

## **GOVERNMENT SUPPORT OF PHARMACEUTICAL MANUFACTURERS IN KAZAKHSTAN**

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**Keywords:** business, roadmap, SK-pharmacy, business support, pharmaceutical industry.

**Abstract.** The aim is to determine the functional operation of local administrations with the tasks of the Government to support manufacturers in the pharmaceutical industry. Entrepreneur can get all required information at the Service Center Entrepreneurs and can learn about existing programs and which program suites them. As well as where to start and a pitched instructions to receive benefits from the state. Methodology of work is amounted to a collective method of specifically-calculated, comparison, the results of the work was concluded that the regulatory rules and structure of the relationship between entrepreneurs and local government offices administrations operate efficiently, quickly, profitably. The author proves that government support works in practice, and every year new companies are becoming producers in various industries. "MARAI E7 GROUP LLP" is given as an example of saving 30% of the project cost.

The field of application of the results obtained by the author, is to improve the project management, analysis of state support for businessmen would help to choose the country into which to make an investment. The authors' conclusions may be used in the process of teaching in economic disciplines in cycles management, state and local government, statistics.

Projects are different, it all depends on many factors. In this article we will be given a concrete example of real company. Why do not we give an example of successful and famous companies? The main reason is Kazakhstan's economy and ways to develop different economic sectors. The project, which is mentioned, is "start up" - a new one which has analogues in other countries, but does not exist in my country. Description the role of government in business will be given. How government supports new production in various industries, especially in Pharmaceutical. For every country, quality of life and quality of health are important not only for people but also for a economy. With healthy people country can grow and flourish, as well as with stable economy population would have less unemployment. During last 20 years, Kazakhstan has been importing and has got imported medicine addiction. However, now Kazakhstan is ready to replace imported drugs by local manufactures. Producers always need highly educated personal by medical institutions, high technology must be understandable and serviced by professional engineers, distribution chain to drug user, bank loans with low percents, some tax vacations, special economic zones. Kazakhstan has created many programs to support domestic producers. The more people involved in process of building pharmaceutical industry, as a result less unemployment, inflation level would get. As well as more investors which shows stability and future opportunity.

**Health Industry.** Kazakhstan market of medicine is shared as 98% by state and as 2% by private sector. Public authorities made purchase of medicines and medical supplies from representatives of foreign producers to cover the existing demand; in hospitals and clinics 90% of services are provided free of charge to the public. To maintain domestic producers, the government has decided to create a single distributor SK-Pharmacy who buys goods weight Kazakhstan producers and delivers to all medical institutions. Thus the entrepreneur decided to produce medicines and medical products have a warranty that all products will be redeemed SK-Pharmacy for 7 years after the conclusion of the contract. These factors play a huge role in the stable supply and thus affect a shorter payback.

**Support domestic producers.** Single distributor is designed to be a driving factor in the development of the domestic pharmaceutical industry. On behalf of the Head of State, given in the annual address to the nation in January 2009, in order to ensure the country's population quality and affordable medicines, the Government has developed the State Program of Forced Industrial-Innovative Development, under which the program for the development of the domestic pharmaceutical industry. The main objective of the program is to ensure the health of the nation and the country's drug safety by increasing the production of medicines domestic production.

To carry out this task in purchasing through a single distribution includes preferences granted to domestic producers by concluding long-term supply contracts for a term of 7 years; as well as giving priority to the tender procedures when, with the participation in the tender of domestic manufacturers, suppliers of other applications are not considered. Due to the current system to support domestic producers, all within the framework of long-term contracts through tender procedures and the total amount of procurement of medicines and medical products of domestic production through a single distribution for 5 years was 58.3 bln.. A share of the domestic producer in volume terms was increased by 49% when purchased in 2009 to 75% - in 2013 [1].

In February 2009, the Government of the Republic of Kazakhstan decided to create a company "SK-Pharmacy" in the structure of JSC "National Welfare Fund" Samruk-Kazyna "(RoK Government №134 dated February 11, 2009). Resolution of the Government of the Republic of Kazakhstan №516 from May 25, 2013 the ownership and use of absolute ownership interest in a limited liability partnership "SK-Pharmacy" were transferred to the Ministry of Health of the Republic of Kazakhstan. Single distributor system designed to ensure that medicines of the population in the framework of guaranteed free medical care, improve the sustainability and competitiveness of the pharmaceutical industry in the Republic of Kazakhstan, the development of the pharmaceutical industry through the consolidation of public procurement of medicines. The main activities of the Single Distributor: Organisation of open bidding for the procurement of medicines in the framework of guaranteed free medical care; Storing drugs in accordance with the requirements of appropriate distribution practices and legislation of the Republic of Kazakhstan; Organization of logistics processes drug public health organizations; Create an information system for the integration of logistics processes Single distributor, customer and suppliers, as well as current information on turnover, cash balances [2].

