



On state support of industrial and innovative activity

Invalidated Unofficial translation

The Law of the Republic of Kazakhstan dated 9 January 2012 No 534-IV.

U n o f f i c i a l t r a n s l a t i o n

Footnote. It became null and void by the Code of the Republic of Kazakhstan dated 10.29.2015 No. 375-V (shall be enforced from 01.01.2016).

U s e r s , p l e a s e n o t e !

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T h e R C L I n o t e !

The order of enforcement of the Law of the Republic of Kazakhstan See article 28

This Law establishes legal, economical and organizational bases of stimulation of industrial and innovative activity and specifies the measures of its state support.

Chapter 1. GENERAL PROVISIONS

1. Main definitions used in this Law

The following main definitions shall be used in this Law:

1) local content – is percentage of the cost of payment for labour of the citizens of the Republic of Kazakhstan, engaged in an industrial and innovative project of a subject of industrial and innovative activity, in the total fund of payment for labour for this project and (or) total cost of goods, works and services, used in implementation of the industrial and innovative project of the subject of industrial and innovative activity;

2) the local content expertise- is the assessment of local content in the industrial and innovative project of the subject of industrial and innovative activity, claiming the inclusion into the republican industrialization map;

3) an industrial and innovative project is a complex of activities, aimed at the transfer of technologies, creation of new or improved productions, technologies, goods, works and services, which is implemented within the specified period of time;

4) an industrial and innovative activity – is the activity of individuals or legal entities, related to the implementation of industrial and innovative projects in recognition of ecological safety for the purposes of the increase of labour productivity and provision of stimulation of the development of priority sectors of economy or with the introduction of domestic processed goods, works and services into local and (or) foreign markets;

5) subjects of industrial and innovative activity – are natural persons or legal entities, implementing industrial and innovative projects in the priority sectors of economy or conducting the activity on introduction of domestic processed goods, works and services into domestic and (or) foreign markets;

6) the authorized body for the state support of industrial and innovative activity – is the centralized executive body, conducting administration in industry and industrial development, as well as conducting the inter-branch coordination and participation in the implementing the state support of industrial and innovative activity;

7) an innovation – is the result of the activity of natural persons and (or) legal entities, which is implemented in practice in kind of new or improved productions, technologies, goods, works and services, organizational decisions of technical, production, administrative and commercial character, as well as other socially useful result with due regard to the ecological safety for the purposes of economic efficiency;

8) an innovation grant – is the budgetary funds, granted to the subject of industrial and innovative activity on a free-of-charge basis in order to implement their industrial and innovative projects within the priority directions of providing innovation grants;

9) an innovation cluster – is an association of scientific and (or) scientific-and-technological activity, elements of industrial and innovative infrastructure, aimed at stimulating the industrial and innovative activity through cooperation and joint use of the existing opportunities, sharing knowledge and experience, effective transfer of technologies, sustainable partnership networking and distribution of information;

10) the authorized body for state planning – is the central executive body, conducting administration and inter-branch coordination of strategic and economic planning, development and formation of budgetary policy;

11) a branch construction design office – is a legal entity, owning material and technical complex, established by the national development institute in technological development in order to promote the subjects of industrial and innovative activity in organization of the production of new and improved goods;

12) a critical technology – is a technology, ensuring raising the competitiveness of the national economy in a long term perspective (more than ten years);

13) the database of goods, works, services and their suppliers - is a list of domestic goods, works, services and their suppliers;

14) a technology – is a process and (or) a complex of equipment, operating in a single production cycle, the use of which shall provide the obtaining new or improved goods, works and services;

15) a technology transfer – is a process of implementation of new or improved technologies by the subjects of industrial and innovative activity, rights to property,

possession, and (or) use of which are obtained by means, not prohibited by the laws of the Republic of Kazakhstan;

16) commercialization of technologies – is the activity, related to practical application of the results of scientific and (or) scientific-and-technological activity, for the purposes of introduction to the market of new or improved goods, processes and services, aimed at economic benefit;

17) the center of commercialization of technologies – is a legal entity, structural or separate subdivision of scientific organization, higher educational institutions or an autonomous educational organization conducting commercialization of technologies;

18) a technological forecast – is a complex of analytical research, aimed at detecting technologies, the development of which is a prerequisite for sustainable industrial and innovative development of the state;

19) a technological park (hereinafter – the technopark) – a legal entity, established by the national development institute of technological development, owning, on the right of property or other legal grounds, a territory with a unified material and technical complex, where the favorable conditions for the implementation of industrial and innovative activity are created;

20) priority sectors of economy – are the sectors of the national economy, which can influence on the dynamics and quality of economic development of the state.

Footnote. Article 1 as amended by the Law of the Republic of Kazakhstan dated 10.07.2012 No 31-V (shall be enforced upon expiry of ten calendar days from its first official publication).

2. The legislation of the Republic of Kazakhstan on the state support of industrial and innovative activity

1. The legislation of the Republic of Kazakhstan on the state support of industrial and innovative activity is based on the Constitution of the Republic of Kazakhstan, this Law and other laws and regulations of the Republic of Kazakhstan.

