



On approval of requirements for the feasibility study of the special economic zone being created

Unofficial translation

Order No. 326 of the Acting Minister of the Ministry of Industry and New Technologies of the Republic of Kazakhstan dated September 16, 2011. Registered in the Ministry of Justice of the Republic of Kazakhstan on September 29, 2011 under No. 7212.

In compliance with subparagraph 8) of Article 5 of the Law of the Republic of Kazakhstan "On Special Economic Zones in the Republic of Kazakhstan" IT IS ORDERED
A S F O L L O W S :

1. The attached Requirements for the feasibility study of the special economic zone being created shall be approved.

2. The Investment Committee of the Ministry of Industry and New Technologies of the Republic of Kazakhstan (A.Zh.Serikov) shall ensure, in accordance with the procedure established by the law, the state registration of this order at the Ministry of Justice of the Republic of Kazakhstan and its official publication in the mass media.

3. Supervision over the order fulfillment shall be entrusted to the Investment Committee of the Ministry of Industry and New Technologies of the Republic of Kazakhstan (A.Zh.Serikov).

4. This order shall be put into effect upon the expiry of 10 calendar days after its first official publication.

*Acting Minister of the Ministry of
Industry and New Technologies of
the Republic of Kazakhstan*

A. Rau

Approved by order No. 326 of
Acting Minister of the Ministry of
Industry and New Technologies of
the Republic of Kazakhstan
dated September, 16 2011

Requirements for the feasibility study of the special economic zone being created 1. General provisions

1. These Requirements for the feasibility study of the special economic zone being created (hereinafter referred to as the Requirements) have been developed under the subparagraph 8) Article 5 of the Law of the Republic of Kazakhstan "On Special Economic Zones in the Republic of Kazakhstan".

2. The feasibility study for the establishment of the special economic zone (hereinafter referred to as SEZ) shall be developed in accordance with the legislation of the Republic of Kazakhstan on the special economic zones and these Requirements.

2. Structure of the feasibility study

1. The feasibility study of the SEZ establishment shall contain the following sections:

- 1) SEZ summary;
- 2) introduction;
- 3) marketing section;
- 4) technical and technological section;
- 5) the environmental section;
- 6) institutional section;
- 7) financial section;
- 8) economic section;
- 9) social section;
- 10) SEZ performance indicators
- 11) general conclusions on SEZ;
- 12) supplements.

2. The “SEZ summary” section gives description of name, main areas of the SEZ activities, goals and objectives of SEZ, SEZ location (oblast, city, with indication of the boundaries), the SEZ scope, including SEZ capacity, SEZ components, with the indicating the cost of each of them, expected sources and schemes of financing and SEZ implementation period.

3. The "Introduction" section describes the existing political, socio-economic, natural and climatic, geographic, engineering and geological, and other conditions in which SEZ implementation is expected, including indicators of the existing and forecasted standard of living, infrastructure, investment climate and other socio-economic indicators that characterize the prospective location and area of SEZ influence.

This section also indicates the problems, partial or full solution of which is possible through SEZ creation.

4. The "Marketing section" reflects assessment of the existing and expected (for the period of SEZ development and functioning) demand for the types of products (services) that will be produced (provided) as a result of SEZ implementation.

This section includes:

- 1) demand for, or socio-economic need in SEZ, analysis, which constitutes assessment and justification of the quantitative demand parameters, its trends and prices for products (services), or assessment of the need in social services;
- 2) assessment of SEZ impact on the growth of the export potential of region, country;

3) analysis of markets for raw materials, materials and other factors of production associated with SEZ operation;

4) the analysis of markets and prices for goods, works and services purchased within the framework of SEZ;

5) analysis of the work of facilities existing in the industry, including analysis of competitors, and, among other factors, the main development trends in the sectors reflected;

6) measures recommended for promoting the products (services) sales;

7) assessment of commercial risks determining the main risk factors, the presumed nature and range of changes, proposed measures to reduce risks;

8) information sources and methods used for conducting marketing research.

5. The "Technical and technological section" reflects various technological solutions for SEZ implementation, describing the structure of SEZ, technical solutions, defining parameters, SEZ components, as well as their cost.

