



2018 annual report



**AMERICAN CHAMBER OF COMMERCE
IN KAZAKHSTAN**

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Executive Director's Message

January 2019



Dear AmCham Members,

On the international front, 2018 has been an eventful, but unsettling year marked by a roller-coaster ride of crises, both political and economic, all with immediate impact as well as implications for the global future. In this volatile environment, Kazakhstan's vaunted political and economic stability have been moderating factors for foreign investors, the political elite, and the population at large. Nonetheless the global instability has been felt, giving rise to caution over the future.

Internationally, the United Kingdom's planned departure from the European Union (Brexit) will be resolved for better or for worse within the next few months, Germany's anticipated change in leadership will lead to as yet uncertain policy shifts in the future, France is facing an unexpected public outcry over economic inequality and efforts to restructure the country's labor regime, emigration and refugee movements pose serious political challenges, and the future of international institutions and agreements placed in question.

Kazakhstan has wisely steered clear of global tumult, balancing its regional and international relationships, and benefitting from an upswing in the vacillating price of oil. Kazakhstan's President, Nursultan Nazarbayev, began 2018 with a visit to Washington at the invitation of U.S. President Donald Trump. The country's two-year term on the U.N. Security Council, which began in January 2017, marking respect for Kazakhstan's ascendancy in the global arena, continued in 2018, and Kazakhstan's international reputation has been solidified by its continuing support for the Astana Process, nuclear non-proliferation, religious tolerance, and regional stability. The country continues to deepen its relationship with the OECD with the goal of eventual OECD membership. Kazakhstan has thus carved out an ambitious path for itself that it has pursued in 2018.

AmCham continues its support for Kazakhstan through a strong and well-developed advocacy program that has moved steadily forward over the past ten years through the *Council to Improve the Investment Climate*, a respected dialogue platform created exclusively for AmCham and its members. Meeting monthly, chaired by the Prime Minister and attended by leading Cabinet Ministers responsible for the country's economy, the Council addresses challenging issues in Kazakhstan's reform agenda. Alongside economic issues, the Prime Minister has been especially responsive this past year to social challenges outlined at Council sessions.

AmCham is supported in its advocacy by leading international financial institutions with which it has developed close relationships over the past decade: the OECD and IEA in Paris, IMF in Washington, EBRD in London, ADB in Manila, ICD in Jeddah, as well as a broad range of UN agencies geared to economic and social development. The World Health Organization in Geneva has also proven a critically important partner for the AmCham dialogue on healthcare reform in 2018.

AmCham and its members – both foreign and domestic – will continue to support Kazakhstan in every way as we move towards the common goal of the country's economic, social, and political development.

Doris Bradbury
Executive Director

AmCham Board of Directors

AmCham is guided by a diverse and well-balanced Board of Directors elected by the membership at large. The Board consists of nine corporate members and the Chamber's Executive Director; its four-member Executive Committee is composed of the AmCham President, Vice-President, Treasurer, and Board Secretary. The U.S. Senior Commercial Officer also sits on the Board as a non-voting member.

AmCham Board members are active and committed members of the Chamber who meet monthly to review AmCham operations and policy, discuss important trends and changes in Kazakhstan's investment and trade environment, and debate new directions for the Chamber. Although AmCham headquarters are located in Almaty, the Board has traditionally sought representation from Astana and the Caspian region to ensure a voice for member companies based outside Almaty.

As fully-engaged members of the business community, Board members also sit on a range of other policy-making and advocacy bodies, where they represent member interests. Primary among these is the *Prime Minister's Council to Improve the Business Environment*, the monthly forum for dialogue between the foreign investment community and the Government of Kazakhstan created by Prime Minister Karim Massimov for AmCham and its members ten years ago. The Council has become a respected institution whose membership is renewed annually.

The other advocacy bodies on which Board members are represented include the *Foreign Investor's Council*, where Board members advise the country's senior government officials, and through them the Country's President, on draft legislation and regulatory changes that impact directly on Kazakhstan's business environment. *KazEnergy* is also a forum for the oil industry to engage in dialogue on industry issues.

Board members also sit on advisory bodies of Kazakhstan's leading educational institutions and on philanthropic committees, as well as lending active support to cultural bodies and activities. KIMEP University in Almaty has traditionally benefitted from AmCham Board members' presence on its Board of Directors, while *Nazarbayev University* and *National Medical Complex* in Astana have benefitted from AmCham Board members' support in recent years.

The AmCham Executive Director sits on the Board of the *OECD Anti-Corruption Network* and the *Business Integrity Steering Committee* in Paris, which produced a major report on the CIS investment environment in 2018.

The AmCham Board is guided by strict conflict of interest guidelines built into the Chamber's bylaws and operates according to the highest ethical and professional standards. All Board members serve without financial compensation.

Looking Ahead: The AmCham Board in 2019

The 2019 Board elections will fill five Board vacancies. The Nominations and Elections process is conducted each year in December-January, and election results are announced at each year's Annual General Meeting at the end of January. Board candidates on the Election Ballot are corporate leaders from the AmCham membership across Kazakhstan. Regional representation and diversity of industry sectors are major factors in Nominations, which are submitted by the membership at large.

AmCham Board of Directors 2018

AmCham Executive Committee



Kenneth Mack
President
Managing Partner
Mack Law PLLC



Bela Ferenczi
Vice - President
General Director
GE Kazakhstan



Paul Cohn
Treasurer
Assurance Partner
EY



Ashley Clarke
Secretary
Chief Operating Officer
KPMG

Board Members



Doris Bradbury
Executive Director
AmCham



Ted Etchison
General Director
Tengizchevroil



Dean Matlack
Commercial Counselor
U.S. Consulate General
in Almaty



Tim Miller
Director
Eurasia Business Unit
Chevron



Gulnara Sebestyen
General Manager
Philips Kazakhstan



Gani Uzbekov
Chief Executive Officer
SILK



Olga Voronova
General Manager
Procter & Gamble
Kazakhstan

2018 AmCham Membership

AmCham was founded in 1999 by 36 U.S. companies. Today it is Kazakhstan's leading international business association with a membership composed of over 200 companies and organizations: major multinational corporations, leading companies from every corner of the globe, mid-sized to small local businesses, international financial institutions, non-profit organizations, and a handful of individual members, including university professors and noted authors.

Although the bulk of AmCham members continue to be located in Almaty, Kazakhstan's business center, membership is growing in all areas of the country. Astana, Atyrau, Aktau, and most recently Shymkent are leading regional membership locations. AmCham's diverse membership consists of roughly 30% U.S. companies and 70% non-U.S. corporate members (European, Asian, Middle Eastern) spread across five membership categories and more than twenty industry sectors.

AmCham has a loyal membership base that has continued to grow in 2018. Although some members have asked for their membership renewals to be delayed due to the global economic and political uncertainties of the past year, all AmCham members continue to be active participants and supporters of AmCham activities and advocacy. Our members also demonstrate their support for corporate social responsibility by creation and participation in significant social, educational, and health projects that benefit Kazakhstan's development.

