

Report on “Economic Diversification and Structural Changes in Kazakhstan: opportunities and challenges” seminar

Theme: “Influence of the National Innovation Infrastructure on Diversification of Economy of the Republic of Kazakhstan”

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Distinguished organizers and participants of the seminar!

First of all, I would like to greet you and express my thanks to organizers for invitation to participate in the seminar. Allow me to briefly speak of the influence of the national innovation infrastructure on diversification of Economy of Kazakhstan.

The Ministry has elaborated the Formation and Development Program of the National Innovation System for 2005-2015, has accepted the Country’s Industry and Innovation Development Strategy until 2015. Primary intent to create and develop the national innovation system consists in ensuring sustainable economic growth, high-tech production development, increase of inflow into budget due to rise in high-tech production capacity, solution ecological and social problems using up-to-date technology.

The Country’s Industry and Innovation Development Strategy for 2003-2015 aims at **advanced development of manufacturing sectors**, and being guided by this, at gradual over passing one-sided focus on raw materials.

Key tools for implementing before-mentioned programs are JSC “FMR “Kazyna” that has been established in 5 years, with its parts such as development institutions, social-industrial corporations, which are the regional development institutions, and industrial innovation infrastructure.

Their main goal is to raise effectiveness and rapid development of the investment and innovation projects for establishing modern compatible industry, which will lead to economic diversification of sectors and improvement of socio-economic prosperity.

So, in an effort to realize the Industry and Innovation Development Strategy for 2003-2015, in August in 2003 JSC “Engineering and Technology Transfer Center” with one hundred percent state sharing was founded by the government. It is one of the important institutes responsible for development of innovation activities and infrastructure in Kazakhstan and focused on service support for engineering, technology transfer and innovation infrastructure formation. On the instructions of

Prime Minister of the RK, on December, 30 in 2003 the Center was announced as a coordinator of forming industrial parks development.

Purpose of forming group of the industrial parks is to create favorable environment and positive practice for transferring foreign high-tech to Kazakhstan and commercializing home research scientific developments.

Formation and development of the industrial parks are the key tools of the Formation and Development Program of the National Innovation System for 2005-2015. As the history of making progressive economy shows, functioning of the industrial parks is simple practice to develop new high-tech enterprises.

At the current level of implementation of the Industry and Innovation Development Strategy Ministry and the Center are carrying out activities on innovation infrastructure formation. Today the regional industrial parks in Almaty, Karagandy, Oral, and the first Alatau IT City national IT Park with a status of the special economic zone near Almaty are successfully working. The industrial parks are equipped with up-to-date offices and laboratories (laboratory of microscopy, etc.). In the future plans there is their extension by establishing experienced industrial centers. High priorities are determined: “Algorhythm” industrial park’s priority is machine-building in oil-gas sector and petro chemistry, “UniScien Tech” industrial park’s priority is mining and metallurgy complexes and machine-building, Almaty regional industrial park’s priority is construction technology and constructional materials production. Technical and economic bases of the industrial parks in East Kazakhstan oblast, South Kazakhstan oblast and Astana City are worked out.

The government’s future plans are to use such a tool as creation of industrial zones. But for all that, these industrial zones do not provide tax and custom privileges. Basic incentives of these zones are drop in costs of entrepreneurs to form and develop production. It can be achieved through providing private sector with infrastructure service complex, which includes provision of lot for production installation, manpower training and retraining schools, industrial, transportation and logistics, information, office and exhibition infrastructure, etc. Thereby state, paying crucial part of inputs to establish those complexes, will reduce private entrepreneurs’ costs with the expectations of business unit, which also will reduce time of launching new production. This fact will essentially influence on the innovation projects implementation provided distribution of the industrial parks on the industrial zones.

The regional industrial parks, which will be functionally integrated with the industrial zones, will provide:

- 1) Training technical staff for enterprises, manpower retraining;

- 2) Approbation of new technologies before their large-scaled assimilation in the industrial zones;
- 3) Technological business incubation of new innovation companies, involvement of research scientific capabilities of universities and colleges into production.