2. If an international treaty ratified by the Republic of Kazakhstan establishes rules, other than those provided in this Law, the rules of an international treaty shall apply.

3. Purpose, tasks and principles of the state support of industrial and innovative activity

1. The purpose of the state support of industrial and innovative activity is raising competitiveness of the national economy on the basis of stimulating the development of priority sectors of economy, specified by the President of the Republic of Kazakhstan.

2. The tasks of the state support of industrial and innovative activity shall be as follows:

1) creation of favorable conditions for the development of priority sectors of economy;

2) enabling the conditions for development of new competitive productions;

3) creation of favorable conditions for modernization (technical re-equipment) of existing productions for the purposes of the increase of labour productivity, as well as extending the production chain and market expansion;

4) support of effective implementation of innovations and the development of high technological productions;

5) increasing the investment attractiveness and export potential of the subjects of industrial and innovative activity;

6) assistance to the subjects of industrial and innovative activity in commercialization of technologies;

7) assistance to the subjects of industrial and innovative activity in the development of export potential;

8) development of scientific and research basis in the priority sectors of economy and its integration with production process;

9) assistance to the subjects of industrial and innovative activity in international cooperation in industrial and innovative activity, including the cooperation in training of high quality personnel for industrial and innovative activity.

3. The state support of industrial and innovative activity in the Republic of Kazakhstan shall be based on the following principles:

1) provision of the subjects of industrial and innovative activity with the access to obtaining the state support in accordance with this Law;

2) publicity, targeting and transparency of the state support measures provided to the subjects of industrial innovative activity;

3) provision of balanced interests of the state and the subjects of industrial innovative activity;

4) optimization of the state support measures for the purposes of successful implementation of industrial and innovative projects of the subjects of industrial innovative activity with due regard of their individual peculiarities;

5) Complexity and consistency, ensuring continuous interrelation of the state and subjects of industrial innovative activity;

6) compliance with international obligations of the Republic of Kazakhstan.

Chapter 2. STATE REGULATION OF THE STATE SUPPORT OF INDUSTRIAL AND INNOVATIVE ACTIVITY

4. The competence of the Government of the Republic of Kazakhstan

The government of the Republic of Kazakhstan shall:

1) develop the principal directions of the state policy in the sphere of the state support of industrial and innovative activity and organize their implementation;

2) develop state programs in the sphere of industrial and innovative activity;

- 3) submit proposals on determination of the priority sectors of economy to the President of the Republic of Kazakhstan;
- 4) approve branch programs in the sphere of industrial and innovative activity;
- 5) approve the inter-branch plan of scientific and technological development;
- 6) approve the list of national development institutes and other legal entities, fifty and more percent of voting shares (participation share in the charter capital) of which either directly or indirectly owned by the state, authorized for the implementation of the measures of the states support of industrial and innovative activity;
- 7) approve the rules for conducting the expertise for local content;
- 8) approve the republican map of industrialization;
- 9) approve the uniform map of priority goods and services;
- 10) approve the list of activities on production of high technology products;
- 11) define priority directions of issuing innovative grants;
- 12) approve the rules of reimbursement of a part of expenses of the subjects of industrial and innovative activity concerning the introduction of domestic processed goods to the foreign markets;
- 13) establish the Coordination council for forced industrial and innovative development under the Government of the Republic of Kazakhstan (hereinafter – the Coordination council) and approve its statute and membership;
- 14) establish the Council for technological policy under the Government of the Republic of Kazakhstan and approve its statute and membership;
- 15) approve the rules of functioning of branch construction design office;
- 16) specify the procedure of inclusion of the projects to the republican and regional maps of industrialization;
- 17) approve the lists of domestic processed goods, services, on which the expenses for their introduction to foreign markets are partially reimbursed;
- 18) approve the rules of provision of innovative grants for the purchase of technologies, conducting industrial researches, support of activity on production of high technology products at the initial stage of development, patenting in foreign countries and (or) regional patent organizations;
- 19) approve the rules of providing of innovation grants for commercialization of technologies;
- 20) approve the rules of providing innovation grants for raising the qualification of engineering and technical personnel abroad, involvement of consulting, project and engineering organizations, for the implementation of managerial and production technologies;
- 21) define the procedure of payment of the services of the national development institute in the sphere of technological development in providing the innovation grants;

22) perform other functions, stipulated by this Law, other laws of the Republic of Kazakhstan and acts of the President of the Republic of Kazakhstan.

