STI DEVELOPMENT IN THE REPUBLIC OF KAZAKHSTAN

Yelena Shevchenko
Head of Analytics Innovation Center, Kazakh Industry and Export Center
Current Situation

KAZAKHSTAN IN GLOBAL COMPETITIVENESS INDEX: SUBINDEX «INNOVATIONS»

- 2017 year
  1st place: Switzerland
  14th place: Norway
  28th place: China
  52nd place: Russia
  49th place: Argentina
  84th place: Kazakhstan

- 2018 year
  1st place: Germany
  14th place: Portugal
  24th place: China
  36th place: Russia
  58th place: Argentina
  87th place: Kazakhstan

- 2019 year
  1st place: Switzerland
  14th place: Portugal
  24th place: China
  36th place: Brazil
  53rd place: Argentina
  95th place: Kazakhstan

Graph showing the position of Kazakhstan in the Global Competitiveness Index from 2008 to 2019.
Current Situation

Low level of expenses for product and process innovation

Low share of innovative firms
Factors affecting innovation development in Kazakhstan

- **Innovation Ecosystem is underdeveloped**
- **Lack of prioritization and coordination of STI activities**
- **Low level of inter-ministerial collaboration and coordination**
- **Insufficient R&D support**
- **Low level of science-business collaboration**
- **Low integration into global value added chains**
- **Venture funding and business incubation on the initial stage of development**
- **Small number of startups and innovative companies**
- **Lack of competencies**
Targeted model of STI development

**COMPETENCE CENTERS**

- Corporate Innovation / R&D
- R&D Commercialization
- Digital Skills Development

**INTERMINISTERIAL COORDINATION**

- Increasing Budget for Innovation, R&D Commercialization, Digitalization
- Stimulation of Innovation Activities

**STATE SUPPORT**

- (Investment Climate, Standardization, Preferences)

**DIGITALIZATION OF MEDIUM AND LARGE ENTERPRISES, INFRASTRUCTURE**

- Startups Growth (Technopreneurship)
- New Industries (Product Innovation)
- Modernization (Readiness for Industry 4.0)

**COORDINATION OF INNOVATION ECOSYSTEM**

- Venture Capital Market Development
- National Foresight for STI Development
- Commercialization (Business Incubation, Techno Brokers, Techno-Parks)

**GOVERNMENT**

- Science
- Business
- Development Institutions
Before transformation

- Ministry of Industry and Infrastructural Development
  - QazIndustry
    - Grants for Industry
      - Increasing productivity and efficiency
      - Export stimulation
      - Import substitution
  - NATD
    - Technology Transfer
      - Industrial parks, incubators, design bureaus

- Ministry of Education and Science
  - Science Committee
    - Science Fund
      - The World Bank Project
        - Grants on innovation
          - Commercialization
          - Technology development of enterprises
        - Grants on R&D commercialization
    - Research support programs
      - Project “Promoting productive innovation”

- Ministry of Agriculture
  - KazAgro
    - National Agrarian Scientific and Educational Center
    - Financial operator of agricultural projects
  - Others
    - National Scientific and Technological Holding “Parasat”
    - Support of agro-industrial complex development

- Ministry of ICT
  - Zerde
    - Promotion of investment and innovative activity in IT

Other Ministries

- Ministry of Digital Development, Innovations and Aerospace Industry
  - Zerde
    - Promotion of investment and innovative activities in IT
  - Astana hub
    - Business incubation
    - Startups development

- Ministry of Industry and Infrastructural Development
  - QazIndustry
    - Grants for Industry
      - Increasing productivity and efficiency
      - Export stimulation
      - Import substitution
  - Baiterek
    - QazTechVentures
    - DAMU
    - DBK
    - Kazakh Export
    - Center for Engineering and Technology Transfer
      - Technology transfer
      - Grants on innovation and R&D commercialization
    - Astana hub
      - Business incubation
      - Startups development

- Ministry of Education and Science
  - Science Committee
    - Science Fund
      - The World Bank Project
        - Grants on innovation
          - Commercialization
          - Technology development of enterprises
        - Grants on R&D commercialization
    - Research support programs
      - Project “Promoting productive innovation”

