

STEMULATE RESEARCH PROGRAM

WHY DOES KAZAKHSTAN HAVE A MORE DEVELOPED STARTUP ECOSYSTEM THAN KYRGYZSTAN, ALTHOUGH BOTH SHARE SIMILAR SOVIET PAST?

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SIGNIFICANCE

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RESEARCH QUESTION & SIGNIFICANCE

Why does Kazakhstan have a more developed startup ecosystem than Kyrgyzstan, although both share similar Soviet past?

01

SHARP CONTRASTS

Highlights the significant differences in the startup ecosystem between Kazakhstan and Kyrgyzstan, explaining the reasons for the existence of these differences.

02

STARTUP DEVELOPMENT

Understanding the factors contributing to a successful startup ecosystem can help policy makers and entrepreneurs not only in Kyrgyzstan, but throughout Central Asia to improve their own landscape.



LITERATURE REVIEW

The purpose of the following literature review is to highlight the factors contributing to startup ecosystem success and why the startup ecosystem in Kazakhstan is better developed than in Kyrgyzstan, and to find out why the startup ecosystem in Kazakhstan is better developed than in Kyrgyzstan based on literature I have read



LITERATURE REVIEW

- Institutional Quality

Usupbaev I., Skawińska, and Zalewski emphasizes the importance of high-quality institutions for the development of entrepreneurship. Murat Avci's and Kadir Ardiç's study (2023) agree with this statement, showing that the lack of sufficient support infrastructure with minimal interaction between startups and key institutions, in contrast to the well-developed ecosystem of Kazakhstan. Moreover, Kosorukova et al. (2023) emphasize the importance of institutional quality in promoting innovation

- Innovation and Competence

Kosorukova et al. (2023) emphasize the significance of a well-developed innovation ecosystem for promoting company innovation, noting that Kazakhstan's underdeveloped startup ecosystem, difficulties in accessing venture capital, and limited knowledge-sharing hinder progress. Although there are around 40 technology business incubators in the country, their impact is limited, with only 10.5% of enterprises engaging in innovation compared to much higher rates in other countries like China and South Korea. Nevertheless, the study highlights Kazakhstan's potential to boost innovation by addressing these barriers.

LITERATURE REVIEW

- Market Conditions

Skawińska and Zalewski explore the impact of market size, resource availability, competition, and regulatory stability on startups in the EU. They highlight differences between developed and emerging countries, noting that startups in large markets such as Germany and France tend to focus on local opportunities, whereas those in smaller economies like Kazakhstan and Kyrgyzstan must seek international markets for growth. Murat Avci and Kadir Ardić (2023) emphasize this point, emphasizing the significant funding challenges faced by Kyrgyz startups. These startups rely heavily on personal finance due to limited access to investors and venture capital, making it difficult to grow and compete in the global market.

METHODOLOGY

QUANTITATIVE METHODS

**Create a data-set of 21 startups for each country:
Kazakhstan and Kyrgyzstan**

And categorized them based on key criteria:

- **Sector**
- **City**
- **Number of employees**
- **Year of establishment (no earlier than 2015)**
- **Investment received**
- **Number of customers**
- **Geographical reach**
- **Business model**
- **Partnerships**
- **Awards**

METHODOLOGY

QUANTITATIVE METHODS

For the general statistics table about startup ecosystem in country, I considered criteria

- Number of startups
- Ease of doing business
- Number of accelerators
- Number of government programs
- Market size
- Foreign direct investment (FDI)
- Global Innovation Index ranking
- Tax regulations
- Total funding