5. The competence of the authorized body in the sphere of the state support of industrial and innovative activity

The authorized body in the sphere of the state support of industrial and innovative activity shall:

1) participate in the formation and realization of the state policy in the sphere of the state support of industrial and innovative activity;

2) develop inter-branch plan of scientific and technological development;

3) conduct planning, monitoring, stimulating, development of industrial and innovative system;

4) develop and agree within its competence the branch programs in the sphere of industrial and innovative activity;

5) submit proposals on determining the priority sectors of economy to the authorized body for the state planning;

6) submit annually the information about the effectiveness of the measure of the state support of industrial and innovative activity to the Government of the Republic of Kazakhstan;

7) develop the rules of conducting the expertise for the local content;

8) develop a uniform map of priority goods and services;

9) develop the republican map of industrialization;

10) develop the list of activities on production of high technology products;

11) submit proposals on determining the priority directions of providing innovative grants to the Government of the Republic of Kazakhstan;

12) prepare the statute on the Coordination council and submit proposals on forming of its membership to the Government of the Republic of Kazakhstan;

13) prepare the statute on the Council for technological policy and submit proposals on forming of its membership to the Government of the Republic of Kazakhstan;

14) agree strategies and the development plans of legal entities, fifty and more percent of voting shares (participation share in the charter capital) of which either directly or indirectly owned by the state, legal entities affiliated with them, national management holdings, national companies and legal entities affiliated with them, to the extent of the development of technologies and innovations;

15) develop rules of functioning of branch construction design offices;

16) prepare the rules for reimbursement of a part of expenses of the subjects of industrial and innovative activity for the introduction of domestic processed goods, works and services to the foreign markets;

17) prepare the list of domestic processed goods, works and services, on which, the expenses for their introduction to the foreign market shall be partially reimbursed;

18) prepare of the procedure for the inclusion of the projects to the republican and regional maps of industrialization;

19) develop rules of provision of innovation grants for purchasing of technologies, conducting industrial research, supporting the activity concerning high technological products at the initial stage of development, patenting in foreign countries and (or) regional patenting organizations;

20) develop rules of providing innovation grants for commercialization of technologies;

21) develop rules of providing innovation grants for raising qualifications of engineering and technical personnel abroad, involvement of high quality foreign specialists, attracting of project and engineering organizations, for the implementation of managerial and production technologies;

22) develop the procedure of payment for services of the national development institute of technological development in providing the innovation grants;

23) develop the procedure for formation and maintenance of the database of goods, works, services and their suppliers;

24) develop the rules of reimbursement of a part of expenses of the subject of industrial and innovative activity for introduction of goods, works and services to the domestic market;

25) exercise other powers, stipulated by this Law, other laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

6. The competence of the authorized body for the state planning

The authorized body for the state planning shall:

1) participate in the formation and implementation of the state policy in the sphere of the state support of the industrial and innovative activity;

2) submits proposals for determination of the priority sectors of economy to the Government of the Republic of Kazakhstan;

3) make the assessment of the effectiveness of the implementation of the branch programs in the sphere of industrial and innovative activity;

4) form the policy of the development of local content in the sphere of industrial and innovative activity;

5) coordinate the activity of the public bodies on the implementation of the branch programs in the sphere of industrial and innovative activity;

6) coordinate the provision with qualified human resources and regulating of the employment in the sphere of industrial and innovative activity;

7) make the assessment of the effectiveness of industrial and innovative system;

8) bring into accord the strategies and plans of the legal entities, fifty and more percent of voting shares (participation share in the charter capital) of which are owned by the state, legal entities affiliated with them, national management holdings, national companies and legal entities affiliated with them, concerning the compliance with the purposes of industrial and innovative development;

9) exercise other powers, stipulated by this Law, other laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

7. The competence of other public bodies

The public bodies shall:

1) participate information and implementation of the state policy in the sphere of the state support of the industrial and innovative activity;

2) submit proposals on determination of the priority sectors of economy to the authorized body for the state planning;

3) develop branch programs in the sphere of industrial and innovative activity;

4) submit to the authorized body in the sphere of the state support of industrial and innovative activity the information about the implementation of measures of the state support of industrial and innovative activity;

5) submit proposals on determination of the priority directions of providing the innovation grants to the authorized body for the state support of industrial and innovative activities;

6) exercise other powers, stipulated by this Law, other laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

8. The competence of the local executive bodies, of regions, the cities of republican significance, the capital

Local executive bodies of regions, the cities of republican significance, the capital, shall:

1) participate information and implementation of the state policy in the sphere of the state support of the industrial and innovative activity within the relevant territory;

2) develop and approve the regional maps of industrialization;

3) have the right to render methodological, consultative, practical and other assistance to the elements of industrial and innovative infrastructure, the subject so findustrial and innovative system, conducting the state support of the industrial and innovative activity;

4) submit proposals on determination of the priority sectors of economy to the authorized body for the state planning;

5) perform collection, analysis and submit to the authorized body for the state support of the industrial and innovative activity the information about the local content

in purchases of organizations in accordance with the list, approved by the Government of the Republic of Kazakhstan in the form and within the periods, established by the legislation of the Republic of Kazakhstan;

6) provide the authorized body for the state support of industrial and innovative activity with the information about the implementation of the measures of state support of industrial and innovative activity;

7) have the right to establish and (or) participate in the charter capital of the legal entities, which principal activity is aimed at the innovation development;

8) ensure the coordination of the implementation of branch programs in the sphere of industrial and innovative activity within the relevant territory;

9) exercise in behalf of the local state management other powers, imposed on the local executive bodies by the legislation of the Republic of Kazakhstan.

