**A Supplier Development Programme for Kazakhstan**

**Concept Summary**

69218

**The World Bank**

April 2008

Kazakhstan has several well-established major companies operating in the oil, gas, steel and other industries. However, Kazakhstan’s economy does not derive the maximum benefit from the value-added generated in these sectors because these large enterprises are supplied, primarily, by foreign suppliers and imported inputs. Thus, there is a need to develop capability amongst domestic suppliers. Over time, if domestic suppliers can achieve world class quality levels, they should also be able to export their goods and services, first to neighboring countries and then throughout the world. This, in turn will help to develop a more technologically-sophisticated industrial base and eventually, if also applied to other industries, diversify the economy.

A Supplier Development Programme is a means of improving the technical capabilities of individual firms. Selected firms are assessed, those with the highest potential are selected for intensive technical assistance and training. Partnerships with buyers are facilitated to allow suppliers to gain new business. The firms that complete the programme become approved suppliers to transnational corporations (TNCs) both inside Kazakhstan and overseas. Supplier Development Programmes in countries such as Ireland, Hungary, the Czech Republic and Serbia have allowed those countries to vastly increase the share of local inputs purchased by local subsidiaries of TNCs. The incentive for the TNCs to participate in this programme is a combination of cost saving, mainly from logistics, as well as the reliability and flexibility that comes from using local suppliers.

Under the Joint Economic Research Project (JERP) between the World Bank and the Government of Kazakhstan, the World Bank has conducted a feasibility study and developed a draft Operational Manual for a Supplier Development Programme in Kazakhstan.

The feasibility study found that:

* Oil, gas and metallurgy should be selected for a pilot programme. These sectors have high potential in terms of their existing levels of procurement and there are sources of local expertise in these sectors;
* Supplier development in a pilot form could focus on Karaganda, Atyrau and Almaty;
* A number of TNCs already have local sourcing departments and have committed to cooperate with the programme.

The Operational Manual is a complete handbook for those delivering, managing and overseeing the pilot programme. Initially, the manual will be used to make the various selections which are necessary prior to commencement of the programme. Activities at this stage include the selection of the delivering agency by the Ministry of Industry and Trade and what criteria should be applied to this choice. Another critical early activity will be the formation of a steering group consisting of representatives of the TNCs operating in Kazakhstan, the Ministry, business associations and possibly banks. Having taken these two steps, the manual provides methods for determining training needs within the selected agency and the various approaches for the selection of sectors and/or geographic areas upon which the programme will focus. The manual advises on the selection methods for participating companies and the criteria for selection. In addition, the manual provides guidelines for the assessment of the participating Kazakhstani firms, to help establish baselines for business improvement. Sub-tasks of this activity such as public relations and advertising are also covered in the manual.