A notable trend has been the steady growth year by year of the Corporate A membership category, the top tier of AmCham membership that continues to advance as small and medium businesses decline. This may be seen as the growing interest of leading investors in Kazakhstan, or conversely, as the decline of SMEs in the face of difficult economic conditions and an investment climate in which only larger, stronger companies can thrive.

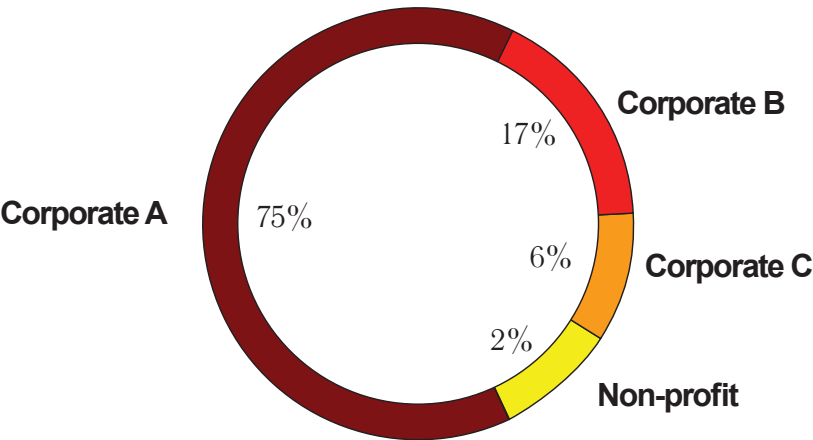
Kazakhstan's leading industry sector continues to be the oil industry, as could be expected from the structure of Kazakhstan's economy. With the Kashagan oilfield finally producing and the global price of crude moving steadily upwards, the industry is displaying signs of confidence justifying its tenacity during years of declining oil prices. Services to the dominant industry also continue to be very visible in the membership - legal, accounting, tax, and banking services, along with oilfield services, logistics, engineering and construction. All sectors are represented by global leaders in their respective fields.

Construction and hospitality services have been particularly active since 2017 following Kazakhstan's ambitious preparations for the 2017 Expo in Astana. Luxury hotels such as the Ritz-Carlton, St. Regis, the Marriott, two new Hiltons and two Radisson Hotels were either built or underwent facelifts to accommodate Expo visitors from around the world. No cost was spared for Kazakhstan to present its best face to the world during the Expo summer, with a heritage of 5-star hotels after Expo to welcome visitors to Kazakhstan's capital city.

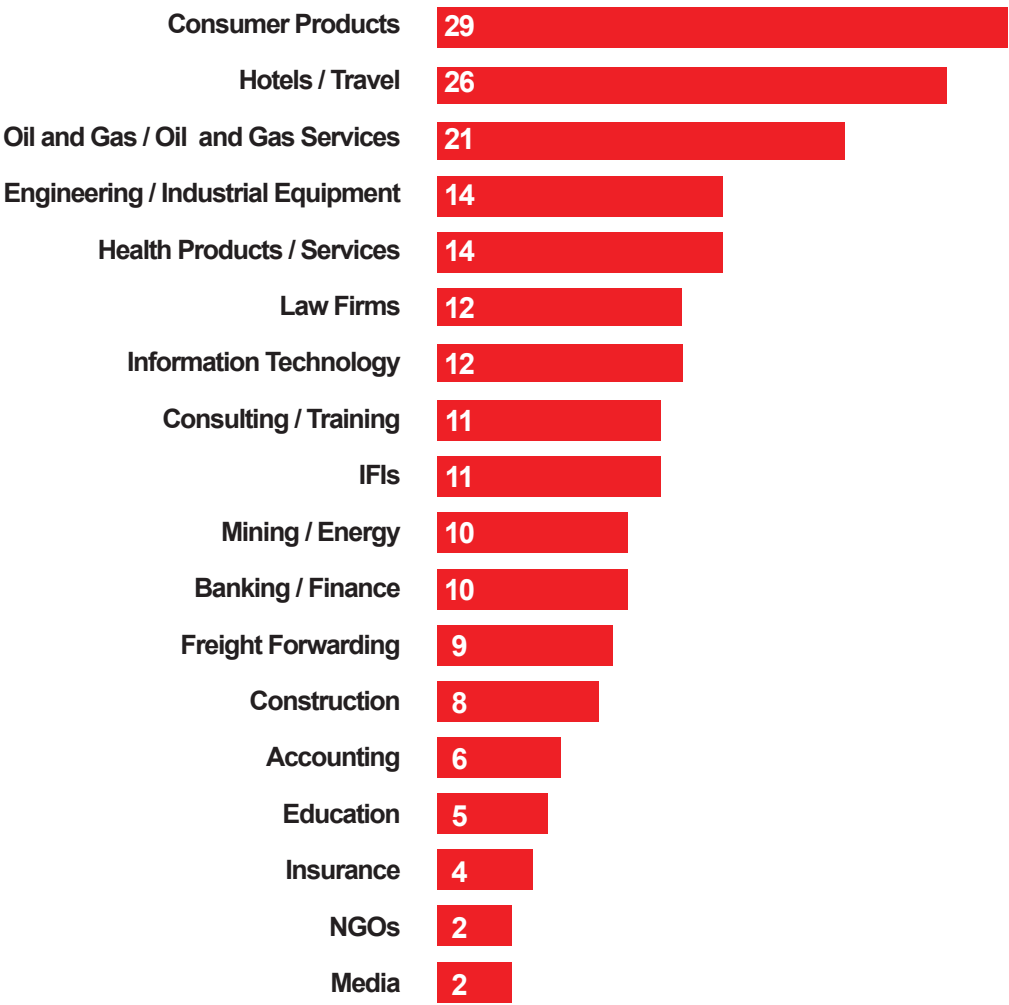
Healthcare services and the pharmaceutical industry continue strong growth as the country aims to improve healthcare and medical services to the population. This is a very welcome trend expected to continue in 2019.

2018 Membership

Corporate Category



Industry Sectors



2018 AmCham Advocacy

Advocacy to improve the legislative and regulatory environment in which the business community operates is a fundamental part of the mission of both the U.S. Chamber of Commerce and the American Chambers of Commerce around the world. Economic and business conditions vary widely from country to country along with political and social conditions affecting the economy, but wherever AmChams exist, they speak with an authoritative voice about the need to create optimal conditions for business to flourish.

AmCham in Kazakhstan has always recognized advocacy as a driving force that gives the foreign business community a strong and positive role to play in its host country, a role that benefits not only foreign investors, but the country's business community at large.

Beginning in 2008, AmCham conducted a planned and consistent advocacy initiative, the **AmCham Economic Policy Program (AEPP)**, which worked directly with the Prime Minister's Office, delivering White Papers on the economy and public conferences on selected topics of critical importance to the investment community.

In 2010 the Prime Minister proposed that the **Council to Improve the Investment Climate** be formed exclusively for AmCham and its members as a dialogue platform with the Government. The Council began to meet monthly with the Prime Minister and a select group of Cabinet Ministers responsible for the country's economy to discuss topics chosen by AmCham. The Council dialogue was a crucial step in empowering AmCham to represent its members' views at the most senior levels of government.

