



WORLD TRADE
ORGANIZATION

Appendix

G/SCM/N/343/KAZ

3 October 2019

(19-6389)

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Committee on Subsidies and Countervailing Measures

Original:
English

SUBSIDIES

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVI:1 OF THE GATT 1994 AND ARTICLE 25 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES KAZAKHSTAN

The following communication, dated 27 August 2019, is being circulated at the request of the Delegation of Kazakhstan.

In accordance with Article 25.1 of the Agreement on Subsidies and Countervailing Measures and Article XVI:1 of the GATT 1994, the Government of the Republic of Kazakhstan submits new and full notification of the Republic of Kazakhstan. In accordance with Article 25.7 of the SCM Agreement, this notification does not prejudge, under the GATT 1994 and the SCM Agreement, neither the legal status of the notified programs, nor their effects, nor the nature of the programs themselves.

INVESTMENT PREFERENCES

Title of the subsidy program

Investment preferences.

Period covered by the notification

2018.

Policy objective and/or purpose of the subsidy

The State investment support is aimed at creation of favorable conditions for investors investing into new technologies, expansion and renovation of existing production facilities, training of Kazakhstan staff and protection of the environment.

Background and authority for the subsidy

Investment preferences are administered by the Ministry of Foreign Affairs of the Republic of Kazakhstan and Ministry of Finance of the Republic of Kazakhstan.

Legislation under which it is granted

- 1) Code of the Republic of Kazakhstan No. 375-V "The Entrepreneurial Code of the Republic of Kazakhstan" of 29 October 2015;
- 2) Law of the Republic of Kazakhstan No. 122-VI "On Additions and Amendments in Certain Legislative Acts of the Republic of Kazakhstan on Taxation" of 25 December 2017;

Form of the subsidy

Within the investment project: customs duty exemption for imported goods; exemption from the VAT payment on imported goods; in-kind state grants;

Within the priority investment project: customs duty exemption for imported goods; in-kind state grants, tax preferences (zero rate for corporate tax, land tax and property tax); investment subsidy.

To whom and how the subsidy is provided

Investment preferences are granted based on an investment contract concluded between authorized investment body and juridical person of the Republic of Kazakhstan implementing an investment project.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

12,985 billion tenge.

Duration of the subsidy and/or any other time-limits attached to it

Investment preferences are granted for the duration of the investment contract, but not more than five years from the date of registration of the investment contract.

Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this program.

PREFERENCES WITHIN SPECIAL ECONOMIC ZONE

Title of the subsidy program

Preferences within Special Economic Zones (hereinafter- SEZs)

Period covered by the notification 2018.

Policy objective and/or purpose of the subsidy

Preferences granted within SEZs are aimed at attracting investments with the purpose to develop competitive industries.

Background and authority for the subsidy

Preferences within SEZs are administered by the Ministry of Finance of the Republic of Kazakhstan. Legislation under which it is granted

- 1) Agreement on Free (Special) Economic Zones on the Customs Territory of the Customs Union and Customs Procedure of Free Economic Zone of 18 June 2010;
- 2) Law of the Republic of Kazakhstan No. 469-IV "On Special Economic Zones of the Republic of Kazakhstan" of 21 July 2011;
- 3) Code of the Republic of Kazakhstan No. 120-VI "On Taxes and Other Obligatory Payments in the Budget" of 25 December 2017.

Form of the subsidy

Tax preferences.

To whom and how the subsidy is provided

Subsidy is provided to juridical persons registered as SEZ participants. The Tax Code provides exemption from payment of the following taxes:

- corporate income tax;
- land tax;
- property tax;
- land use fees;
- VAT for goods sold on the territory of the SEZ and completely consumed in the production process.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

16,185 billion tenge.

Duration of the subsidy and/or any other time-limits attached to it

Duration of application of tax preferences - until expiration of SEZ.

Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this subsidy.

INDUSTRIAL SUPPORT RELATED TO DEVELOPMENT OF INNOVATIVE ACTIVITY

Title of the subsidy program

Support of innovative activity

Period covered by the notification

2018.

Policy objective and/or purpose of the subsidy

Creation of favorable conditions for development of innovations, facilitation of innovative activity Background and authority for the subsidy

The Program is aimed at development of innovative infrastructure. The Government support is provided in the form of servicing support to the entities performing industrial and innovative activities in the form of (i) providing infrastructure on preferential terms, (ii) rendering consultative and engineering services.