- Ministry of Agriculture
  - KazAgro
    - National Agrarian Scientific and Educational Center
    - Financial operator of agricultural projects
  - Others
    - National Scientific and Technological Holding “Parasat”
    - Support of agro-industrial complex development

Other Ministries

- Ministry of ICT
  - Zerde
    - Promotion of investment and innovative activity in IT
Consolidation of state support measures

MINISTRY OF DIGITAL DEVELOPMENT, INNOVATION AND AEROSPACE INDUSTRY

NATIONAL MANAGEMENT HOLDING

- Coordination of Innovation Ecosystem
- Design and Implementation of STI Policy
- Implementation of State Support Measures for STI Development (innovation grants, commercialization grants, technology transfer, etc.)

astana hub
- Support of ICT Startups Development
- Single Point for Innovation Ecosystem Actors
- International Hub

- Integration into Global Value Chains
- Centers of Competence
- Support of Innovation Projects

- Venture Capital Development
- Business Incubation
Priority directions
Development of innovative clusters

**Goal**
CLUSTERS DEVELOPMENT (TECHNOLOGY PLATFORMS)
Integration of major actors to develop priority technologies

**Process Innovation**
1. Increase labor productivity 61%
2. Cost reduction and resource saving 34%
3. Customer satisfaction 14%
4. Service quality 48%

80%

**Product Innovation**
1. Value added
2. Product competitiveness
3. Investments in fixed capital
4. New jobs

20%
- Nazarbayev University Technopark (Nur-Sultan)
- International Technopark of IT Startups “Astana Hub” (Nur-Sultan)
- Park of Nuclear Technologies «Tokamak» (Kurchatov)
- Industrial Petrochemical Technopark (SEZ Atyrau)
For the participants (investors):

- VAT - "0" on goods sold on the territory of SEZ
- Land tax exemption
- Property tax exemption
- Corporate income tax exemption
- Exemption from customs duties on goods intended for placement or use by SEZ participants
- Attracting foreign labor without quotas and special permits
Industrial Zones

Kazakh-Turkish IZ - 300 ha.
IZ Atyrau - 210 ha.
IZ Mangystau - 189 ha.
IZ Zhanaozen - 30 ha.
IZ Aktobe IZ - 200 ha.
IZ Serpin 22 ha
IZ Aral district 10 ha
IZ Shiyly district 96 ha
IZ Ondyryc 760 ha
IZ Kazaly district 12.7 ha
IZ Karmakshy district 15 ha
IZ Ontustyk 337 ha
IZ Tassay 89 ha
IZ Shardara district 35 ha
IZ Kazygurt district 40 ha
IZ Tulkubas district 55 ha
IZ Kentau 25 ha
IZ Sozak district 50 ha
IZ Turkestan 103 ha
IZ Maktaaral district 28 ha
IZ Baydibek district 57 ha
IZ Badam 203 ha
IZ Kokshetau - 37 ha.
IZ Kostanay - 400 ha.
IZ Kostanay - 400 ha
IZ Ondyrys» 76,6 ha
IZ «on the street of machine builders» 26,6 ha
IZ «Orken - SFC» 33,5 ha
IZ Taldykorgan 594,9 ha
IZ DAMU industrial logistic center 210 ha
IZ Kayrat 198 ha
IZ Bereke 383,3 ha
IZ Arna 1303 ha
IZ Boralday 601,7 ha
IZ Kazbek bek 960 ha
IZ Alatau district Almaty city 490 ha
IZ Ekibastuz - 90 ha
IZ Aksu city - 80 ha
IZ «IZ «Ondyrys» 76,6 ha
IZ «on the street of machine builders» 26,6 ha
IZ «Orken - SFC» 33,5 ha
IZ Taldykorgan 594,9 ha
IZ DAMU industrial logistic center 210 ha
IZ Kayrat 198 ha
IZ Bereke 383,3 ha
IZ Arna 1303 ha
IZ Boralday 601,7 ha
IZ Kazbek bek 960 ha
IZ Alatau district Almaty city 490 ha
IZ «IZ «Ondyrys» 76,6 ha
IZ «on the street of machine builders» 26,6 ha
IZ «Orken - SFC» 33,5 ha
IZ Taldykorgan 594,9 ha
IZ DAMU industrial logistic center 210 ha
IZ Kayrat 198 ha
IZ Bereke 383,3 ha
IZ Arna 1303 ha
IZ Boralday 601,7 ha
IZ Kazbek bek 960 ha
IZ Alatau district Almaty city 490 ha
<table>
<thead>
<tr>
<th>Investment contract</th>
<th>Special economic zones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax exemption - up to 10 years (new) and 3 years (expansion)</td>
<td>Corporate income tax exemption</td>
</tr>
<tr>
<td>Land tax exemption* - up to 10 years</td>
<td>Exemption from land tax</td>
</tr>
<tr>
<td>Exemption from VAT on imports of raw materials and (or) materials</td>
<td>VAT rate – 0 % (for products consumed on the territory of the SEZ)</td>
</tr>
<tr>
<td>Property tax exemption* - up to 8 years</td>
<td>Property tax exemption</td>
</tr>
<tr>
<td>Exemption from customs duties when importing equipment, components, spare parts, raw materials for a period not exceeding 5 years</td>
<td>Exemption from customs and tax payments when importing goods into the SEZ territory + Special investment contract</td>
</tr>
<tr>
<td>Provision of state in-kind grants (the maximum size of the grant is not more than 30% of the investment volume)</td>
<td>Free land for the term of SEZ</td>
</tr>
<tr>
<td>Provision of investment subsidies-reimbursement of up to 30% of costs for construction and installation works and equipment purchase*</td>
<td></td>
</tr>
<tr>
<td>Attraction of foreign labor outside quotas and without * permits for the period of construction and installation works and 1 year of commissioning</td>
<td></td>
</tr>
<tr>
<td>Stability of rates of taxes, fees and charges for 10 years (if the rates of taxes, fees and charges increase, the rates are applied on the date of conclusion of the contract)</td>
<td></td>
</tr>
</tbody>
</table>