The Council has a rotating panel of leading CEOs from among the diverse AmCham membership - diversity being stressed with respect to industry and regional representation. The CEOs are supplemented by additional AmCham speakers and international institutions located outside Kazakhstan.

An important component of the Council are four Ambassadors - the U.S., U.K., E.U., and Canadian Ambassadors - who attend and speak at all meetings, providing insight into their countries' investment priorities and historical experience. The diplomatic perspective is an invaluable element lending the Council discussions depth and a broader international perspective. The Council Ambassadors also invite foreign experts from their own countries to speak on cross-cutting issues with particular resonance for Kazakhstan's development - taxation, legal and judicial reform, privatization, deregulation, fair competition, and industry-specific challenges.

A frequent presence at the Council has been the **Organization for Economic Cooperation and Development (OECD)**, which has sent many speakers to Kazakhstan at AmCham's invitation to participate in Council discussions on governance, rule of law, anti-corruption, privatization, and fair competition. Given Kazakhstan's stated ambition to become an OECD member, OECD speakers have been warmly welcomed and received the Government's full attention. Other International Financial Institutions participating in the Council at AmCham's invitation include the **Asian Development Bank (ADB)**, the **International Monetary Fund (IMF)**, the **International Finance Corporation (IFC)**, and the **European Bank for Reconstruction and Development (EBRD)**.

The **Council to Improve the Investment Environment** is now entering its ninth year, signifying its success and the credibility it has acquired with the Prime Minister and the Government, which listens carefully to AmCham recommendations and increasingly implements changes that benefit the business community.

This year AmCham submitted to the Prime Minister a comprehensive **2018 Investment White Paper** entitled **Barriers to Foreign Investment** in follow-up to its well-received **2014 White Paper: Top Ten Barriers to Foreign Investment**. The **2018 Paper** revisited the **‘Top Ten’** to note changes over the past four years, as well as introducing new topics. Welcomed by the Prime Minister, both White Papers proved seminal documents that circulated widely within the Government, first and foremost to Cabinet Ministers, for whom it became required reading. It has also been read widely outside Government circles, notably within the diplomatic and international financial communities.

Kazakhstan is an ambitious country with an active agenda of change as it seeks to establish its economic and political presence in the international arena. The Government seeks out advice from the foreign community, and from AmCham in particular to identify the proper strategies to achieve its ambitious goals.

The Council to Improve the Investment Environment 2018: New Challenges

In 2018 the **Council to Improve the Investment Environment** tackled a number of disparate issues, some new, but also some older issues that have proven tenacious and difficult to resolve. Environmental issues have also been revisited several times during the past year.

In **February**, the Council launched the year with a session devoted to **After Expo 2017: The Development of Renewables in Kazakhstan**. Clean energy, which is increasingly price-competitive, is regarded not only as a stabilizing factor for the climate, but also as an engine for economic growth and job creation. Western Europe has forged ahead in adopting wide-scale use of wind and solar energy, but Kazakhstan has yet to introduce policies that effectively promote use of renewable energy.

All speakers at the Council addressed the obstacles delaying or impeding the Government's full-scale support for renewable energy. The value and drawbacks of the auction system currently in use for renewables projects were also discussed. The EBRD and IFC indicated their willingness to work together with the Government on draft environmental legislation to address these obstacles. In follow-up, Prime Minister Sagintayev issued instructions to form a Government Working Group headed by First Deputy Prime Minister Mamin with AmCham participation.

In **February**, the Council topic was **Judicial Reform in Progress**, which examined priorities in reforming Kazakhstan's courts and judicial system. Judicial reform has been a persistent topic for the Council, and will no doubt continue to be a constant, given Kazakhstan's adherence to a post-Soviet judicial system. Although the Government has sought to address these problems for the investment community, this has been mainly through creation of new courts or new entities within the existing system to handle investment disputes. A fundamental reform of the judicial system to meet the demands of a new economy is still awaited.

The February Council adopted a different approach to examining the judicial system. Rather than focusing on the existing system, the Government's new initiatives to create special courts outside the system for investor disputes were examined, and the *OECD Public Governance Director* was invited to participate in the session to speak about the new *OECD Judicial Reform Program*.

A major item on the Council agenda was the new *Astana International Financial Center Court*, a widely promoted Government initiative geared to investment disputes. Clarification was sought about the Court's jurisdiction, scope of eligible cases, and enforcement measures. Although the Court officially began to operate in mid-2018, no cases have yet been heard.

AmCham continued to recommend, as it has in the past, creation of a dedicated *Intellectual Property Rights Court* with trained judges knowledgeable about IP rights across a broad range of industries.



In **March**, the Council turned its attention to **Challenges to Economic Diversification in Kazakhstan**, which also served as the topic of the annual *AmCham Economic Policy Forum* conference in Astana in April. The focus on 'Challenges' served to highlight the lack of progress in four industry sectors that the Government has prioritized as most promising for diversification: *agriculture, mining, renewable energy, and technology*, each held back by obstacles requiring re-evaluation and action.

In addition to the four Council Ambassadors, the lead Council speaker was *OECD Eurasia Division Head William Tompson*, who welcomed the opportunity to address the Prime Minister on diversification, considered by OECD as crucial to Kazakhstan's development. OECD had coincidentally organized a Mining Seminar in Astana in late March, thus reinforcing the message that introduction of Kazakhstan's new Mining Code, pending for several years, was urgently needed to create more favorable conditions for mining activity.

The President of a leading Kazakhstan agrifood company identified 4 critical obstacles preventing the full development of Kazakhstan's agricultural sector: underutilization of Kazakhstan's rich farmland, continuing delay in land reform, the need to resolve inadequate water supply, and neglected rural social infrastructure.

In the technology sector, the head of a global technology leader recommended that, rather aiming to create an innovative technology hub in Kazakhstan, the government should aim to develop applied technologies for traditional industries.

In **April**, the Council topic was **Opportunities for Foreign Investment**. *Guest Speaker Peter van der Gracht*, a senior advisor to the Canadian Government invited to Kazakhstan by the Canadian Embassy, stressed the importance of innovation in industry development along with government support for innovative industries. In particular he outlined the *Innovation Canada Program* under which the Canadian government carves out 2%-3% of government spending for new and innovative suppliers. He also noted the advantages of clustering companies in a given industry to work in close physical proximity, thus competing in a high-intensity creative environment - an example being Silicon Valley.

In **May**, **Healthcare Reform and the New Health Code** centered on a topic that has been a focus for AmCham for many years – improvement of Kazakhstan’s healthcare system, which has lagged behind the country’s strong economic development. The Council ambassadors discussed the public health systems in their own countries which, although they differ greatly, can be models for consideration as Kazakhstan redesigns its own healthcare system. The ‘market economy system’ has enjoyed popularity in some quarters where the system is being rethought and restructured, but other models also have much to offer in terms of a tax-funded broader social safety net providing universality, affordability, and quality of healthcare.