Missions of the industrial parks are to stimulate regional innovation development, simplification of commercial and industrial realizations. The regional industrial parks are considered to be core, round that the industrial innovation structures should be formed. The main task of the industrial innovation structures is to maintain full complex of engineering services, technology transfer and real introductive productive base services.

Ambitious plans of Kazakhstan to enter the top 50 compatible states oblige us to do a lot. First of all, in the field of innovation development, which makes the country advance to high standards of modern technology, create base for the economic diversification and pass over one-sided extractive industry.

New economic formations – special economic, industrial, innovation zones and parks – maintain state stimulating industry innovation development.

Similar regional structures have been founded earlier, but undeveloped legal and organizational mechanisms, lack of self-dependence in solving financial, tax and other problems prevented to reach the objectives. Even so, Lisakov SEF in Kostanai oblast, which was called “little economic miracle”, showed good results in industry and trade.

Since 60s considerable experience of zonal development has been accrued in world economy. In many countries such zonal formations as free trade zones, complex zones (free entrepreneurship zones, special and particular economic zones). In some countries industrial parks, enterprising zones, offshore companies, free custom territories of trading and industrial type are functioning.

Long-term preparation to establish zonal formations and their effective functioning helped to solve many problems in American economic, particularly to get over backwardness of some states and to equalize economic potential. “Silicone Valley”, California is one of the most famous among the American leading zones, where 20% of computer machines and computers over the world is produced. “Research Triangle” in North Carolina is also well-known and many others.

Successes of the Chinese zonal projects are entailed with timely established modern infrastructure in particular regions – roads, communications, hotels, which attracted world investors.

Ministry and the Engineering and Technology Transfer Center carrying out task-oriented work to create common national innovation infrastructure, including industrial parks either elements of preparing results of NIS and NIOKR to introduce, or elements of practical creation of the innovation production based on free economic zones, industrial zones and socio-industrial corporations.

Development of public-private cooperation will provide realization of breaking industrial projects with a way to Chinese market, to form extensive transport logistic junction of international importance, which will improve transition opportunities of Kazakhstan on transfers between China and Europe. Tourism will be also developed. State finances costs of business to establish new productions, providing with lots and equipping them with necessary communications, develops regions and sectors. For its part business saves money and time on projection and construction.

Special managing company manages industrial zones. At the same time main investor of industrial zone is able to establish such a company, but also independent professional managing company might be attracted.

Period of covering own cost for industrial parks is overall 10-15 years. Responsibilities for support of proper custody of engineering communication and equipments, for maintenance of resources (energy, water, heat) are pinned on managing company. In the long run, it turns over that it is reduce in cost price of produced products.

Geographical location, extensive scientific and productive capabilities, labor resources and developing economic make Kazakhstan an attractive country for great world companies. Outgoing of Kazakhstani companies to international markets and inflow of foreign investments to distribute capacity in Kazakhstan will demand more and more professionally formed industrial parks. That is why industrial zones will be launched in the nearest future.

In steady proper direction to our objective to create common national innovation infrastructure, we carried out technical and economic bases of “Dostyk”, “Tobyl”, “Horgos – East Gates”, “West Gates of Kazakhstan” special economic zones, “Almaty Zhihaz” industrial zone and industrial zone in Aktobe City.

For the years immediately ahead the Engineering and Technology Transfer Center suggests becoming an operator of some industrial zones and focuses on completion of existing objects of industrial innovation infrastructure by projects with the use of foreign high-tech.

Implementation of innovation and investment productions with the use of foreign high-tech will give a strong impulse for advanced rapid development of home technologies. The Engineering and Technology

Transfer Center plans participating in development of before-mentioned projects by cooperation in project completion, engineering accompaniment of investment projects, and elaboration of technology transfer.

Thank you!