The subsidies are administered by the Ministry for Industry and Infrastructure Development of the Republic of Kazakhstan.

Legislation under which it is granted

Code of the Republic of Kazakhstan No. 375-V "The Entrepreneurial Code of the Republic of Kazakhstan " of 29 October 2015;

Form of the subsidy Grants

To whom and how the subsidy is provided

Budget funds are provided to the entities performing industrial and innovative activity for implementation of industrial and innovative projects in priority sectors of economy. Grants are allocated to technological development of sectors of economy, operating enterprises and commercialization of technologies.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

2,819 billion tenge.

Duration of the subsidy and/or any other time-limits attached to it The term of using grant should not exceed 36 months.

Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this program.

INDUSTRIAL SUPPORT RELATED TO DEVELOPMENT OF SCIENTIFIC AND TECHNICAL ACTIVITIES

Title of the subsidy program

Support of scientific and technical activities. Period covered by the notification 2018.

Policy objective and/or purpose of the subsidy

Creation of favorable conditions for development of innovations, facilitation of innovative activity Background and authority for the subsidy

The subsidies are administered by the Ministry of Education and Science of the Republic of Kazakhstan

Legislation under which it is granted

Law of the Republic of Kazakhstan No. 381-V "On Commercialization of the Results of Scientific and (or) Scientific and Technical Activities" of 31 October 2015;

Form of the subsidy

Grants.

To whom and how the subsidy is provided

Grants are provided to individuals and judicial persons concluded agreement on granting the projects of commercialization of results of scientific and scientific and technical activities.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

1,958 billion tenge.

Duration of the subsidy and/or any other time-limits attached to it

Agreement is concluded for the entire duration of the project, but not more than 3 (three) years. Statistical data permitting an assessment of the trade effects of a subsidy
It is not possible to estimate what, if any, trade effects may result from the use of this program.

BUSINESS SUPPORT AND DEVELOPMENT STATE PROGRAM "BUSINESS ROAD MAP – 2020"

Title of the subsidy program

Business Support and Development State Program "Business Road Map – 2020". Period covered by the notification
2018.

Policy objective and/or purpose of the subsidy

To facilitate balanced growth of entrepreneurship, and to create new permanent jobs. Background and authority for the subsidy
The Program "Business Road Map 2020" had been launched since 2010. The Program provided state support in the form of interest rate subsidies, guarantees, grants for new business ideas, micro-lending an infrastructure, servicing support. Taking into account the successful experience of implementing the "Business Road Map 2020" in 2018 Business Support and Development Program "Business Road Map – 2020" has been adopted.

The Program is administered by the Ministry of National Economy of the Republic of Kazakhstan Legislation under which it is granted

- 1) Resolution of the Government of the Republic of Kazakhstan No. 522 "On Approval of Business Support and Development State Program "Business Road Map – 2020" of 25 August 2018;
- 2) Resolution of the Government of the Republic of Kazakhstan No. 523 "On Amendments and Additions in Certain Decisions of the Government of the Republic of Kazakhstan" of 25 August 2018;

Duration of the subsidy and/or any other time-limits attached to it The Program operates until 2020.
Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this program.

**THE FIRST COMPONENT:
SUPPORTING OF BUSINESS INITIATIVES OF ENTREPRENEURS IN MONO-INDUSTRY TOWNS, SMALL TOWNS AND RURAL AREAS**

Form of the subsidy

- 1) interest rate subsidies for loans/contracts on financing leasing;
- 2) partial guarantees on loans;
- 3) state grants;
- 4) partial guarantees on loans of micro-financing organizations before banks;
- 5) subsidizing of markups on products and rental charges which are income components of Islamic banks;
- 6) interest rate subsidies for warrant issued by business entities.

To whom and how the subsidy is provided

The subsidy is available for entrepreneurs, implementing and (or) planning to implement own and successful projects in rural areas, small towns and mono-industry towns without sectoral limitation.

For startups the sum of loan should not exceed 20 million tenge, and the guarantee should not exceed 85 per cent of loan. For existing entrepreneur the sum of loan should not exceed 20 million tenge, and the guarantee should not exceed 50 per cent of loan.

Duration of guarantee – not exceeding the term of loan.