**About the Business Road Map 2020-Government support program.** The program "Business Road Map 2020" (hereinafter - the Program) is designed to implement the message of the President of the Republic of Kazakhstan Nazarbayev Nursultan to Kazakhstan Nation "New Decade - New Economic Growth - New Opportunities of Kazakhstan" and the Strategic Plan of Development of Kazakhstan till 2020. The program is one of the mechanisms of the State program for accelerated industrial and innovative development of Kazakhstan for 2010 - 2014 years.

The aim of the Programme is to ensure sustainable and balanced growth of regional entrepreneurship in non-oil sectors of the economy, as well as the preservation of existing and creation of new permanent jobs.

The program will be implemented in two stages: Stage 1 - from 2010 to 2014. In this case, 2010 is a starting year in which the tasks of the Programme will be implemented in three areas: support for new projects, improvement of the business sector, support for exporters. In the years 2011-2014. the tasks will be carried out in two areas: support for new projects and to support exporters. 2nd stage - from 2015 to 2020 in two areas: support for new projects and to support exporters.

Priority sectors for potential participants in the program "Business Road Map - 2020" are: 1. Agri-business; 2. Technical services in the mining industry; 3. Light industry and furniture production; 4. Production of construction materials and other non-metallic mineral products; 5. Metallurgy, metal-working, mechanical engineering; 6. Other sectors of industry (including the production of finished products; electricity, gas, steam and air conditioning supply, collection, processing and distribution of water, sewerage system, the collection, treatment and disposal, waste management, remediation and other services waste disposal). 7. Transportation and warehousing; 8. Tourism; 9. Information and communication; 10. Professional, scientific and technical activities; 11. Education; 12. Health and social services; 13. Arts, Entertainment, and Recreation; 14. The provision of other services (repair of computers and personal and household goods).

More detailed information is provided in section 9 of the General Classification of Economic Activities (CC RK 03-2007). Realization of the Program is carried out in three areas: 1. Support for new business initiatives. 2. Improvement of entrepreneur-ing sector. 3. Support for export-oriented industries.

State support in the first direction of the Program is: 1) to subsidize the interest rate on bank loans for projects; 2) a partial guarantee on loans to banks, aimed at the implementation of projects, and 3) the development of production (industrial) infrastructure; 4) to support service business; 5) training, youth practice and organization of social jobs (component introduced in 2011).

The second direction - improvement of the business sector - can provide the following support: 1) Debtor subsidizing the interest rate on existing loans to banks (at the time of approval) and the new debt within a line of credit that arises after approval of the project; 2) review the question of giving the debtor a grace period on repayment of tax arrears to the budget (except for individual income tax withholding) without incurring penalties; 3) other measures to improve the enterprises under the Plan's financial and economic recovery, including debt owed to domestic creditors on the bonds listed on the Kazakhstan Stock Exchange.

The third direction of the Program aimed at supporting businesses that export to foreign markets.

State support will be provided through the subsidization of interest rates on existing loans to banks [3].

In 2012, the company was founded LLP «MARAI E7 GROUP" main activity is the production of medical products "Medical plaster and bandages." After a preliminary search of potential suppliers of production lines, the company's management received the data- technical performance, the production process, the requirement for construction (building area, size of the premises, the requirement to utility networks). As well as the cost of equipment for the production of raw material suppliers, the cost of raw materials, etc. The cost of the project including land, construction, production equipment is 500 million tenge (which is 2,7million US dollars) [4].

This company got land for construction in industrial zone by local authorities for free which approximate price is 150000\$. All infrastructure facilities are provided by city administration. Water, gas, electricity, roads are cost around 180000\$ and paid from government budget. According to the Business Road Map 2020 program any entrepreneur who seeks government support must first apply to city mayor administration and the Damu- government owned financial assistant. After getting approval from 2 organizations, businessman gets low interest rate bank loan. Usually normal rate for bank loan starts from 14% but after passing 2 organizations loan is divided into 2 parts for maximum 5 years. 7% is paid by businessman and the rest 7% by government. Difference is significant let consider this example, loan amount is 2,7 mln \$, period is for 60 months, percentage is 7%. Finally businessman have to return to the bank 3, 180, 375 \$, which includes 480375\$ as loan interest rate and main loan 2,7 mln \$. Due to the reason construction and manufacturing take time, bank can provide one year vacation before launching production. Starting manufacturing business has got easy in Kazakhstan, businessman saved 150000\$ ( on land cost), 180000\$ (on infrastructure cost), 480375\$ (on bank interest rates) which is in total sum gives 870375\$.