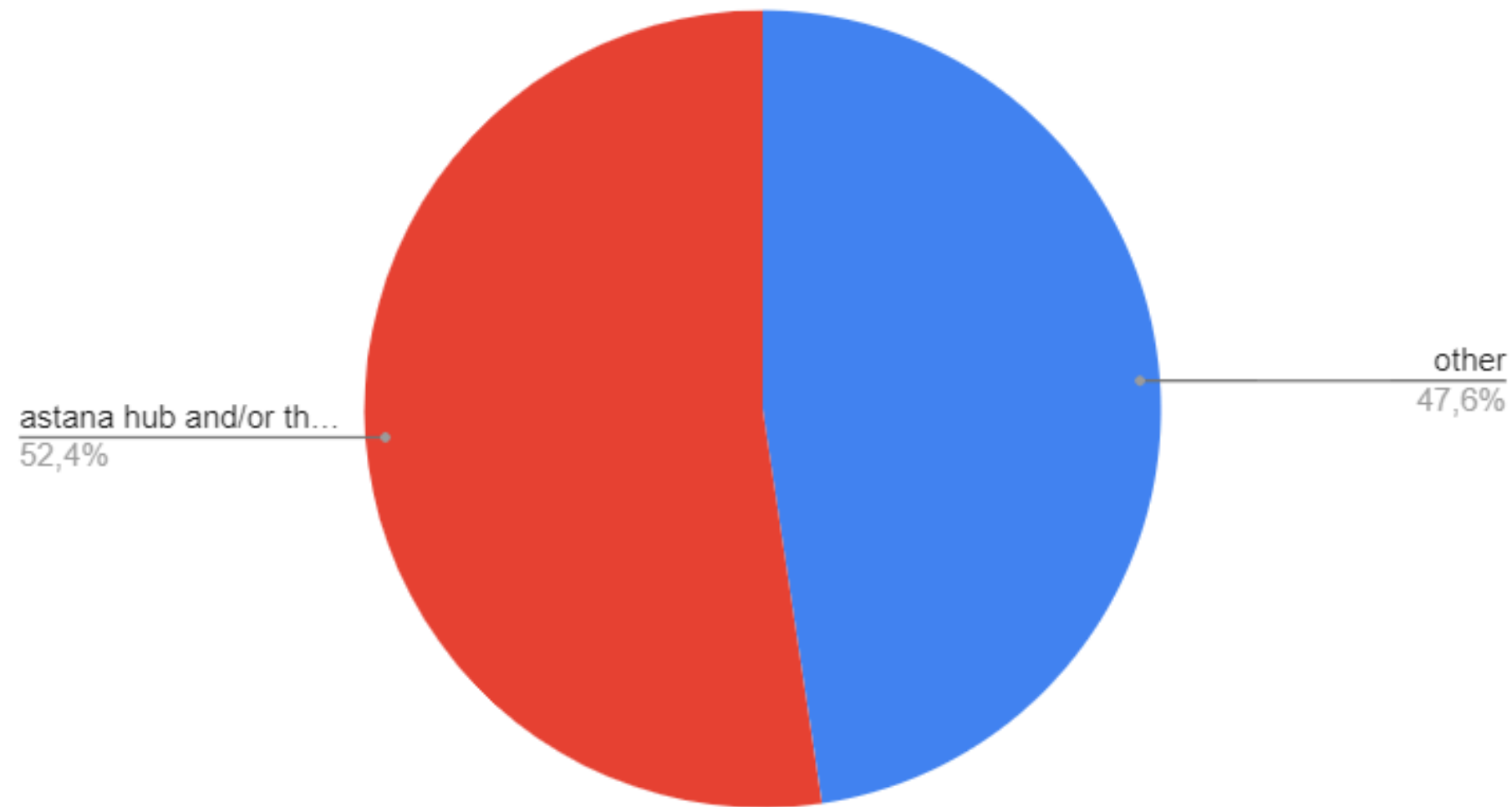
FINDING #1

The differences between general statistics

Kazakhstan's	Kyrgyzstan's
1,210 startups	206 startups
7 government programs, including two prominent startup accelerators, AstanaHub and The MOST	1 government program — the High Technology Park
The World Bank's Ease of Doing - 25th out of 190 countries	The World Bank's Ease of Doing - 80th out of 190 countries
The total funding for Kazakhstan's startups is around \$6.06B	The total funding for Kyrgyzstan's startups is around \$228M
The Global Innovation Index - ranks 81st out of 132 countries for 2023	The Global Innovation Index - ranks 106th out of 132 countries for 2023
With a population of approximately 19 million people and a Gross Domestic Product (GDP) of around \$259.7 billion	With a population of around 6.9 million people and a Gross Domestic Product GDP of roughly \$11.54 billion