State grants are provided for small entrepreneurs, including startups, young entrepreneurs, women, people with disabilities and people over 50 years old, on free basis to implement new business ideas in priority sectors of the economy, and industrial innovation projects as part of business incubation.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy:

1,033 billion tenge.

**THE SECOND COMPONENT:
INDUSTRIAL SUPPORT OF ENTREPRENEURS/SUBJECTS OF INDUSTRIAL AND INNOVATIVE ACTIVITIES PERFORMING ACTIVITIES IN PRIORITY SECTORS OF ECONOMY AND PROCESSING INDUSTRY**

Form of the subsidy

- 1) interest rate subsidies for financing leasing;
- 2) partial guarantees on bank/Development Bank loans;
- 3) development of production (industrial) infrastructure;
- 4) establishment of industrial zones;

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- 5) long-term leasing financing;
 - 6) subsidizing of markups on products and rental charges which are income components of Islamic banks;
 - 7) interest rate subsidies for warrant issued by business entities;
 - 8) interest rate subsidies for loans issued as part of securing long-term tenge liquidity to solve the problem of affordable lending in the manufacturing industry and services, as well as processing in the agro-industrial complex.

To whom and how the subsidy is provided

Subsidies are available for successful entrepreneurs/subjects of industrial and innovative activities implementing and (or) planning to implement own projects.

Interest rate subsidies are provided only for loans/contracts on financing leasing with nominal interest rate not higher than 13 percent, where the Government compensates 5 percent and 8 percent is paid by the Entrepreneur.

Partial guarantees are provided only for new loans of micro-financing organizations for working capital financing in order to micro-lending entrepreneurs in mono-industry and small towns and rural areas.

The development of production (industrial) infrastructure aimed at supplying the missing infrastructure to small and medium-sized business projects on creating new industries, modernizing and expanding existing industries, both for individual projects individually (including for providing several projects) and within the framework of industrial zones.

Long-term leasing financing is available for subjects of industrial and innovative activity implementing and (or) planning to implement investment projects in priority sectors of the economy, aimed at increasing labor productivity and the development of territorial clusters, approved by the authorized body in the field of industrial and innovative development.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy:

8,106 billion tenge.

TECHNOLOGICAL DEVELOPMENT OF ENTERPRISES

Form of the subsidy

Reimbursement of expenses on the following directions:

- 1) development and/or examination of complex plan for industrial and innovative project;
- 2) upgrading production efficiency;
- 3) improvement of technological processes;
- 4) upgrading industrial efficiency.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy:

375,923 million tenge.

THE PROGRAM OF SUPPORT OF PRIVATE ENTREPRENEURS INVOLVED IN THE PROCESSING INDUSTRY

Title of the subsidy program

The Program of Support of Private Entrepreneurs involved in the Processing Industry Period covered by the notification 2018.

Policy objective and/or purpose of the subsidy

Support of private entrepreneurs.

Background and authority for the subsidy

The Program was developed to stimulate an economic activity of private entrepreneurs. Program Administrator – Fund of Entrepreneurship Development "DAMU".

Legislation under which it is granted

Resolution of the Government of the Republic of Kazakhstan No. 354 "On Approval of Joint Action Plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic on Funding of SMEs Projects in Processing Industry" of 14 April 2014.

Form of the subsidy Soft loans.

To whom and how the subsidy is provided

Private Entrepreneurs.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

14,196 billion tenge.

Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this program.

THE PROGRAM OF FINANCING OF THE REGIONAL BUSINESS PROJECTS COVERED BY THE FUNDS OF LOCAL EXECUTIVE BODIES AND THE "FUND OF THE ENTREPRENEURSHIP DEVELOPMENT "DAMU" (HEREINAFTER REFERRED AS – FUND DAMU)

Title of the subsidy program

The Program for Financing Regional Business Projects Using the Funds of Local Executive Bodies and the Fund "DAMU".

Period covered by the notification

2018.

Policy objective and/or purpose of the subsidy

To support small and medium enterprises in the priority economy sectors

Background and authority for the subsidy

Administrators of Program: Fund "DAMU", local executive authorities. Legislation under which it is granted
Decision of the Fund "DAMU" of 10 December 2009, Minute No. 14. Form of the subsidy
Soft loans.