**In conclusion.** Who benefits from such productions? Ofcourse everyone. Entrepreneurs invest directly or attracting borrowed funds during the implementation of the necessary construction of temporary workers involved, after starting the setup from the local population of qualified personnel are provided permanent jobs. There is no migration and brain leakage to other countries smart and professional medical staff. Simple patients receive qualified help without leaving the country. Money for services and manufactured goods remain in the country. The state receives addition to the budget as taxes. Entrepreneurs see Kazakhstan pharmaceutical market as a stable, positive perspective. Without significant government support programs to entrepreneurs was profitable to buy from foreign producers and adding their profits to sell to the state. In the import and sale transaction, does not need highly qualified specialists. The state controls medical education in universities, the quality of services provided in hospitals and clinics, encourages entrepreneurs to produce by purchasing long-term basis, each circuit is interconnected.

Ofcourse to discript succesful cases we would need full information, but existing companies do not publish clear data for public. For this reason, we would like to take as start-up company «Marai E7 group» LLP. This company shows what the aim of the company is, why it was established, which government support programs were made to have advantages. Government even organized free land with all free built-

in infrastructure in special industrial zone. Project costs 2,7mln\$, by government support entrepreneur saved 870375\$. In case manufacture starts exporting items another government business support applied. Year by year number of local manufactures with a label «made in Kazakhstan» is increasing.

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### ҚАЗАҚСТАНДА ФАРМАЦЕВТИКАЛЫҚ ӨНДІРУШІЛЕРДІ МЕМЛЕКЕТТІК ҚОЛДАУЫ

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**Тірек сөздер:** бизнес жол картасы, СК-фармация, бизнесті қолдау, фармацевтикалық өнеркәсіп.

**Аннотация.** Жұмыстың мақсаты фармацевтикалық өнеркәсіп өндірушілерін қолдау үшін Үкімет міндеттерді жергілікті үкіметтің жүзеге асыру нәтижелерін талдау болып табылады.

Кәсіпкерлерге Қызмет Көрсету Орталығы арқылы қолданыстағы бағдарламалар мен жобалар туралы әр кәсіпкер біле алады. Сондай-ақ, кәсіпкерлік жұмысты бастау және мемлекеттен жеңілдіктерге ие болу үшін, қай қадамдардан өту қажеттігі айтылады. Жұмыстың әдістемесін нақты есептелген салыстыру ұжымдық әдісі құрады. Жұмыстардың нәтижелері пайдалы, тез, кәсіпкерлер және жергілікті мемлекеттік кеңселер, әкімшіліктерінің өзара қарым-қатынастарының нормативтік ережелері мен құрылымы арқасында тиімді жұмыс істейтініне негізделді. Автор мемлекеттік қолдаудың іс жүзінде жұмыс істейтіндігін дәлелдеді және жыл сайын жана компаниялар әртүрлі салаларда өндірушілер болып табылады. «Mara E7 GROUP» ЖШС мысалында жұмыскерлер кәсіпкер ретінде жоба құнының 30 % үнемдеуге мүмкіндік алды.

Авторлардан алынған нәтижелерді қолдану өрісі, жобаларды басқаруды жетілдіру, сондай-ақ кәсіпкерлерге қай мемлекет қандай қолдау көрсететінін талдау арқылы инвестиция құюға шешім қабылдауға көмек көрсетіледі. Қорытындылар авторлардың экономикалық пәндерді оқыту процесінде қолдануға жарамды.

Автордың қорытындыларын экономика факультеттерінде басқару, мемлекеттік және жергілікті басқару, статистика пәндер оқыту процесінде пайдаланылуға болады.

### ГОСУДАРСТВЕННАЯ ПОДДЕРЖКА ФАРМАЦЕВТИЧЕСКИХ ПРОИЗВОДИТЕЛЕЙ В КАЗАХСТАНЕ

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**Ключевые слова:** дорожная карта бизнеса, СК-фармация, поддержка бизнеса, фармацевтическая отрасль.

**Аннотация.** Целью работы является определение функциональности работы местных органов управления с поставленными задачами Правительства для поддержки производителей в Фармацевтической индустрии. Через Центр Обслуживания Предпринимателей можно узнать о существующих программах и какая программа подходит предпринимателю. А также с чего начинать и пошаговую инструкцию получения льгот от государства. Методологию работы составили собирательный метод, конкретно-подсчитанный, сравнительный. Результатами работы явился вывод о том, что нормативные правила и структура взаимосвязи предпринимателей и администраций акиматов работают эффективно, быстро, выгодно. Автор обосновывает, что государственная поддержка работает, и каждый год все новые компаний становятся производителями в разных отраслях экономики. На примере «ТОО МАРАЙ Е7 ГРУПП» авторы в подсчетах обосновали, как предприниматель сэкономил 30% от стоимости проекта.

Областью применения результатов, полученных автором статьи является совершенствование управления проектами, а также какую страну выбрать для инвестиций при анализе государственной поддержки предпринимателей. Выводы авторов могут быть использованы в процессе преподавания в экономических дисциплинах в циклах менеджмент, государственное и местное управление, статистике.

Поступила 22.05.2015 г.