help for himself not only for today, but also for tomorrow, and the rest of his or her life.

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