FINDING #2

startups were funded by... – количество



Around 11 out of 21 startups in Kazakhstan were funded by Astana Hub and/or The MOST

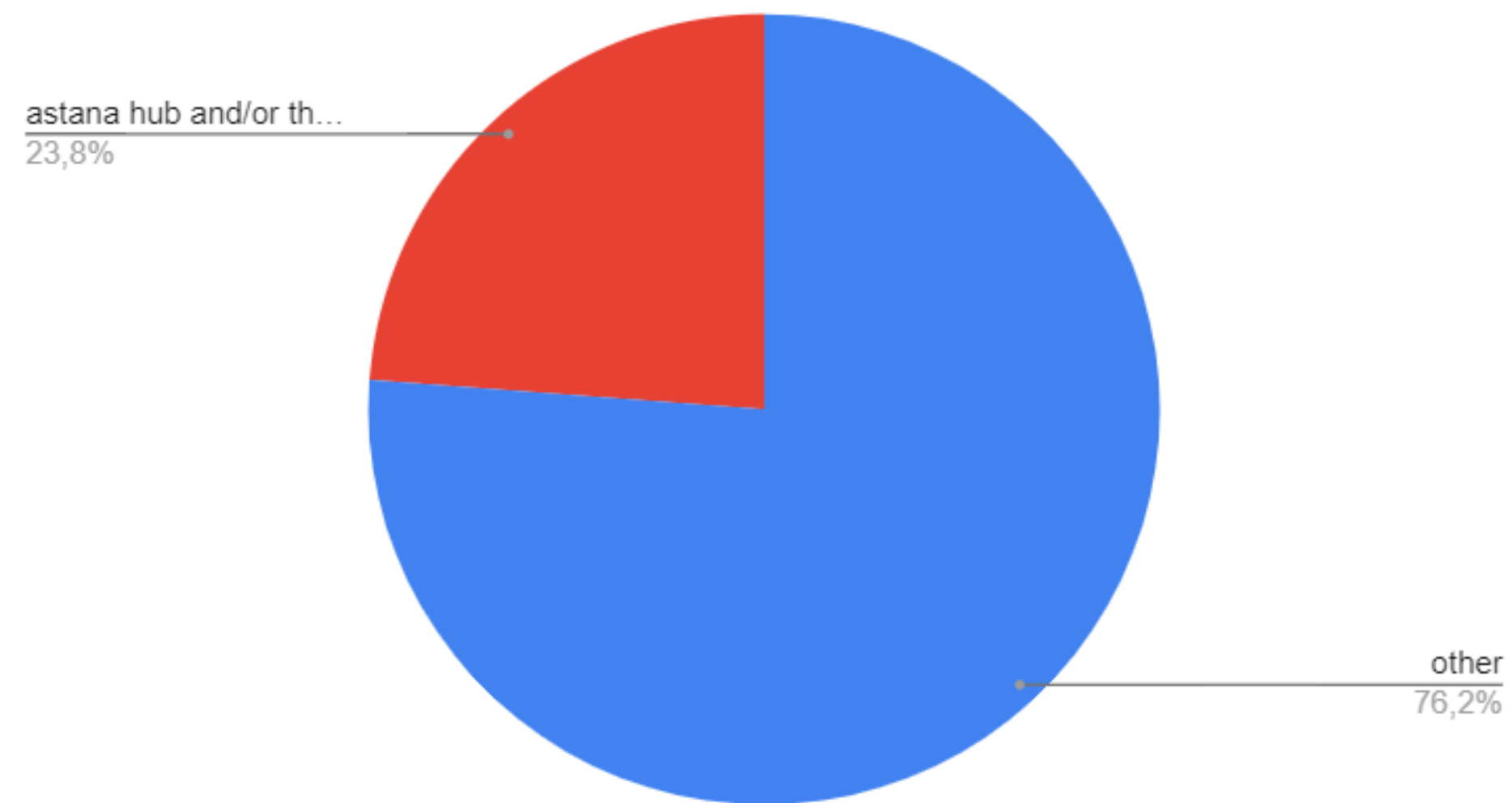
- **red** is Astana Hub and/or The MOST
- **blue** is other investors