Chapter 3. INDUSTRIAL AND INNOVATIVE SYSTEM OF THE REPUBLIC OF KAZAKHSTAN

9. Industrial and innovative system of the Republic of Kazakhstan

Industrial and innovative system consisting of the subjects performing the state support of industrial and innovative activity, infrastructure and instruments shall be formed for the purposes of stimulation of the development of priority sectors of economy and the state support of industrial and innovative activity in the Republic of Kazakhstan.

10. Subjects of industrial and innovative system, performing the state support of industrial and innovative activity

1. The subjects of industrial and innovative system, performing the state support of industrial and innovative activity shall be the national development institutes, including the regional, as well as legal entities, fifty and more percent of voting shares (participation share in the charter capital) of which either directly or indirectly owned by the state, authorized to implement the measures of the state support of industrial and innovative activity.

2. National development institute in the sphere of the industrial development shall:

1) render information and analytic, and consultative services in the sphere of the development of priority sectors of economy;

2) participate in monitoring of the performance of branch programs in the sphere of industrial and innovative activity;

3) render services to the authorized body in the sphere of the state support of industrial and innovative activity for the development and actualization of the uniform map of priority goods and services;

4) render other services to the authorized body in the sphere of the state support of industrial and innovative activity for the analysis of economically effectiveness of the industrialization map.

3. National development institute in the sphere of technological development shall:

1) participate in the process of technological forecasting;

2) render information and analytical and consultative services in the sphere of innovation development;

3) make investment to industrial and innovative projects by participation in the charter capitals of the subjects of industrial and innovative activity, establishment of legal entities with foreign participation, establishment or participation in the investment funds and by other ways, stipulated by the legislation of the Republic of Kazakhstan;

4) participate in the establishment, management and coordination of technoparks, centers of commercialization of technologies, branch design construction offices, international centers of technology transfer;

5) cooperates with international organizations or the purposes of attracting informational, educational and financial resources for stimulation of technological development of the priority sectors of economy;

6) provides the access to the information about the implemented industrial and innovative projects, implemented technologies, results of the conducted analytical research on technological forecasting;

7) participate in the implementation of mechanisms of the state support for technological business-incubation, commercialization of technologies and technology transfer, enhancement of personnel, managerial and production potentiality of the subjects of industrial and innovative activity;

8) issue expert opinions and (or) recommendations to the authorized body for the state support of industrial and innovative activity;

9) render services to the authorized body for the state support of industrial and innovative activity in providing innovation grants;

10) perform the collection of information and the analysis of effectiveness of industrial and innovative system in technological development;

11) assist in development of investment funds of risk-related investing.

4. National development institute for local content development shall:

1) form and maintain the database of goods, works, services and their suppliers;

2) render informational and analytic, and consulting services in the sphere of local content development;

3) render services to the authorized body for the state support of industrial and innovative activity concerning the analysis of the effectiveness of implementation of

measures on the state support of domestic suppliers of goods, works and services in the domestic market;

4) render services to the authorized body for the state support of industrial and innovative activity concerning reimbursement of a part of expenses for the introduction of goods, works and services of the subjects of industrial and innovative activity in the domestic market;

5) conduct the expertise on local content.

5. National development institute for attracting investments shall:

1) conduct analytical research on the improvement of investment attractiveness of the Republic of Kazakhstan;

2) provide information support of foreign investors activity, organize meetings of investors with the state bodies, subjects of industrial and innovative activity, as well as with the associations of private business entities, conduct business-forums, conferences and seminars on investment themes, form and maintain the database of foreign investors;

3) promote a favorable investment image of the Republic of Kazakhstan, and provide the information about investment opportunities;

4) monitor the implementation of official agreements, attained on results of negotiations with foreign investors;

5) monitor industrial and innovative projects implemented with participation of foreign investors.

6. National development institute for export development and promotion shall:

1) analyze the foreign markets;

2) assist in introduction of domestic processed goods, works and services to the foreign markets;

3) render information and consulting services to the domestic exporters concerning the matters of increasing competitiveness in the foreign markets, searching potential export market and the introduction of their goods, works and services to the foreign markets;

4) hold activities on promoting export of domestic processed goods, services;

5) cooperate with domestic, foreign and international organizations concerning the issues of export promotion;

6) render services to the authorized body for the state support of industrial and innovative activity on reimbursement of the part of expenses of the subjects of industrial and innovative activity for introduction of domestic processed goods, services to the foreign markets;

7) establish foreign representative offices for the purposes of export promotion.

11. Industrial and innovative infrastructure

1. The elements of the industrial and innovative infrastructure shall be:

- 1) special economic zones;
- 2) industrial zones;
- 3) technoparks;
- 4) joint stock investment funds of risk-related investing;
- 5) centers of technology commercialization;
- 6) branch design construction offices;
- 7) international centers of technology transfer;
- 8) innovative clusters.

