Small and Medium-Size Enterprise Development in Kazakhstan
Entrepreneurship in Kazakhstan

The number of existing SMBs
1 153 595 units

- Private entrepreneur
  767 853

- Legal body
  202 280

- Peasant farm enterprises
  183 462

3.1 mln people involved in SME

Output in the amount of KZT 16 857.3 billion

SME share in GDP is 24.9%
Government Regulation of Enterprise Activity

- **Supervisory and monitoring activities**
  - Conducting inspections of government bodies and entities of quasi-public sector with a view to identify administrative barriers and business protection

- **Licensing system**
  - Reforming the licensing system

- **Regulatory impact assessment (RIA)**
  - Deploying the management tools is conducted according to the results

- **«Yellow Pages Rule» principles**
  - Limiting a state in entrepreneurial activities

**Self-governance institution**
- Deploying a business activity management tool

**System of information tools**
- Reforming the informational tools to optimize the business accountability to government

**Improving the business climate**
- Improvement of Kazakhstan’s position in the World Bank’s «Doing business» rating
Improvement of state control and supervision

**Purpose**

- Reducing business burden from State Control Bodies
- Extensive audit of control and supervisory functions of state bodies

**Result:** A fundamental change in the system of state control that contributes to the modernization of the public awareness

- The Entrepreneurial Code was adopted
  (entered into force on 1 January 2016)

- The total number of audits decreased by 55%
  (183,503 audits were carried out for 2013, 101,019 for the current year)

Further measures to improve state control and supervision

Automation of the risk assessment system
Improvement of the state authorization system

WHAT HAS BEEN DONE?

The number of licenses and permits is reduced

The impact of optimizing the authorization system: decrease in financial and time costs of business

I stage (2012):
1200 authorization documents in various sectoral laws

II stage (2014):
The Law “On authorization and notifications” established list of 481 authorization documents (227 subtypes)

Law on drastic measures reduced 42 authorization documents. Total of 439 authorization documents.

IV stage (2015-2016):
The law on the reduction of authorization documents reduced 154 authorization documents. Currently, there are 316 authorization documents.

In total 73% or about 900 authorizations were reduced from the initial amount.
Analysis of regulatory impact

**ARI** – is an analytical procedure for comparing the benefits and costs of the introduced regulatory instrument and requirements related to it, which allows to assess the achievement of government regulation objectives in a subsequence.

**ARI includes:**
- draft Legislation;
- draft laws and regulations;
- documents of state planning system;
- conceptions of draft laws of the RoK;
- draft technical regulations of TS.

**Purpose of ARI:**
Increasing the efficiency and effectiveness of state policy regarding the use of specific regulatory tools through the evaluation of alternative regulatory approaches to achieve certain purposes or solve clearly defined problems.

The regulatory body planning to tighten regulation fills out the analytical form and conducts public discussions

**Conclusion of the MNE on compliance by the state body with the procedure of conducting ARI.**
If a positive conclusion:

The MNE of the RoK places analytical form on the Internet resource and sends to the NCE of the RoK

An alternative analysis is conducted by the NCE of the RoK, MNE of the RK in case of disagreement with the results of the ARI of the state regulatory body

**Consideration** of the results of ARI at the IAC on issues of business regulation (headed by the First Deputy Prime Minister of the Republic of Kazakhstan)
Work within «Yellow pages rules»

«Yellow Pages Rules» principles that stipulate a restriction of participation of the government in entrepreneurial activity have been introduced in Kazakhstan by the Law No.308-V dated April 22, 2015

The following is being implemented in Kazakhstan:

1. Restriction in establishing state companies and subsidiaries

2. Privatization of state companies established regardless of defining principles

3. Consolidation of antimonopoly authority role

436 objects out of designed 1 175 objects have been transferred to competitive environment
Introduction of the institution of “self-regulation”

Core principles of self-regulation

- Adoption of field, internal Regulations and standards
- Control over the activity of fellow members
- Provision of property liability

Regulatory state body within one year after the enforcement of the Law shall provide an adoption of essential measures designed to bring the scope of activity, where obligatory membership of entities of professional or entrepreneurial activities in non-commercial organizations is established by laws, into conformity with it.

(Article 32 of the Law “On self-regulation”)

Scope of activity where obligatory membership is established by laws

- Notarial activity
- Advocacy activity
- Assessment activity
- Audit activity
- Activity of ecological inspectors

MJ of the RK
MF of the RK
ME of the RK
Reformation of information instruments

**AIM**

Systematization of information instruments, saving costs of entrepreneurs by cancelling superfluous and overlapping information instruments and requirements.

1. **14 Codes**
   - 103 contain no information instruments
   - 137 contain information instruments

2. **226 laws**
   - The analysis has demonstrated that
     - Business entities provide CSB, LEB and organization with a great number of reports, notifications, findings, declarations and information with varying frequency on annual, quarterly and monthly bases
     - State bodies do not carry out a work on eliminating parallel queries of accountability and inquiries of entrepreneurs
     - It is necessary to exclude overlapping of information instruments and information requirements
     - A detailed analysis on specific requirements and/or information liabilities and their classification are required
     - Information requirements not used at all or used not for the purposes of state regulation should be excluded
     - Information instruments and information requirements that will remain after optimization should be analyzed through RIA with a view to their validity

3. **01**
   - Identifying a primary list of info. instruments

4. **02**
   - Sending a primary list to concerned state bodies

5. **03**
   - Analysis on positions of state bodies

6. **04**
   - Creating an expert group on inventory

7. **05**
   - Making recommendations of EG and discussing with SB and submitting for consideration of the interdepartmental commission