FINDING #2

Around 5 out of 21 startups in Kyrgyzstan were funded by Astana Hub and/or The MOST

- **red** is Astana Hub and/or The MOST
- **blue** is other investors

startups were funded by... – количество



FINDINGS #3

Government Support in Kazakhstan

Kazakhstan offers a broad range of government programs to foster entrepreneurship and innovation, which creates a dynamic startup ecosystem.

- **Astana Hub:**
- **Preferential Lending:**
- **Industry 4.0:**
- **QazIndustry:**
- **Industrial Development Fund:**
- **QazTrade:**
- **Kazakh Invest:**

Government Support in Kyrgyzstan

Kyrgyzstan has a more restricted support system for startups, with fewer government initiatives.

- **High-Tech Park (HTP):**

FINDINGS #3

Government Support in Kazakhstan

- **Astana Hub:**
 - Part of the Digital Kazakhstan Program.
 - Provides tax exemptions, visa facilitation, and acceleration programs.
 - Aims to digitize the economy and promote technological innovation.
- **Preferential Lending:**
 - Offers low-interest loans to startups and small businesses.
 - Reduces financial barriers, facilitating growth and innovation.
- **Industry 4.0:**
 - Focuses on digital transformation through automation, robotics, and AI.
 - Enhances global competitiveness of Kazakhstani businesses.
- **QazIndustry:**
 - Provides financial assistance, consulting, and business training.
 - Supports modernization of Kazakhstan's industrial base.
- **Industrial Development Fund:**
 - Offers loans and investments for industrial modernization projects.
 - Ensures local and international competitiveness.
- **QazTrade:**
 - Promotes exports and helps local companies enter international markets.
 - Provides tools for navigating global trade, including market research and export financing.
- **Kazakh Invest:**
 - Attracts foreign investment with comprehensive support services.
 - Connects foreign investors with local businesses

Government Support in Kyrgyzstan

- **High-Tech Park (HTP):**
 - Focused on supporting the IT sector with a preferential tax regime.
 - Companies pay just 1% of their revenue towards operational needs.
 - Aims to boost export-oriented IT services.