2. Industrial and innovative activity in the special economic zones and industrial zones shall be performed in the procedure stipulated by the laws of the Republic of Kazakhstan “On special economic zones in the Republic of Kazakhstan”, “On private entrepreneurship”.

3. Activity of joint stock investment funds of risk-related investing shall be regulated by the Law of the Republic of Kazakhstan “On investment funds”.

4. The main activity of technoparks shall be the business incubation, which is the provision of the subjects of industrial and innovative activity at the initial stage of their functioning with the services for the provision of premises, equipment, accounting, legal, information, and consultation support, attracting investments, project management, as well as other services, required for the implementation of industrial and innovative projects.

The rules for rendering services of technological business-incubation, as well as the appraisal of such services shall be prepared by the authorized body for the state support of industrial and innovative activity and shall be approved by the Government of the Republic of Kazakhstan.

5. The main directions of the activity of the centers of technology commercialization shall be rendering of a complex of services for commercialization of technologies, including but not limited to: search and assessment of technologies, marketing research, rendering consultation services in the sphere of protection of intellectual property, development of technology commercialization strategy, organization of interrelation of the subjects of scientific and (or) scientific research activity and private business entities for the purposes of concluding agreements between them in the sphere of commercialization of technologies.

Methodological, consultative and other support of the centers of technology commercialization stipulated by the legislation of the Republic of Kazakhstan shall be performed by the national development institute for technological development.

6. The main task of the branch design construction offices shall be the assistance to the subjects of industrial and innovative activity in creation of new or improved goods, including through the technologies transfer, purchasing, adaptation, preparation of construction and technological documentation, its subsequent transfer on a

remuneration basis to the subjects of industrial and innovative activity and rendering services, required for organization of the production of goods based on such documentation.

7. International centers of technology transfer shall be established by the national development center for technological development for the purposes of the assistance in the implementation of projects, implemented by the subjects of industrial and innovative activity jointly with foreign partners.

8. Innovation clusters shall stimulate industrial and innovative activity through inter relation and joint use of the existing opportunities, sharing knowledge and experience, effective technology transfer, building sustainable partnership relations and distribution of information.

12. Instruments of industrial and innovative system

1. The instruments of planning of industrial and innovative system shall be technological forecasting and the uniform map of priority goods and services.

Technological forecasting shall be made by the authorized body for the state support of industrial and innovative activity on a regular basis with summarizing the results at least once every three years.

Technological forecasting shall be made in accordance with the methodology of conducting technological forecasting, developed and approved by the authorized body for the state support of industrial and innovative activity.

The process of technological forecasting shall be secured by national development institute for technological development through attracting foreign and domestic experts , conducting surveys and analytical research, generalization of data received and forming recommendations for summarizing the results of technological forecasting.

The results of technological forecasting shall be the basis for:

1) determination and actualization of the list of critical technologies and priority directions of the provision of innovative grants for the development of the Republic of Kazakhstan for a long-term perspective;

2) formation of target technological programs, implemented by the authorized body for the state support of industrial and innovative activity in association with the national development institute for technological development;

3) development and actualization by the authorized body for the state support of industrial and innovative activity of the inter-branch plan for scientific and technological development.

The uniform map of priority goods and services is a list of commodity groups, goods and services, having strategic competitive advantages for production in the Republic of Kazakhstan, specified in terms of each priority sectors of economy and being the priorities for the state support of the subjects of industrial and innovative activity.

2. The industrialization map is an instrument of monitoring (implementation) of industrial and innovative system and shall be the cumulative industrial and innovative projects, included into the republican and regional industrialization maps with certain sources of financing, schedules and plans of activities for their implementation.

3. The instruments of stimulation and development of industrial and innovative system shall be the information support of innovations and technologies commercialization.

The information support of innovations shall be performed by the national development institute for technological development for the purposes of distribution of the processes of creation, implementation, commercialization of technologies through organization of tenders, stimulating rationalization activity and innovation activeness of natural persons and legal entities, publication and distribution of printed and electronic products.

Technologies commercialization shall be made by means of:

1) conclusion of a license agreement and (or) an agreement of devolution of exclusive rights to the object of intellectual property to another person;

2) establishment of a legal entity for its commercial use of technologies;

3) operation of technologies through rendering services on a contractual basis to natural persons and legal entities;

4) other ways, stipulated by the legislation of the Republic of Kazakhstan.

Assistance to the subjects of industrial and innovative activity in commercialization of technologies shall be performed by the national development institute for technological development in accordance with article 20 of this Law.

4. The instrument of the analysis of industrial and innovative system shall be the assessment of the effectiveness of implementation of measures of the state support of industrial and innovative activity, performed by the state bodies, local executive bodies of regions, cities of republican significance, the capital, as well as by the subjects of industrial and innovative system, performing the support of industrial and innovative activity.