This section includes:

1) analysis of various technological solutions for SEZ implementation, their advantages and disadvantages, justification for option selected;

2) the SEZ location analysis which justifies the choice of SEZ location, location with due regard to the sources and suppliers of raw materials, consumers of products and services, vicinity to transport highways, geographical features;

3) SEZ scale, which determines the design justification of the SEZ project capacity, the dynamics of the development of SEZ capacity;

4) assessment of the SEZ impact on infrastructure of the region and development of aggregate (related) industries;

5) provision of the territory where SEZ will be located with the engineering facilities, i.e., available transport entrances and vehicles, energy, heat, water and sanitation facilities, warehouses;

6) schedule for the set objectives implementation of the, which reflects the investment period of SEZ according to implementation years and technological stages with a graphical representation of the sequence and duration of activities in time (schedule);

7) assessment of technical risks that determine the main risk factors, presumed nature and range of changes, and presumed risk reduction measures.

6. The "Environmental section" reflects the environmental aspects of SEZ creation and operation.

This section includes:

1) assessment of the SEZ impact on the environment state, quantitative assessment of environmental damage which the SEZ implementation may cause, and proposed measures to reduce its harmful impact;

2) the activities proposed to improve the environmental situation, both in the region and the country as a whole and their result in quantitative terms;

3) the environmental risk assessment that identifies the main risk factors, presumed nature and range of changes, presumed measures for risk reducing.

7. The "institutional section" contains the schemes of SEZ management throughout its life cycle with description of the legal framework, management structure and assessment of financial costs, as well as funding sources. In the case of new institutional scheme creation, it is necessary to specify a detailed justification for this scheme creation with introduction of alternative options.

8. The "Financial section" contains the assessment of financial costs and revenues, along with an assessment of alternative schemes and sources of SEZ financing.

This section includes:

1) assessment of the presumed costs for SEZ creation, including the costs of infrastructure facilities construction;

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

3) calculation of production costs (operating costs);

4) financial analysis of SEZ, including:

- SEZ analysis through simple methods of financial assessment including the calculation of payback period, simple rate of return, debt coverage ratio;

- SEZ analysis through discount methods including the calculation of net present value (NPV), internal rate of return (IRR), discounted benefits and costs (B / C), discounted payback period;

- analysis of the scheme, sources, financing conditions and their alternatives;

- assessment of financial risks to determine the main risk factors, presumed nature and range of changes, presumed measures for risk reducing.

9. The "Economic section" reflects the SEZ creation analysis in terms of the economy of the republic (region) as a whole.

This section includes:

1) analysis of the economic situation in the region with SEZ and without SEZ;

2) assessment of economic benefits and costs, including analysis of the results, consequences and impact, cost-effectiveness analysis and non-measurable benefits, incremental benefits and costs, additional consumer benefits, irreversible costs, externalities, international effects, indirect benefits;

3) analysis of the least costs;

4) calculation of the SEZ budget efficiency;

5) calculation of economic efficiency indicators of SEZ including economic net present value (NPV) and economic internal rate of return (IRR).

10. The "Social section" reflects the social aspects of SEZ and the benefits of SEZ implementing objectives for beneficiaries.

This section includes:

1) rationale for SEZ creation in terms of socio-cultural and demographic characteristics of the population;

2) the SEZ need in labor resources and its impact on population employment;

3) real provision with labor resources of appropriate qualifications;

4) need in training and retraining of workers and specialists;

5) health and safety standards;

6) calculation of the population living standard indicators (demographic indicators, incomes of the population, employment level, influence on raising the level of knowledge, etc.);

7) assessment of social risks that determine the main risk factors, presumed nature and range of changes, and presumed measures for risk reducing.

11. The section "SEZ performance indicators" reflects the main economic, financial and other indicators of the SEZ operation. These indicators are set forth based on the results of achieving the objectives of SEZ creating, features of economic sectors, for development of which the SEZ creation is expected, as well as features of the region where FEZ is supposed to be created.

12. The "General conclusions" section reflects the main advantages and disadvantages of the SEZ, conclusions and description of the logic for choosing the best option for SEZ implementation, the main risks for SEZ project and other conclusions.

13. The "Supplements" section to SEZ feasibility study includes financial and economic models per each of the considered SEZ implementation options, cost tables, dynamics, payback graphs, diagrams, drawings, maps and other materials and documents that confirm and disclose information provided in SEZ feasibility study.