*These preferences can be used only by PRIORITY investment projects

The above-mentioned benefits are provided regardless of the volume of investments and are issued for the entire duration of the SEZ (25 years).
### Investment project

A set of measures providing for investments in **the creation of new, expansion and (or) renewal of existing production facilities**, including those created, expanded and updated during the implementation of the PPP project, including the concession project.

#### Investment priority project

*Investment project implemented by a legal entity on priority activities, the list of which is approved by the government of the Republic of Kazakhstan*

Creation of **new production facilities**, providing for investment in the construction of **new production facilities** (factory, plant, workshop), in the amount of **at least 2 million MCI** (for 2019, **5 billion KZT** or **USD 13.3 million** at the rate of 380 tenge per US dollar)

**Expansion and (or) renewal** of existing **production facilities**, including **renewal** (renovation, reconstruction, modernization) of existing **production facilities**, producing products, providing for investments in the amount of **at least 5 million MCI** (for 2019, **12.6 billion KZT** or **USD 33.2 million** at the rate of 380 tenge per US dollar)

#### Special investment project

*Investment project implemented and (or) implemented by a legal entity of the Republic of Kazakhstan, which:*

- registered as a **member of SEZ**;
- registered as the **owner of a free warehouse**;
- concluded an agreement on **industrial assembly of motor vehicles**;
- carries out activities included in the list of **Priority Activities** approved by the government of the Republic of Kazakhstan (No. 13 of 14.01.16)

<table>
<thead>
<tr>
<th>Preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) exemption from customs duties and VAT on imports;</td>
</tr>
<tr>
<td>2) state in-kind grants.</td>
</tr>
</tbody>
</table>

| 1) exemption from customs duties; |
| 2) state in-kind grants. |
| 3) Tax preferences: |
| - CIT; |
| - land tax; |
| - property tax; |
| 4) investment subsidy |

| Exemption from taxation: |
| - import customs duty; |
| - VAT on imports. |
Thank you for attention!

Yelena Shevchenko
Head of Analytical Innovation Center
Kazakh Center for Industry and Export “QazIndustry”

Email: yelenashevchenko@gmail.com
Tel.: +7 701 338 90 04