To whom and how the subsidy is provided

Joint funds of the Fund "DAMU" and local budgets are allocated to the second-tier banks for further lending to SMEs.

Nominal interest rate shall not exceed 12.5% per year. Value of loan may not exceed 500 million tenge.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

1,231 billion tenge.

Duration of the subsidy and/or any other time-limits attached to it

The loans are provided for the term of not more than 84 months.
Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this program.

THE PROGRAM OF INTER-BANK LENDING

Title of the subsidy program

The Program of Inter-bank Lending. Period covered by the notification
2018.

Policy objective and/or purpose of the subsidy

Funding of projects of up to USD 30 million in priority economy sectors of economy, and stimulating of funding by second-tier banks into the priority economy sectors.

Background and authority for the subsidy

Funding to (i) second-tier banks for further financing of SMEs involved in processing and services sector, (ii) current assets of SMEs, and (iii) large enterprises of processing industry.

The Program is administered by the "Development Bank of Kazakhstan" JSC, Fund "DAMU". Legislation under which it is granted

- 1) Resolution of the Government of the Republic of Kazakhstan No. 1276 "On Approval of Joint Action Plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic on Funding of Entities in the Processing Industry" of 5 December 2014.

2) Resolution of the Government of the Republic of Kazakhstan No. 124 "On Approval of Joint Action Plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic on Funding of SMEs in the Processing Industry" of 11 March 2015.

Form of the subsidy

Soft loans

To whom and how the subsidy is provided

The funds are allocated to second-tier banks for further financing large enterprises of manufacturing sector. A nominal interest rate in tenge – 6 per cent, term of the loan – up to 10 years, a grace period is 24 months.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

51,728 billion tenge.

Duration of the subsidy and/or any other time-limits attached to it Not specified.

Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this program.

FUNDING OF INVESTMENT PROJECTS

Title of the subsidy program

Funding Investment Projects.

Period covered by the notification 2018.

Policy objective and/or purpose of the subsidy

Funding Investment Projects with Socio-economic

Effect. Background and authority for the subsidy

Administrator of the Program: Development Bank of Kazakhstan. Legislation under which it is granted

Decree of the President of the Republic of Kazakhstan No. 874 "On Approval of State Program on Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019 and Additions to Decree of the President of the Republic of Kazakhstan No. 957 "On Approval of the List of State Programs" of 19 March 2010".

Form of the subsidy

Soft loans.

To whom and how the subsidy is provided Subjects of large business.

The size of the company's own participation is not less than 20% of the amount of the investment project estimate.

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

34,92 billion tenge.

Duration of the subsidy and/or any other time-limits attached to it

Term of lending – 5 years.

Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this program.

STATE PROGRAM ON DEVELOPMENT OF PRODUCTIVE EMPLOYMENT AND MASSIVE ENTREPRENEURSHIP FOR 2017-2021 "YENBEK"

Title of the subsidy program

State Program on Development of Productive Employment and Massive Entrepreneurship for 2017-2021 "Yenbek".

Period covered by the notification

2018.

Policy objective and/or purpose of the subsidy

Increasing the level of employment, promoting of welfare, and reducing of unemployment. Background and authority for the subsidy
Administrator of the Program – Fund "DAMU", AO «Fund for Financial Support of Agriculture" JSC, Ministry of Labor and Social Defense of the Republic of Kazakhstan, local executive bodies.

Legislation under which it is granted

Resolution of the Government of the Republic of Kazakhstan No. 746 "On Approval of the State Program on Development of Productive Employment and Massive Entrepreneurship for 2017-2021 "Yenbek" of 13 November 2018;

Form of the subsidy

- 1) training basics of entrepreneurship within the project "Bastau Business";
- 2) micro-lending;
- 3) guaranteeing of loans/micro-loans in cities and rural areas;
- 4) state grants to implement new business ideas.

To whom and how the subsidy is provided

Subsidies are available for unemployed, self-employed, existing entrepreneurs and start-up with entrepreneurial potential.

Micro-loans are provided for 5 years with an annual interest rate of 0.01%. Maximum sum of micro-loan – 8 thousand of monthly-calculated index (1MCI for 2018 – 2405 tenge).

Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount

budgeted for that subsidy

1,008 billion tenge

Duration of the subsidy and/or any other time-limits attached to

it Program operates till 2021.

Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this program