8. **06**
   - Regulatory support of results of inventories
Improvement of Kazakhstan’s position according to the “Doing business” rating of the World Bank

The order of the Head of state on entry into the first top 30 countries of “Doing business” rating of the World Bank

- The first package of reforms is accepted on July 02, 2014
- The second package of reforms is accepted on December 29, 2014
- The third package of reforms is accepted on April 22, 2015
- The fourth package of reforms is accepted on March 29, 2016

In 2016 Kazakhstan took 35th place in the “Doing business” rating as a result of the reforms conducted

- The fifth package of amendments within the Law “On modification and additions in some acts of the Republic of Kazakhstan concerning improvement of the civil, banking legislation and improvement of conditions for business activity” was accepted on February 27, 2017

Further measures for improvement of business climate of Kazakhstan
State support of business activity

- **United Program for Business Support and Development “Business Road Map 2020”**
  - Improving the accessibility of financing, training of businessmen, supplying of missing infrastructure
  - Entrepreneurs in priority sectors of economy, branches of SPIID, microfinancial organizations

- **“Nurly Zhol” Program**
  - Concessional lending, attraction of credit lines from international financial institutions
  - Entrepreneurs in manufacturing industry and other sectors of economy

- **Program for the development of productive employment and mass business**
  - Increasing the availability of loan services for the self-employed and unemployed without sufficient collateralized property by means of concessional microcredit and microcredit guaranteeing
  - Entrepreneurs from cities, small cities and rural areas
Single Program for Business Support and Development
“Business Road Map 2020”

1. Support of new business initiatives
   - Subsidizing of an interest rate – 2,394 projects
   - Guaranteeing on the credits of banks – 2,642 projects
   - Development of production (industrial infrastructure) – 774 projects
   - Grants for new business ideas – 1,132 projects
   - Microcredits – 1,284

2. Sector wide support of entrepreneurs
   - Subsidizing of a rate of remuneration on loans/contracts of financial leasing of banks/bank of development/leasing companies – 6,157 projects

3. Decrease in currency risks of entrepreneurs
   - Subsidizing of an interest rate on loans of the enterprises having foreign exchange earnings of not less than 10% of the total amount of monetary revenue for the corresponding financial year – 306 projects

4. Strengthening of enterprise potential
   - ESCs are open in all regional centers, in Astana, Almaty, Semey
   - BSCs are open in all single-industry cities and the regional centers
   - MBSCs going to the remote rural settlements

- Support of the beginning entrepreneurs (startup projects)
  (124,027 entrepreneurs were trained)
- Service support of conducting of business (146.5 thousand entrepreneurs)
- Top management of SME training based on Nazarbayev University JSC (2,104 top managers)
- “Business connections” project (2,951 entrepreneurs completed trainings)

- ✔ 256.6 thousand workplaces are kept and 81.2 thousand are created
- ✔ Production is manufactured at the amount of KZT 8.5 tln tenge
- ✔ Taxes amounting to KZT 583.5 billion were paid
18 ESCs provide services in all regional centers and in the cities of Astana, Almaty, Semey and Turkestan according to the one stop principle.

- free counseling and explanation;
- provision of support services;
- training within the projects: “Business Advisor”, “Business Growth”, “Young entrepreneur’s school”, etc.

188 BSCs provide business community with support services in 161 regional centers and 27 single-industry towns according to the one stop principle.

- provision of information and consulting services;
- explanation of working conditions with financial tools;
- collection of applications for participation in the training programs

14 Mobile BSCs travel to remote rural settlements.

- provision of customized support services;
- provision of information on support tools to entrepreneurs;
- collection of applications for participation in the training programs

A total of 569 338 counseling services were rendered to 313 448 business entities and citizens
Concessional lending involves **financing** of business entities engaged in manufacturing industry and service sector related to this field with a final interest rate of 6%.

Enhancement of cooperation with international financial organizations involves attraction of **credit lines** to provide loans for SME projects and to procure government loan for improving competitiveness of SME entities.

**2015-2016 period**
- KZT 50 bln for SME projects;
- KZT 50 bln for projects of large business

**Amount of support**
- **2015-2016 period**
  - KZT 266.3 bln for credit lines;
  - 113.6 bln are attracted

**National Fund of the Republic of Kazakhstan**

**Source**

**International financial organizations**

**Outcome**
- 9 090 new work places
- KZT 1 549 bln of revenue
- KZT 160 bln of tax revenues

**Outcome**
- 10 639 new work places
Program for the Development of Productive Employment and Mass Entrepreneurship (2 course)

### Tools

- Increasing the availability of loan services for the self-employed and unemployed without sufficient collateralized property and credit record to create new work places by means of
  - Concessional microcredit
  - Microcredit guaranteeing

### Parameters of microcredit and guaranteeing

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<thead>
<tr>
<th>Parameters</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td><strong>Amount</strong></td>
<td>Up to 8 000 MCI (KZT 18 mln)</td>
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<tr>
<td><strong>Terms</strong></td>
<td>Up to 7 years</td>
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<tr>
<td><strong>Rate</strong></td>
<td>6% for a beneficial borrower</td>
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<tr>
<td><strong>Guarantees</strong></td>
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  - For beginners – up to 85%
  - For active ones – up to 50%
  - For guaranteeing in cities – 20%
  - For guaranteeing in rural regions and small cities – 30%
  - DAMU JSC (securitization and guaranteeing)
  - ACC JSC (securitization in rural regions and small cities)
  - KazAgroGrant JSC (guaranteeing in rural regions and small cities)
| **Channels** | 
  - Second-tier banks
  - MFO
  - Fund for Financial Support of Agriculture JSC in rural regions
Thank you for your attention!