Other speakers discussed pharmaceutical patent issues, the pharmaceutical registry, and the Government’s proposal to localize production of medicines. Insufficient attention to pharma patent rights has been an ongoing problem in the country’s procurement system. The *Red Cross/ Red Crescent* proposed expansion of blood banks and training for paramedics.

In **July**, the Council wrapped up before its summer break by presenting **AmCham Member Social Projects** that had won awards at the *June AmCham Awards Gala*. The objective was two-fold: to showcase AmCham members’ support and commitment to the communities in which they work and live, as well as to Kazakhstan’s future development, and to focus attention on areas in which Government support for social needs should be strengthened.

The projects presented at the Council included two local hospital projects in Atyrau (*NCOC* and *ExxonMobil*), two projects providing support to people with disabilities (*Philip Morris International* and the *Nurlan Kapparov Foundation*), refugee support in Kazakhstan and Central Asia (*UNHCR*), support for agricultural specialist education (*Eurasia Group*), and support for Kazakh culture (*KPMG*).

In **October**, the topic was **Creating a Level Playing Field for Investors: Competition vs. Discrimination**, which opened up discussion of a central problem in Kazakhstan’s investment climate.

The Council Ambassadors stressed that competition has a positive impact, not only on the well-being of consumers, but also on a country’s economy as a whole. Kazakhstan can benefit from adopting policies that encourage competition, including continued efforts at privatization of state-owned enterprises. Competition supported by the proper government policies will boost productivity, foster innovation, and stimulate economic growth.

Two international financial institutions delivered presentations – the *International Finance Corporation (IFC)* and the *OECD*, which had conducted a competition survey in 2016, on the basis of which three recommendations were made, but not implemented.

This was followed by an analysis of Kazakhstan's *Anti-Monopoly Law*, needing fundamental reform. As the law exists, it neither creates a fair competitive climate nor facilitates mergers and the entry of new players into the country's market. Two major foreign companies in different industries then outlined their problems in a non-competitive environment, one company facing an aggressive monopoly by a state-owned enterprise and the other burdened with double taxation to which local competitors were not subjected.



The **November** Council focused on an environmental issue, **Waste Management: A Strategy for Kazakhstan**. The topic was spurred firstly by Kazakhstan's lagging approach to modern waste management strategy, using landfills to handle waste. The planned introduction of an *Extended Producer Responsibility* program, a strategy used across Europe to promote a more responsible approach to waste management, was applauded, but needs adjustment to ensure transparency and efficiency.

The Council Ambassador presentations explored different approaches to recycling and consumer waste management policies in the United States, Canada, the UK, and the European Union. An OECD presentation encouraged Kazakhstan to strengthen governance and competition within its planned EPR model, as did presentations by several of the consumer goods companies that will be implementing EPR in Kazakhstan. Concerns were expressed about having a sole waste management company designated by the government to implement EPR. A more competitive range of choices was preferred.

Looking Ahead: The Council in 2019

The Council operates in a flexible manner, selecting its monthly topics according to emerging and timely priorities, both for investors and the Government. The AmCham responsibility for selecting topics and speakers, and for inviting IFIs located abroad will be adhered in a consultative manner with due attention to impact and cost. Long-standing systematic challenges such as tax and judicial reform will feature on the agenda, as will new topics such as cyber security and cyber crime.

Advocacy by AmCham Working Groups

The 25 AmCham Working Groups have always generated discussion of industry practices and new legislation affecting investor operations, and some have undertaken active advocacy *vis-a-vis* the Government of Kazakhstan. All AmCham Working Groups are led by acknowledged experts in their fields with an excellent grasp of the issues and a good understanding of the importance of advocacy at the highest levels of Government.

A leading role in this respect has been played by the *4 internal AmCham Tax Working Groups* (4 Groups in different cities) with guidance from *Chairman Anthony Mahon, Cross-Border Tax Partner at Deloitte*. Also active in this regard is *PricewaterhouseCoopers Tax and Legal Partner Michael Ahern* who, together with Anthony Mahon, has led the **Inter-Ministerial Tax Reform Working Group**, created by the Prime Minister to work directly each month with the Finance Ministry and State Revenue Committee on Tax Reform.

Other Working Groups have also communicated their recommendations to the Government, notably the **Customs and Trade Working Group** and the **Healthcare Reform Working Group**.

A second **Inter-Ministerial Working Group** was created by the Prime Minister to deal with **Intellectual Property Rights (IPR)**. This Group, initially led by the Regional IPR Attache at the U.S. Embassy in Moscow, a lawyer specializing in pharmaceutical patent protection, worked with the Ministers of Healthcare and Justice to raise awareness of the dangers posed by counterfeit pharmaceuticals and to promote methods for their interdiction.

AmCham envisions future advocacy by all AmCham Groups, whose work informs the topics chosen for Council meetings and for AmCham conferences. The Working Groups are AmCham's 'brain trust' on whom the Chamber relies to learn about the most pressing problems for its members.

Advocacy Publications - *Investors Voice, AmCham White Paper*

The AmCham flagship publication is **Investors' Voice**, published bimonthly and read by an estimated 12,000 readers. In order to make this elite diplomatic and business readership aware of the challenges facing Kazakhstan, the best presentations from the **Council to Improve the Investment Environment** are published in the magazine throughout the year.

Two White Papers on investment issues were produced in 2018 for presentation to the Prime Minister and to the Government. In addition to the comprehensive White Paper described in the previous section, a Healthcare White Paper was presented in response to the Health Ministry's drafting of a new Health Code for introduction in 2019 (***Building a World-Class Healthcare System in Kazakhstan***).

Both White Papers were broadly distributed to the AmCham membership and the diplomatic and international development institutions, as well as to the Government of Kazakhstan.

AmCham International Advocacy Cooperation - International Financial Institutions

AmCham participates in a number of other long-standing advocacy initiatives, both in Kazakhstan and abroad, and has developed solid relationships with the leading international financial and development institutions.

Organization for Economic Cooperation and Development (OECD, Paris)

Beginning in 2012, AmCham began to intensify its relationship with the Paris-based **OECD**, a major international organization which Kazakhstan aspires to join, thus heightening its presence among the world's most highly developed countries. AmCham regularly invites OECD experts to speak at the Prime Minister's Council meetings, where they have addressed *Rule of Law, Privatization, Deregulation, Competition, and Environmental Issues*.

For several years AmCham has been a participant in the annual meetings of the **OECD Anti-Corruption Network (ACN)**, composed of the former Soviet states and Eastern European countries emerging from their recent Soviet-dominated history.

In 2013 AmCham was invited to join the **OECD Business Integrity Initiative**. AmCham provided financial and logistical resources to support the Kazakhstan and Central Asia portion of the **OECD Business Integrity Report** and served as the Secretariat for the Report, which was published and presented to the Prime Minister by the OECD at the September 2016 Council session. The AmCham Executive Director served on the Steering Committee for this Report.