ASTANA HUB VS. HTP

1

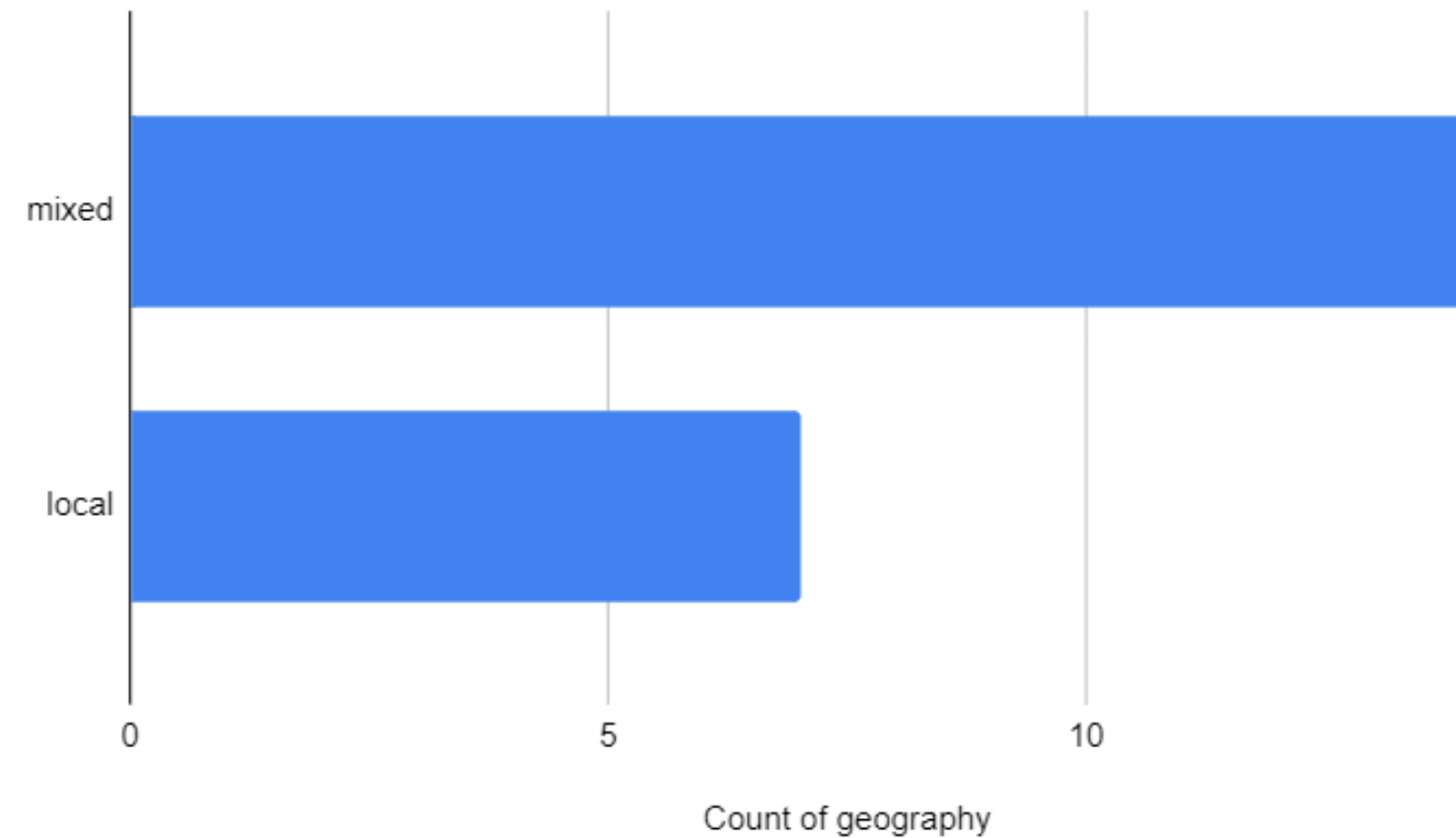
- Astana Hub: Supports over 970 startups, including 170 foreign participants.
- HTP: Supports only 85 resident companies.

2

- Astana Hub benefits from extensive government backing, services, and a strong international network.
- HTP's support is mainly limited to tax benefits, lacking in funding access, mentorship, and international networking opportunities.

