



SMALL AND MEDIUM-SIZED ENTERPRISES IN KAZAKHSTAN: GENERAL OVERVIEW

One of the most distinct features that still determines the economic and social landscape of Kazakhstan and other Post-Communist States is the relatively small and underdeveloped private sector, which is supposed to be one of the most essential driving forces of the modern competitive market economy. A strong and competitive private sector is one of the pillars that Kazakhstan has to build up for completing transition process to the market economy.

There were certain clear optimistic expectations about perspectives of small and medium-sized enterprises (SME) in Kazakhstan before 2009, but the global economic crisis caused shattering many business entities all over the country. The share of SME's in GDP has grown substantially and reached 17.5% in 2006, 18.6% in 2008 and 20.4% in 2009 respectively, which coincide precisely with the period of overall GDP growth caused by high oil prices and net inflow of foreign direct investments to the country.

In 2012, the share of private SMEs in total GDP went down to 17.3%. According to the National Agency of Statistics (NAS), this figure was even lower than the one in 2005 (17.8%). Thus, even in their best performance periods, SMEs in Kazakhstan could not reach the performance of industrialized countries, where SMEs tend to produce from 40% up to 90% of total GDP.

However, in recent years, SMEs in Kazakhstan seem to show signs of slight recovery in terms of the number of operating firms. In 2013, the total number of operating SMEs reached 729 808. This is

the highest number of SMEs ever registered in Kazakhstan.

Domestic business enterprises usually encounter several obstacles, one of which is fundraising. Despite numerous government support programs, emerging firms find it burdensome to take loans with high interest rates.

Another problem is poor business expertise. This issue can be tackled in many ways such as lack of business education, skilled labor scarcity, limited knowledge of legal issues etc. The third major problem is high bureaucracy. As of 2014, Kazakhstan was officially ranked as 77th in the World Bank Doing Business list among 189 countries. However, among the CIS countries Kazakhstan was ranked as 4th after Armenia, Belarus and Russia, and became 1st among the Central Asian countries.

Nevertheless, the main reasons for this low rate were complicated procedures of obtaining construction permission and complicated procedures associated with making trade internationally.

Geographical distribution of SMEs also has certain patterns that in many ways coincide with the overall interregional disparities of income. Astana and Almaty remain to be the leading entrepreneurial centers of the country with high concentration of firms that mostly operate in service and financial sectors.

South Kazakhstan demonstrates high concentrations of private farms and other enterprises associated with agriculture which are counted as SMEs. Such type of spatial discrepancies mostly can be explained by historical in-

frastructure specification, high transportation costs and the limited mobility of production factors.

Despite all detrimental effects of 2008 global crisis and minor negative economic effects in recent years, SMEs in Kazakhstan have grown in general terms since the country became independent. In many ranking concerning the development of SMEs, Kazakhstan occupies leading position among the Central Asian countries and has position higher than average among CIS countries. But SMEs in Kazakhstan on average are inferior to those of industrialized countries in terms of efficiency and labor productivity. Besides, there are also substantial disparities between economic sectors mainly in terms of investments and wage rates. This can especially be observed in agriculture, where an average employee, according to the official statistics, earns 28713 KZT at minimum and 64264 KZT at maximum per month. According to the NAS, these amounts are less than earned in any other sector in the economy.

Currently, during conditions of extremely low oil prices and relatively small amount of foreign investments, it becomes more and more challenging to provide stable expansion of the private sector in Kazakhstan. These circumstances force the government to seek new methods to stimulate private incentives, which should be targeted primarily at cheap funding sources, highly efficient production based on new technologies and reducing bureaucratic burden.

Politics, Foreign Affairs and Security

- Russia, Ukraine and the EU held the trilateral gas talks in Brussels on the implementation of the "winter package".
- During the President of South Cyprus, Nicos Anastasiades' official visit to Russia, the parties signed a joint program of action for 2015-2017 that would aim promoting economic cooperation.
- The Austrian parliament passed a bill amending legislation on previous law on the status of Muslims in the country. The new regulation prohibits funding religious institutions from abroad to prevent external influence and guarantees more legal security for Austrian Muslims.
- In accordance with paragraph 3.1 of Article 41 of the Constitution of Kazakhstan the President Nursultan Nazarbayev signed a Decree appointing early presidential elections on April 26, 2015.
- The Iranian border guards and the Azerbaijani State Border Service signed a Memorandum of Understanding (MoU) at their eighth meeting in Tehran. According to the MoU the border guards would jointly fight against smuggling and illegal border crossing.
- The head of the Central Election Commission Shermuhammad Shohien stated that the turnout at Sunday's parliamentary elections in Tajikistan was 82%.
- Turkey signed an agreement with the EU Commission for a seven-year €920 million "Employment and Social Innovation Program" in Ankara. The agreement would aim to provide a high level of quality and sustainable employment.
- The OSCE Chairperson-in-Office, Serbian Foreign Minister Ivica Dacic expressed concern about the growth

of tension in Nagorno-Karabakh, while speaking with a report at the UN Security Council meeting.

- During the meeting in Paris Syria's main domestic and exiled opposition groups had agreed a joint draft roadmap for the first time calling for a transitional governing body and an end to the brutal conflict.

Economy, Finance and Energy

- The director of the Anzali free economic zone Reza Masroor announced that Iran would resume the marine passenger voyages between Anzali and Baku ports in the next six months.
- SOCAR Turkey's Chief Executive Officer Kenan Yavuz stated that commissioning of a new STAR refinery of SOCAR in the country in the first quarter of 2018 would cover the current shortage of oil refined products in the amount of \$2.5 billion.
- Russia's RAO Energy System of East company Deputy Director General Alexei Kaplun said that Russia could start supplying power to North Korea in 2016. The project would envisage setting up power lines that will carry power to the Rason Special Economic Zone in North Korea.
- Iran has shut down its Bushehr nuclear power plant based on a previously arranged schedule. The Bushehr plant would remain shut down for next two months.
- According to the report of the Georgian National Statistical Service, Georgia's foreign trade turnover amounted to \$694 million in January 2015 and decreased on 9% comparing with the same period of 2014.
- The World Bank approved an allocation of \$45 million to finance the second phase of the transformative Central Asia Road Links Program, which would be implemented in Tajikistan in 2015-2020.

- Lithuania signed a trade agreement with Houston-based Chenier Energy Company to buy liquefied natural gas (LNG) from the United States in order to replace the Russian gas. Under the deal, Lithuania would get the first LNG fuel as early as next year.

Society and Culture

- At least 1,000 citizens of Egypt have been evacuated from Libya since Feb. 20 via Tunisia after the assassination of 21 Egyptian Christian Copts by the militants of the terrorist group Islamic State.
- Afghan capital rocked by suicide attack on Turkish embassy car. It was the first known attack on a Turkish target in the Afghan capital.
- A picture of "Hairdresser" (1911) by Pablo Picasso was found in New York. Painting was stolen in France in 2001.
- Ukrainian government announced that Russian citizens would not be able to enter the territory of Ukraine with the internal Russian passport anymore.
- About 21,000 people took part in the march of mourning in memory of Russian politician Boris Nemtsov, who was shot dead in Moscow.
- Clashes between police and demonstrators took place in Athens during the first anti-government protests since the leftist Syriza party took power a month ago.
- NASA spokesperson Allard Beutel stated that the US plans to cooperate with Russia and other countries on the International Space Station program at least for the next 10 years.
- Yaşar Kemal, one of Turkey's leading writers whose works were translated into 40 languages and who was nominated for a Nobel prize in 1973 died at 92 in Istanbul.