International Monetary Fund (IMF)

The **International Monetary Fund**, with which Kazakhstan has signed an international agreement governing certain operations by the National Bank, has consulted with AmCham about Kazakhstan's investment climate on several occasions over a number of years, but in 2017 the IMF became directly involved in the June session of the *Council to Improve the Investment Climate* devoted to controversial *Currency Controls* proposed by the *National Bank*. AmCham continues to monitor currency controls affecting foreign investment and maintains relations with the IMF in Washington DC.



International Finance Corporation (IFC)

The **International Finance Corporation**, a branch of the **World Bank**, has been an active AmCham member for many years, delivering financial forecasts and economic recommendations at AmCham speaker events. The IFC has also regularly delivered presentations at the *Council to Improve the Investment Environment*, notably on Kazakhstan’s privatization strategy and competition standards.



European Bank for Reconstruction and Development (EBRD, London)

AmCham has worked closely with the EBRD office in Kazakhstan for many years and EBRD has been represented on the AmCham Board for over five years. EBRD also serves as an official member of the *Council to Improve the Investment Climate* and has frequently delivered presentations at Council sessions, notably on economic diversification and the green economy. EBRD has also brought senior executives from its London headquarters as speakers for Council sessions.



The **Eurasia Business Platform (EBP) (U.S. Chamber of Commerce, Washington DC)** AmCham in Kazakhstan was a founding member of the **Eurasia Business Platform** at the **U.S. Chamber of Commerce** in Washington D.C. The purpose of the Platform is to raise the profile of Central Asia and the Caucasus in official circles in Washington and to encourage closer cooperation among regional AmChams.

Given the U.S. Chamber's well-established presence in Washington with its excellent access to decision-makers in the **President's Office, Department of Commerce, and State Department**, EBP is well-represented at levels where its voice needs to be heard to influence U.S. trade and foreign policy towards Central Asia.



U.S.-Central Asia Trade and Investment Forum Agreement (TIFA)

AmCham and the Eurasia Business Platform traditionally support the annual **TIFA (U.S.-Central Asian Trade and Investment Framework Agreement)** meetings held in alternate years in Washington and in Central Asia. When TIFA negotiations are held in Almaty, as they were in 2012, AmCham organized an **Economic Policy Forum Conference on The Customs Union and WTO Membership**, vital topics for the U.S. and Kazakhstan TIFA negotiating teams. When TIFA is again held in Kazakhstan, AmCham will organize another thematic conference to accompany the meetings.

Looking Ahead: AmCham Advocacy in 2019

Advocacy will continue to be at the top of the AmCham agenda in 2019. Over the past eight years AmCham advocacy has increased in importance year by year as it adds new components to its advocacy strategy on behalf of its membership. The **Council to Improve the Investment Climate** is now the most important forum for investor dialogue with the Government of Kazakhstan. It has acquired a level of credibility in speaking directly to the Prime Minister and to the Cabinet of Ministers that is unequalled in Central Asia.

Monthly meetings of the Council will continue with a combination of speakers from the diplomatic community, the AmCham membership, and leading international organizations.

AmCham Publications, notably **Investors' Voice**, will continue to focus heavily on policy issues, thus raising awareness beyond the membership base of the need for thoroughgoing reform of the investment climate. **AmCham Investment White Papers** will continue to be presented to the Government of Kazakhstan.

Advocacy will continue to evolve as AmCham seeks each and every opportunity to make its voice heard on behalf of Kazakhstan's investment community.

AmCham Working Groups

AmCham Working Groups have flourished in recent years, reaching a total of 20 *Internal Working Groups* plus 4 *Inter-Ministerial Working Groups*. These Groups meet in a total of five cities – Almaty, Astana, Atyrau, Aktau, and Shymkent – each group focusing on topics specific to their region and industry characteristics. The Inter-Ministerial Working Groups are linked by video to Ministries in Astana with participation from AmCham members based in other major cities in Kazakhstan

2018 continued to see the consolidation and growth of the full set of AmCham Working Groups, as new Chairs became established leaders and new Groups developed and pursued their objectives with numerous meetings and advocacy activities. Furthermore, the Working Groups benefitted from growth in attendance, following an intensive effort to inform members about the Groups.

The AmCham Working Groups play an increasingly important role in advocacy on behalf of the foreign investor community by highlighting issues of concern and by developing and submitting recommendations to the Government. The Working Groups in the country's regions also expanded and contributed to recommendations developed by the larger Almaty Groups.

The Internal Working Groups serve as a forum for staff from all member companies to meet for discussion, knowledge-sharing, informative presentations by experts, to pursue joint projects, and to make recommendations to the Government. The Almaty WGs meet monthly, while the Groups outside Almaty meet bimonthly or quarterly. Some of the Groups are duplicated in various cities, each with their own Chair, depending on member interest:

- The *Corporate Social Responsibility Working Group* is active in two locations – one branch in Almaty headed in 2018 by *Kamran Iskenderov* of *Coca Cola* and another in Atyrau headed by *Haymish Paulse* of *Tengizchevroil (TCO)*.
- The *Foreign Investment Working Group* meets in Almaty, Astana, and Shymkent. The Astana WG is chaired by *Béla Ferenczi* of *General Electric*, the Shymkent WG is headed by *Roman Kempe* of *Heidelberg Cement*, and the Almaty Group is chaired by *Aibat Akhmetlimov* of *Philip Morris International*.
- The *Human Resources Working Group* has four branches in Almaty, Atyrau, Aktau, and Astana. The Almaty WG was led in 2018 by *Dmitriy Nadirov* of the *European Insurance Company*, the Atyrau WG was headed by *Ainura Kabysheva* of *Fircroft*, the Aktau WG was led by *Gulmaral Bokayeva* of *Maersk Oil*, and the Astana WG is led by *Damir Deminov* of *Ernst & Young (EY)*. (The Almaty, Atyrau, and Aktau WGs will change leadership in 2019.)
- The *Tax Working Group* has five branches in Almaty, Astana, Aktau, Atyrau, and Shymkent. Tax Working Groups play a particularly important role for businesses in Kazakhstan across all industries. The Chairman of all five Groups is *Anthony Mahon* of *Deloitte*.
- The *Trade and Customs Working Group* meets in Almaty, Astana, Atyrau, and Aktau. The Almaty WG Group is chaired by *Globalink President Siddique Khan*, while the other three Groups are headed by *Samat Karmys* of *Ernst & Young (EY)*.

Speakers are regularly invited to address Internal Working Groups. Speakers are specialists in an area of concern to members, who come from local businesses, NGOs, local government bodies, and AmCham member companies, depending on the Group's needs.

The 20 AmCham Working Groups are the following, city by city:

Almaty

- **Foreign Investment Working Group (FI WG)**
2018 Chair: Aibat Akhmetlimov, Philip Morris Kazakhstan

The *Foreign Investment Working Group* was the first AmCham Working Group created almost twenty years ago and serves as the prototype for all the Working Groups created at AmCham over the last two decades. The Group's mission is to represent and support the interests of the membership, both foreign and local, in Kazakhstan.

Members seek to identify common problems encountered in trade and investment and to proactively work with government agencies and institutions in Kazakhstan to address those issues. The Group seeks to stay abreast of key legislative changes and developments and to assess their impact on the business community. The Foreign Investment Group has focused its attention on intellectual property rights, tender preferences for local firms, corruption issues, regional trade issues, and local content.