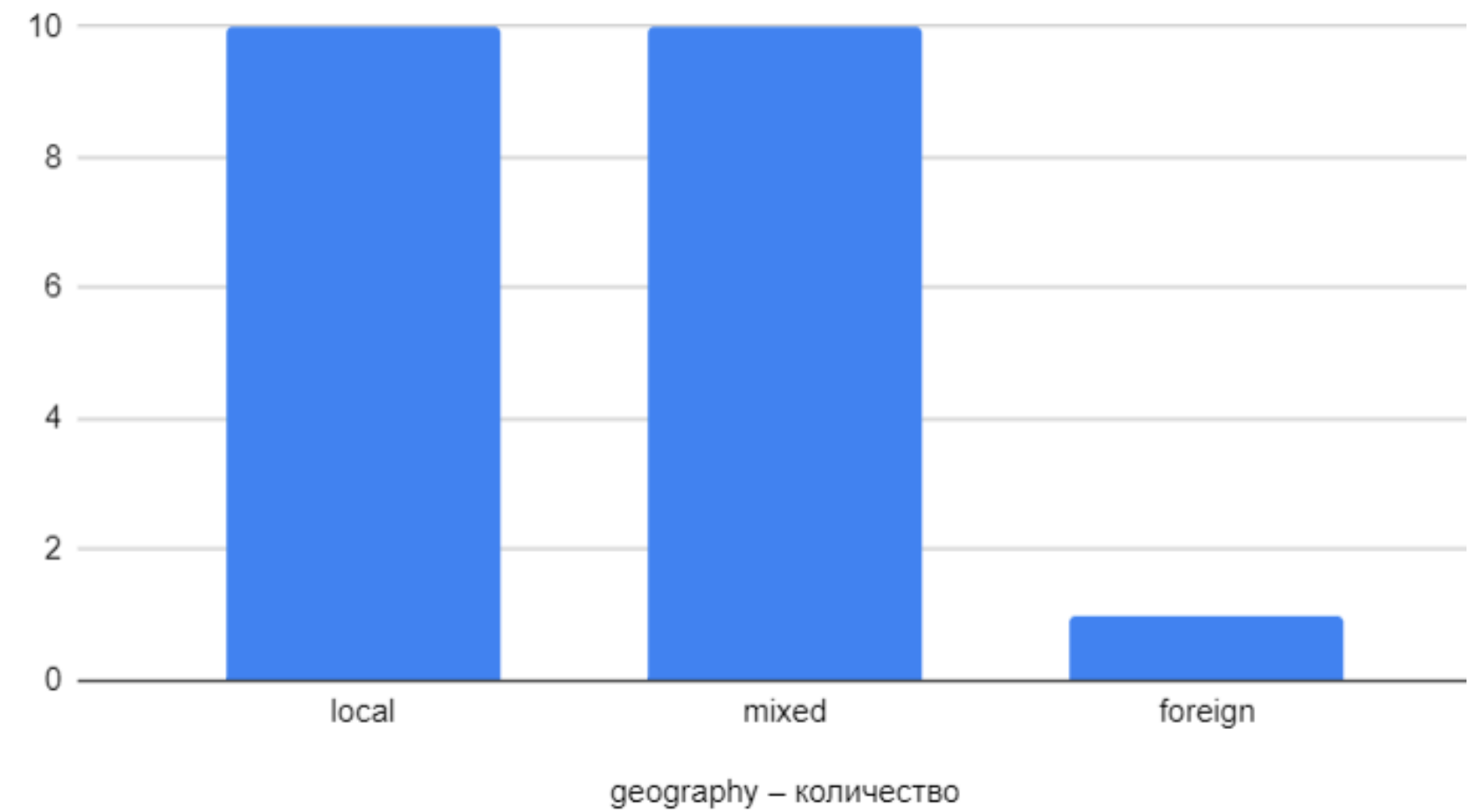
■ ADDITIONAL INFORMATION

Distribution of startups by geographic targets (Kazakhstan)



in Kazakhstan, only seven startups are focused exclusively on the local market, while the remaining fourteen are capable of operating in a mixed mode, serving both Kazakh and foreign markets

geography – количество



In contrast, the situation in Kyrgyzstan is different, with around ten startups focusing on the local market and ten others operating in a blended capacity, with only one startup primarily targeting the foreign market.

CONCLUSION

- **Kazakhstan's Success:**

- Strong general statistics, effective government initiatives, and favorable market conditions have contributed to the growth of Kazakhstan's startup ecosystem, making it ahead of Kyrgyzstan's. Key programs like Astana Hub and The MOST Venture Fund have played a significant role in fostering the growth of both local and international startups.

- **Challenges Facing Kyrgyzstan:**

- Limited funding, less comprehensive support, and a smaller market all contribute to the differences in the two countries' startup ecosystems. However, by leveraging the strategies that have worked for Kazakhstan, Kyrgyzstan can address these challenges and create a more supportive environment for its startups.

- **Insights for Action:**

- The findings of this study provide actionable insights for post-Soviet countries aiming to enhance their own startup ecosystems. By learning from Kazakhstan's success, these countries can create a more favorable environment for startup growth and innovation.

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THANK YOU

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