The methodology of the assessment of the effectiveness of implementation of measures of the state support of industrial and innovative activity, performed by the state bodies, local executive bodies of regions, cities of republican significance, the capital, as well as by the subjects of industrial and innovative system, performing the support of industrial and innovative activity, shall be approved by the authorized body for the state planning.

Chapter 4. STATE SUPPORT OF THE SUBJECTS OF INDUSTRIAL AND INNOVATIVE ACTIVITY

13. Measures of the state support of industrial and innovative activity

1. Measures of the state support of industrial and innovative activity shall be defined by this Law, subject to the particularities, specified by other laws of the Republic of Kazakhstan.

Types and the level of the state support shall be regulated by the legislation of the Republic of Kazakhstan.

2. Measures of the state support of industrial and innovative activity shall include:

- 1) financing, including co-financing, of projects, lease financing;
- 2) provision of warranty bonds and guarantees on loans;
- 3) crediting by means of financial institutions;
- 4) subsidizing of remuneration rate on loans, issued by financial institutes, and coupon rate on bonds;
- 5) investing to the charter capitals;
- 6) guaranteed order;
- 7) provision of innovative grants;
- 8) provision with qualified personnel resources;
- 9) provision of engineering and communication infrastructure;
- 10) provision of land plots and rights to subsurface use;
- 11) support in the domestic market;
- 12) attracting foreign investments;
- 13) development and promotion of export of domestic processed goods, services.

3. The state support of the subjects of industrial and innovative activity, performing the activity in agroindustrial complex of the Republic of Kazakhstan, shall be specified in accordance with the Law of the Republic of Kazakhstan “On the state regulation of the development of agroindustrial complex and rural territories”.

4. Stimulation of the development of the subjects of industrial and innovative activity, performing their activity within special economic zones, shall be regulated by the Law of the Republic of Kazakhstan “On special economic zones in the Republic of Kazakhstan”.

5. Stimulation of the investing activity in the Republic of Kazakhstan of the subjects of industrial and innovative activity shall be specified by the Law of the Republic of Kazakhstan “On investments”.

6. The authorized body for the state support of industrial and innovative activity, other state bodies, as well as the local executive bodies of regions, cities of republican significance, the capital, in consideration, agreement and provision of measures of the state support to the subject of industrial and innovative activities, shall be obliged to follow one of the following criteria:

1) innovativeness – targeting to raising of economic effectiveness of the activity through the establishment of new or improved productions, technologies, goods, works and services subject to the provision of ecological safety;

2) competitiveness – is the advantage in comparing with analogous industrial and innovative projects, manifested in the level achieved economic and social effectiveness, determined as the ratio of the achieved effect to the costs of its acquisition;

3) immensity – is the significance of the implementation of industrial and innovative project for the industrial and innovative development of the Republic of Kazakhstan.

14. Financing, including co-financing, of projects, lease financing

1. Financing, including co-financing, of projects, lease financing of the subjects of industrial and innovative activity for mid-term and long-term periods shall be performed by the Development Bank of Kazakhstan, as well as by other national development institutes, specified by the Government of the Republic of Kazakhstan.

2. Financing, including co-financing, shall be performed in order to create new industrial and innovative projects, as well as industrial and innovative projects, intended for modernization (technical re-equipment) and expansion of the existing productions.

3. Lease financing shall be provided to the subjects of industrial and innovative activity for the period not exceeding ten years.

4. Conditions and mechanisms of financing, including co-financing, of projects, lease financing shall be specified by the Government of the Republic of Kazakhstan.

15. Provision of warranty bonds and guarantees on

1. The provision of warranty bonds and guarantees for loans shall be performed by a financial agent, specified by the Government of the Republic of Kazakhstan, on loans of second-tier banks, issued to the subjects of industrial and innovative activity for the implementation of industrial and innovative projects.

2. Conditions and mechanisms of the provision of warranty bonds and guarantees on loans shall be specified by the Government of the Republic of Kazakhstan.

16. Crediting through financial institutes

1. The crediting of the subjects of industrial and innovative activity shall be performed by the conditional allocation of funds by the financial agent, specified by the Government of the Republic of Kazakhstan, in financial institutes.

2. The crediting of the subjects of industrial and innovative activity shall be performed in order to create new industrial and innovative projects, intended for modernization (technical re-equipment) and expansion of the existing productions, subject to their participation through providing own movable or immovable property, including money.

3. Conditions and mechanisms of the provision of the crediting through financial institutes shall be specified by the Government of the Republic of Kazakhstan.

17. Subsidizing the remuneration rate on loans, issued by financial institutes, and coupon rate on bonds

1. The subsidizing of the remuneration rate on loans, issued by financial institutes, and coupon rate on bonds of the subjects of industrial and innovative activity shall be performed in order to create new industrial and innovative projects, as well as industrial and innovative projects intended for modernization (technical re-equipment) and expansion of the existing productions, subject to their participation through provision of movable and immovable property, including money.