- **Corporate Social Responsibility Working Group (CSR WG)**
2018 Chair: Kamran Iskenderov, Coca Cola

The *Almaty CSR Working Group* seeks to engage policymakers and businesses on how to best mobilize social capital in Kazakhstan. A guiding principle of its work is improving CSR practice in Kazakhstan and promoting best practices in socially-responsible giving. The Group covers topics such as environmental protection, education, employment, and charity.

The Group also featured presentations from guest speakers who raised awareness on topics ranging from improving local orphanages to increasing female participation in the workforce.

- **Healthcare Reform Working Group**
2018 Chair: Ksenia Babushkina, Ernst & Young

The *Almaty Healthcare Reform Working Group* was created in 2016 in response to significant growth in AmCham's healthcare and pharmaceutical membership, as well as the increasing demand for healthcare reform in Kazakhstan. The Healthcare Group attracts a wide range of members from pharmaceutical and nutritional companies, law firms, insurance and technology companies, as well as international organizations.

2018 was an active year for the Group, and monthly meetings served as a platform for nutritional, pharmaceutical, and other healthcare companies to discuss legislative issues affecting the market. A prevalent topic for pharmaceutical companies this year was new drug procurement regulations.

- **Human Resources Working Group (HR WG)**
2018 Chair: Dmitriy Nadirov, European Insurance Company

The mission of the *Almaty Human Resources Working Group* is to encourage the development of Labor and Human Resources best practices for companies in Kazakhstan, an area still undergoing professional development. The Group brings together HR functions of all AmCham members and industries, helping to better understand a wide range of HR specialties including training and development, recruitment, compensation and benefits, HR information systems, and international mobility (including work permits/visas), labor code compliance, workforce planning, HR administration and professional development.

- **Innovation and Technology Working Group (IT WG)**
2018 Chair: Ronald Binkofski, Microsoft

As the rapidly growing technology industry continues to play a key role in driving economic growth, the *Almaty Technology and Innovation Working Group* seeks to promote technology development by facilitating interaction of both market players and their customers, sharing information, coordinating activities, conducting research, and collaborating on joint projects.

One of the most prevalent issues for Kazakhstan's technology industry is the role that the government plays in the technology sector of the economy. The IT WG will continue on this topic into the next working year to promote better understanding within the industry and Government and ensure adoption of legislation that will allow Kazakhstan to be competitive in the Digital Age.

- **Tax Working Group (TWG)**
2018 Chair: Anthony Mahon, Deloitte

With the Kazakhstan Tax Code frequently undergoing important changes, the *Almaty Tax Working Group* aims to be at the forefront of these and other taxation issues. Its regular monthly meetings provided members with a forum to discuss tax implementation and legislative amendments affecting the Kazakh and International market. Frequent reference is made to OECD tax standards.

2018 featured many prominent presentations from taxation and legal experts. One important issue discussed in 2018 was the practical effect of the *BEPS (Base Erosion and Profit Shifting) Multilateral Instrument* in Kazakhstan. Other topics were updates on the e-audit and horizontal monitoring structure.

- **Trade and Customs Working Group (TC WG)**
2018 Chair: Siddique Khan, Globalink

In light of Kazakhstan's WTO accession and the formation of the Eurasian Economic Union, the importance of the *Almaty Trade and Customs Working Group* has grown significantly. The Group aims to improve Kazakhstan's competitiveness by addressing issues that inhibit the flow of goods and services across borders. Additionally, the Group provides members with the opportunity to discuss trade barriers and customs regulatory issues while working to promote greater cooperation with the Kazakhstan customs administration.

Atyrau

- **Corporate Social Responsibility Working Group (CSR WG)**
2018 Chair: Haymish Paulse, Tengizchevroil

Launched in May 2010, the *Atyrau Corporate Social Responsibility Working Group* seeks to raise awareness of CSR-related issues and initiatives in the Atyrau business community and represents a vibrant platform for communication between companies, NGOs, and local authorities. The Group studies CSR practice in the Atyrau region, the center of the oil industry, and seeks to identify common themes, lessons learned, overlapping spheres of activity, etc.

By sharing information and collaborating on projects, the Group aims to increase the impact that their companies' CSR programs have on the local community. Special community projects are also designed and undertaken, including support for healthcare facilities, children's homes, and educational projects.



- **Human Resources Working Group (HR WG)**
2018 Chair: Ainura Kabysheva, Fircroft

The *Atyrau Human Resources Working Group* meets quarterly to discuss HR developments, especially those impacting the oil and gas industry. The Group met for the first time in May 2010 with the goal of better understanding common HR policies, legislation, and workforce management. Since then, the changing face of labor legislation has become a key topic in the Working Group, with a particular focus on local content, visa, and work permit issues.

In 2018 the HR WG featured presentations on tax implications and immigration requirements for hiring foreign personnel. Other presentations focused on Kazakhstani labor legislation, legal documentation, and salary surveys.

- **Tax Working Group (TWG)**
2018 Chair: Anthony Mahon, Deloitte

As in Almaty, Astana, and Aktau, the *Atyrau Tax Working Group* aims to be at the forefront of major developments and other central issues regarding taxation. The Group is a forum for companies in this region to share knowledge and discuss tax issues, particularly those unique to the oil and gas industry. Discussions have centered on international taxation issues, some of which require interpretation, guidance, or amendments to Kazakhstan's tax legislation.

- **Trade and Customs Working Group (TC WG)**
2018 Chair: Samat Karmys, Ernst & Young

The *Atyrau Trade and Customs Working Group* was formed to better engage AmCham members in Atyrau, with a focus on the oil and gas industry. The TC WG served to inform and educate AmCham members and business leaders of these important updates while allowing companies the opportunity to voice any concerns or issues with the new Code.

Aktau

- **Human Resources Working Group (HR WG)**
2018 Chair: Gulmaral Bokayeva, Maersk Oil

The *Aktau Human Resources Working Group* is one of AmCham's newer Working Groups, engaging members in Aktau in the process of developing HR best practices. The focus is a wide range of HR specialties including training and development, recruitment, talent management, compensation and benefits, performance management, HR information systems, international mobility (including work permits/visas), employee relations, labor code compliance, workforce planning, HR administration, and HR professional development.

- **Tax Working Group (TWG)**
2018 Chair: Anthony Mahon, Deloitte

The *Aktau Tax Working Group* meets quarterly to discuss recent updates to legislative amendments and applications to tax legislation for AmCham members and business leaders in Aktau. Group members are predominantly tax specialists from large companies, particularly in the oil and gas industry. The Group enables members to stay abreast of changes to the Tax Code and to discuss specialist topics of concern to member companies.

- **Trade and Customs Working Group (TC WG)**
2018 Chair: Samat Karmys, Ernst & Young

The *Aktau Trade and Customs Working Group* meets quarterly to discuss recent updates to legislative amendments and applications to tax legislation for AmCham members and business leaders in Aktau. Group members are predominantly tax specialists from large companies, particularly in the oil and gas industry. The Group enables members to stay abreast of changes to the Tax Code and to discuss specialist topics of concern to member companies.

Astana

- **Foreign Investment Working Group (FI WG)**
2018 Chair: Béla Ferenczi, General Electric

Launched in September 2011, the *Astana Foreign Investment Working Group* aims to represent and support the interests of the foreign business community in Kazakhstan. In 2018, the Group led discussions with business and government professionals in Astana to target key foreign investment issues facing the nation. The Group also discussed recent measures to protect investors' rights in Kazakhstan.

- **Human Resources (HR WG)**
2018 Chair: Damir Deminov, Ernst & Young

The *Astana Human Resources Working Group* meets to share and discuss best HR practices, as well as to improve skills and keep members updated on the latest information related to labor practice. The Group's main objectives also include raising professional standards within the HR community and the promotion of active HR management. AmCham encourages the development of closer ties of cooperation between corporate HR experts and their counterparts in the Kazakh Government.

- **Tax Working Group (TWG)**
2018 Chair: Anthony Mahon, Deloitte

The *Astana Tax Working Group* meets to discuss recent updates to legislative amendments and applications to tax legislation. The Group provides an opportunity for tax specialists and experts to discuss a variety of topics, including treatment of losses, taxation of fixed assets, exemptions from VAT, changes in subsurface-user taxation, and international taxation provisions. Members of the Astana Tax Working Group come from both corporate and diplomatic backgrounds.

As in Almaty, the Astana TWG also gave presentations on key issues such as electronic audits and Base Erosion and Profit Shifting (BEPS) instruments.

- **Trade and Customs Working Group (TC WG)**
2018 Chair: Samat Karmys, Ernst & Young

The *Astana Trade and Customs Working Group* was formed in order to better engage AmCham members in Astana and to develop proposals for legislative reform for the Government of Kazakhstan. The Astana Group collaborates with the Almaty, Atyrau, and Aktau Trade and Customs Working Groups on overlapping issues, notably the impact of the Customs Union on customs and trade operations and local content regulation.

Shymkent

- **Foreign Investment Working Group (FI WG)**
2018 Chair: Roman Kempe, Heidelberg Cement

As AmCham expands its Working Groups beyond Almaty, Astana, and the Caspian region, Shymkent has become a center for AmCham membership in Southern Kazakhstan. The *Shymkent Foreign Investment Working Group/ Tax Working Group* was launched in the autumn of 2015 to bring together foreign and local businesses to discuss a broad range of important issues of concern to companies based in this region.

2018 saw an increase in the number of meetings held in Shymkent, and AmCham was able to further develop its presence in the region and focus on issues that affect both Southern Kazakhstan and the entire country. This year, the FI WG discussed main tax legislation updates and International taxation practices. The Group also discussed advantages of Horizontal Monitoring, a new tax control initiative.



INTER-MINISTERIAL WORKING GROUPS (Video-Conferences)

INTER-MINISTERIAL TAX REFORM WORKING GROUP

Initially formed to amend VAT Refunds legislation for the energy industry, the *Inter-Ministerial VAT Refunds Working Group* was transformed into a broader *Tax Reform Working Group* once the Group’s initial purpose was achieved. The new Group seeks to propose comprehensive suggestions for a comprehensive tax reform process. The Tax Reform Working Group works with international tax experts and organizations such as the OECD to provide the best available tax expertise to the Government of Kazakhstan.

Ministerial Chair: **Alikhan Smailov, Minister of Finance of Kazakhstan**

AmCham Co-Leaders: **Michael Ahern**
 Partner, Tax and Legal Leader
 PricewaterhouseCoopers

Anthony Mahon
 Partner, Cross-Border Taxation
 Deloitte



INTER-MINISTERIAL INTELLECTUAL PROPERTY RIGHTS WORKING GROUP

The *Inter-Ministerial Intellectual Property Rights (IPR) Working Group* aims to improve protection and enforcement of intellectual property rights for the technology, pharmaceutical, household products, and other industries. Parallel import issues are also included in the Group’s scope of enquiry. The Group works closely with the Justice and Health Ministries, meeting directly with their respective Ministers monthly.

The focus of the IPR Working Group has recently turned to promoting patent protection through patent linkage models that will afford protection to the pharmaceutical industry.

Ministerial Chair: **Marat Beketayev, Minister of Justice of Kazakhstan**
 Yelzhan Birtanov, Minister of Health of Kazakhstan

AmCham Leader: **Andrei Yorsh**
 Partner
 Baker & McKenzie Kazakhstan

INTER-MINISTERIAL ENVIRONMENTAL LAW REFORM WORKING GROUP

The *Ministry of Energy's Environmental Law Reform Working Group* provides a forum for industry input in support of the OECD's environmental payments reform project with the Ministry of Energy. Participants in the Working Group consist of government officials, representatives of local environmental, trade and industry groups, as well as international energy and infrastructure investors. Government and investors navigate the urgent need to advance Kazakhstan's environmental regulatory system toward OECD standards.

- Ministerial Chair:** **Kanat Bozumbayev, Minister of Energy of Kazakhstan**
- AmCham Leader:** **Kenneth Mack**
 Principal
 Mack Law PLLC
- OECD Leader:** **Krzysztof Machalik, Senior Program Manager**
 Green Growth and Global Relations Division
 Environment Directorate, OECD

INTER-MINISTERIAL RENEWABLE ENERGY WORKING GROUP

The *Renewable Energy Working Group* aims to develop the reforms to Kazakhstan's renewable energy legislation required by foreign investors to invest in renewable energy projects. The reforms that AmCham advocates include coherent indexation of the Tenge tariff to a foreign currency; state guarantees for the Financial Settlement Centre's obligations under power purchase agreements for renewable energy; and amendment of the power purchase agreements to render them "bankable" and thereby allow financing from international financial institutions.

- Ministerial Chairs:** **Askar Mamin, First Deputy Prime Minister of Kazakhstan**
 Kanat Bozumbayev, Minister of Energy of Kazakhstan
- AmCham Leader:** **Kenneth Mack**
 Principal
 Mack Law PLLC

Looking Ahead: AmCham Working Groups in 2019

The past year was very successful for AmCham and the Working Groups, both internal and external. Not only did the number of active Groups increase, but there were also record increases in attendance. Additionally, Working Groups continue to play a growing role in the Prime Minister's *Council to Improve the Investment Climate* by addressing issues highlighted by members and communicating recommendations to the Government. This work demonstrates the increasing maturity of the Working Groups and their strong leadership.

The Inter-Ministerial Working Groups have specific tasks to achieve and, by working directly with the relevant Ministers with the support of the Prime Minister, they will continue impacting strongly on new legislation and regulations in the year ahead.

2018 AmCham Events

The past year has been intensive in terms of the very diverse member events reaching beyond Almaty to the Caspian region and to Kazakhstan’s capital city, Astana. Record attendance has characterized both regular and special events, on occasion attended by 400 members and guests. In addition to the AmCham traditional monthly Luncheon Business Roundtables and Sundowners, 2018 has seen Holiday Events and the Spring Awards Gala, the year’s most prestigious and glamorous event.