The subsidizing of the remuneration rate on loans, issued by financial institutes, and coupon rate on bonds for working capital financing shall not be made.

2. The subsidizing of the remuneration rate on loans, issued by financial institutes to the subjects of industrial and innovative activity, and coupon rate on bonds, emitted by the subjects of industrial and innovative activity shall be performed by the financial agent, specified by the Government of the Republic of Kazakhstan, in order to implement industrial and innovative projects.

3. Conditions and mechanisms of subsidizing the remuneration rate on loans, issued by financial institutes, and coupon rate on bonds shall be specified by the Government of the Republic of Kazakhstan.

18. Investing to the charter capitals

Investing of the charter capital of the subjects of industrial and innovative activity shall be made by the national development institutes, performing the state support of industrial and innovative activity, and local executive bodies of regions, cities of republican significance, the capital in compliance of an industrial and innovative project with the following conditions:

1) development of labour productivity and secure the stimulation of priority sectors of economy;

2) attractiveness by forecasted economic and financial parameters, which values shall be determined by internal documents, regulating investment policy of national development institutes, performing the state support of industrial and innovative activity;

3) targeting to raising technological potential, improvement of quality and the growth of the volume of production and services, extension of raw materials and materials processing, release of high-technological products.

Results of investment activity of national development institutes, performing the state support of industrial and innovative activity shall be determined on the basis of investment income in terms of industrial and innovative projects.

19. Guaranteed order

1. Technological memorandums shall be concluded by the authorized body for the state support of industrial and innovative activity with national management holdings, national companies and legal entities, affiliated with the mand shall define the list of the purchased goods, works and services.

2. On the basis of conclude technological memorandums, national management holdings, national companies and legal entities, affiliated with them shall allocate the guaranteed order through entering into agreements with the subjects of industrial and innovative activity for the supply of goods, works and services. Conditions of the mentioned agreements shall comply with the commercial interests of the national management holdings, national companies and legal entities, affiliated with them, including price, quality, availability, terms of transportation and shall not contradict to the international obligations of the Republic of Kazakhstan.

3. Guaranteed order shall be all ocated by means of organization of procurement procedures among all potential suppliers of goods, works and services, included into the database of goods, works and services in the basis of rules, approved by the Government of the Republic of Kazakhstan in accordance with the Law of the Republic of Kazakhstan “On joint stock companies”.

20. Provision of innovative grants

1. The provision of innovative grants shall be performed by the authorized body for the state support of industrial and innovative activity involving the national development institute for technological development within the framework of priority directions of the provision of innovative grants.

3. Innovative grants shall be provided for:

- 1) acquisition of technology;
- 2) conducting industrial research.

For the purposes of this sub-paragraph the industrial research shall be understood asscientific research, scientific technological and experimental development, held by a subject of industrial and innovative activity for the purposes of improvement of the performed production processes and (or) characteristics of the output products or rendered services;

- 3) raising qualification of engineering and technological personnel abroad;
- 4) support of the activity on production of high technology products at the initial development stage;
- 5) patenting in the foreign countries and (or) regional patent organizations;
- 6) commercialization of technologies;
- 7) involvement of high qualified foreign specialists;
- 8) involvement of consulting, project and engineering organizations;
- 9) implementation of managerial and production technologies.

The independent expertise involving domestic and foreign experts shall be conducted in the course of provision of the innovative grants.

4. The national development institute for technological development shall open a current account in a second-tier bank – the resident of the Republic of Kazakhstan for the management of funds, allocated for the provision of innovative grants on the basis of the agreement, concluded between the authorized body for the state support of industrial and innovative activity and the national development for technological development.

Remaining balance on the current account, being in the end of a financial year, shall not be subject to return to the authorized body for the state support of industrial and innovative activity, and, accordingly, to the state budget, but shall be spent for the provision of innovative grants in the next financial year. The total volume of money, intended for the provision of innovative grants shall be distributed among all innovative grants.

21. Provision with qualified personnel resources

1. The provision of the subjects of industrial and innovative activity with qualified personnel resources shall be performed by means of allocation of the state educational order for training of specialists for the priority sectors of economy.

2. The authorized body for the state support of industrial and innovative activity on the basis of the data about the need for relevant specialists for priority sectors of economy, submitted by the subjects of industrial and innovative activity.

The authorized body for education, shall, on the basis of the data, submitted by the authorized body for the state support of industrial and innovative activity, be obliged to define the list of specialties, on which the training of the specialists for the priority sectors of economy is required, and to form on its basis, the state educational order.

22. Provision with engineering and communication infrastructure

1. The provision with engineering and communication infrastructure of the subjects of industrial and innovative activity shall be performed in order to:

1) establish new competitive productions;
2) modernization (technical re-equipment) and expansion of the existing productions.

2. The provision with engineering and communication infrastructure of the subjects of industrial and innovative activity, implementing industrial and innovative projects, conforming to the directions, stipulated in paragraph 1 of this article, shall be performed by means of allocation of budgetary finds for the construction (reconstruction) of engineering and communication infrastructure.

3. Allocation of the budgetary funds for the construction (reconstruction) of engineering and communication infrastructure shall be performed in accordance with the budgetary legislation of the Republic of Kazakhstan.

23. Provision of land plots and rights to subsurface use

The provision of land plot and the rights to subsurface use to the subjects of industrial and innovative activity shall be performed by means of:

1) allocation of land plots on the right of temporary use of subsurface in accordance with the Land Code of the Republic of Kazakhstan;

2) The provision of the right to subsurface use to conduct operations on exploration, production, combined exploration and production of minerals, associated with the production activity (technological cycle) without holding a tender on the basis of direct negotiations in accordance with the legislation of the Republic of Kazakhstan “On subsurface and subsurface use”.

24. Support in the domestic market

1. The provision with the service support and reimbursement of a part of expenses of the subjects of industrial and innovative activity on introduction of domestic processed goods, works and services in the domestic market shall be performed by the authorized body for the state support of industrial and innovative activity involving the national development institute for the development of local content.

2. Service support of the subjects of industrial and innovative activity shall be performed by means of:

1) free of charge registration of natural persons and legal entities in the database of goods, works, services and their suppliers;

2) placement of information about potential customers, domestic producers of goods and domestic providers of works and services in the internet resource of the national development institute for the local content development.

The procedure of formation and maintenance of the database of goods, works, services and their suppliers shall be approved by the Government of the Republic of Kazakhstan.

3. The reimbursement of a part of expenses of the subjects of industrial and innovative activity shall be performed by means of reimbursement of the expenses for:

1) payment of the services of consulting organizations, involved for development or expertise of the complex plan of industrial and innovative project;

2) introduction of domestic processed goods, works and services in the domestic market.

The rules for reimbursement of a part of the expenses of the subjects of industrial and innovative activity on the introduction of domestic processed goods, works and services shall be approved by the Government of the Republic of Kazakhstan.

4. The national development institute for the local content development shall open a current account in a second-tier bank – the resident of the Republic of Kazakhstan in order to perform the management of funds, allocated for the reimbursement of the expenses of the subjects of industrial and innovative activity on the introduction of

domestic processed goods, works and services in the domestic market on the basis of an agreement concluded between the authorized body for the state support of industrial and innovative activity and the national development institute for the local content development.

Remaining balance on the current account, being in the end of a financial year, shall not be subject to return to the authorized body for the state support of industrial and innovative activity, and, accordingly, to the state budget, but shall be spent for the expenses of the subjects of industrial and innovative activity on the introduction of domestic processed goods, works and services in the domestic market in the next financial year.

25. Attraction of foreign investments

1. Measures of the service support of the subjects of industrial and innovative activity shall be ensured by the attraction of foreign investments and shall include:

1) conducting the search of and holding negotiations with potential foreign investors for the purposes of their involvement in the implementation of industrial and innovative projects;

2) involvement of the subjects of industrial and innovative activity in business-forums, conferences and seminars on investment themes;

3) distribution of the information about the industrial and innovative projects in the foreign mass media, by means of the foreign institutions of the Republic of Kazakhstan, as well as through foreign diplomatic and equated to them representative offices and consular institutions in the territory of the Republic of Kazakhstan.

26. Development and promotion of the export of domestic processed goods, services

1. The provision of measures of service support and the reimbursement of a part of the expenses of the subjects of industrial and innovative activity for the introduction of domestic processed goods, services to the foreign markets shall be performed by the authorized body for the state support of industrial and innovative activity, involving the national development institute for the development and promotion of export.

2. The measures of service support of the subjects of industrial and innovative activity for the introduction of domestic processed goods, services to the foreign markets shall be performed by means of:

1) diagnostics of their export potential;

2) organization and conducting commercial missions, performance of exhibition and trade fair activities, promotion of trademarks of domestic producers abroad;

3) raising awareness of potential foreign buyers through placement on a permanent basis of information about domestic producers and their products, services abroad;

4) provision of information and analytical support on the issues of the development and promotion of export;

5) assistance in the introduction of domestic processed goods, services to the international market of humanitarian aid;

6) use of mechanisms of export trade financing, crediting and insurance.

Chapter 5. FINAL PROVISIONS

27. Liability for violation of the legislation of the Republic of Kazakhstan on the state support of industrial and innovative activity

The violation of the legislation of the Republic of Kazakhstan on state support of industrial and innovative activity shall entail liability, established by the laws of the Republic of Kazakhstan.

28. Procedure of enforcement of this Law

1. This Law shall be enforced upon the expiry of ten calendar days after its first official publication.

2. The Law of the Republic of Kazakhstan “On the state support of innovative activity” dated 23.03.2006 shall be considered to have lost force (Bulletin of the Parliament of the Republic of Kazakhstan, 2006, No 5-6, article 35; No 16, article 99; 2009, No 4-5, article 29; 2011, No 11, article 102).

The President
of the Republic of Kazakhstan

N. Nazarbayev