Despite the continuing economic uncertainty for Kazakhstan and geopolitical events whose consequences are still unfolding, nonetheless AmCham has remained a vital business community. AmCham members continue to socialize, network, celebrate special occasions, support charitable causes, and to contribute to the welfare of the local community. The AmCham Resident Representatives in each of the four major cities beyond Almaty lent their support to raising the AmCham profile and bringing out the business community to Chamber events.

The following pages list the 2018 *AmCham Business Roundtable Luncheons*, *Sundowners*, and *Holiday Celebrations*. The *Spring Awards Gala* is covered in a separate section listing all award recipients and their achievements.

Looking Ahead: AmCham Events in 2019

It is intended to maintain the same intensity of ever-popular social and business networking events in 2019, providing AmCham members in Almaty, Astana, and the Caspian region with every opportunity to gather together at Sundowners, hear outstanding speakers at *Business Roundtable Luncheons*, attend seminars, workshops, and conferences under the *AmCham Economic Policy Forum* series, and celebrate the holidays with family and friends.



Almaty Sundowner 2018, Jazz Band at the Ritz Carlton Vista Lounge

2018 AmCham Events

2018 BUSINESS ROUNDTABLE LUNCHEONS

Winter 2018

23 January, Almaty
Rixos Almaty Hotel, Lotus Restaurant
Topic: The UNHCR at Work in Kazakhstan and Central Asia
Speaker: Yasuko Oda, Regional Representative for Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan)

Spring 2018

30 March, Almaty
Rixos Almaty Hotel, Lotus Restaurant
Topic: USAID Priorities in 2018
Speaker: Chris Edwards, Regional Director, USAID

12 April, Almaty
Rixos Almaty Hotel, Lotus Restaurant
Topic: President Nazarbayev's 2018 Official Visit to the United States
Speaker: Ambassador George Krol, U.S. Ambassador to Kazakhstan



Ambassador George Krol
U.S. Ambassador to Kazakhstan

Summer 2018

1 June, Almaty
Rixos Almaty Hotel, Lotus Restaurant
Topic: The Asian Development Bank's Central Asian Regional Economic Cooperation Program (CAREC) - Supporting Regional Transportation, Trade, and Economic Development
Speaker: Giovanni Capannelli, Country Director, Asian Development Bank (ADB)

Autumn 2018

14 September, Almaty
Rixos Almaty Hotel, Lotus Restaurant
Topic: Investing in Kazakhstan: The EBRD Perspective
Speaker: Agris Preimanis, Kazakhstan Country Director, EBRD

31 October, Almaty - Rixos Hotel
Topic: Cybercrime and Intellectual Property Rights Protection
Speaker: Richard Mennuti, Supervisory Special Agent, Federal Bureau of Investigation (FBI) / National Intellectual Property Rights Center



Richard Mennuti, Federal Bureau of Investigation /
National Intellectual Property Rights Center

2018 SUNDOWNERS

Winter 2018

14 December, Almaty
Winter Holiday Sundowner
The Ritz-Carlton Almaty Hotel
Sponsors: Coca-Cola, Tengizchevroil (TCO)

2 February, Almaty
AGM Sundowner
Rixos Almaty Hotel
Sponsor: EY

Spring 2018

2 March, Almaty
Safran Restaurant
Sponsor: AmCham

28 March, Astana
St Regis Astana Hotel
Sponsor: OSG Records Management

9 April, Atyrau
Renaissance Atyrau Hotel
Sponsor: Tengizchevroil (TCO)

27 April, Almaty
Arba Wine Bar
Sponsor: AmCham



Guests at AmCham Sundowners 2018

Autumn 2018

28 September, Almaty
St. Pierre Restaurant
Sponsor: KPMG

25 October, Atyrau
Renaissance Atyrau Hotel
Sponsor: nVent

31 October, Almaty
Royal Tulip Hotel, Circus Nightclub
Sponsor: Royal Tulip Hotel

9 November, Aktau
Renaissance Aktau Hotel
Sponsors: OMV Petrom



2018 HOLIDAY CELEBRATIONS

Summer 2018 - U.S. INDEPENDENCE DAY CELEBRATION

July 7, Almaty
U.S. Independence Day Celebration
InterContinental Almaty Hotel, Summer Garden

Sponsors: *Tengizchevroil (TCO), PricewaterhouseCoopers, AVON, Citibank, Cisco, AECOM, Philips, Beiersdorf, Pfizer, Emerson, VISOR, Dicosta, Turkuaz*

Contributing Sponsors: *Coca Cola, EFES, InterContinental Hotel*

Lottery Sponsors: *InterContinental Hotel, Rixos Almaty Hotel, Herbalife, Lufthansa*



U.S. Independence Day Celebration 2018

2018 HOLIDAY CELEBRATIONS

Autumn 2018 - U.S. THANKSGIVING CELEBRATION

23 November, Almaty
U.S. Thanksgiving Celebration
InterContinental Almaty Hotel

Sponsors: Citibank, Microsoft, Philips, Pfizer, Centras Securities, Baker McKenzie, Kcell, Beiersdorf, Ramstore, Prime Aviation, ALD Automotive, Turkuaz

Contributing Sponsors: Coca Cola, EFES, Metro Cash & Carry

Lottery Sponsors: Intercontinental Hotel, Rixos Almaty Hotel, Ritz-Carlton Hotel, Royal Tulip Hotel, Air Astana, Lufthansa



U.S. Thanksgiving Celebration 2018

2018 AmCham Spring Awards Gala

The 2018 AmCham Awards Gala, held in the Ballroom of the Astana Ritz-Carlton Hotel, was the highpoint of the year for 300 AmCham members and high-profile guests at corporate tables headed by CEOs from across Kazakhstan. The prestigious Gala is an elegant black-tie evening at which guests sip champagne before being seated for a splendid Ritz Dinner in the candlelit Ballroom. The Caspian region was particularly well-represented with corporate tables occupied by the oil industry at the front of the Ballroom.

Nominations for Awards increase in number each year as members submit their achievements to compete for these prestigious Awards. Nominations are adjudicated by an arms-length committee of members representing diverse industries of different national backgrounds based in different regions of Kazakhstan.

- **2018 U.S. Ambassador's Award for Best Contribution to U.S.-Kazakhstan Relations (Honorary Award)**
Presented to Akhmetzhan Yessimov, Chairman, Samruk-Kazyna Fund

The U.S. Ambassador's Award honored **Akhmetzhan Yessimov** for his many contributions to advancing U.S.-Kazakhstan relations during his long and impressive career in public service, a career that has included appointments as *Deputy Prime Minister, State Secretary, Head of the Presidential Administration, Ambassador, Minister of Agriculture, Mayor of Almaty, and Director of Expo 2017*, as well as his current service as *Chairman of the Samruk-Kazyna Sovereign Wealth Fund*. Akhmetzhan Yessimov has been personally involved in many historic events in U.S.-Kazakhstani relations, including the signing of major energy deals that brought Chevron, ExxonMobil, and other American companies to Kazakhstan.

- **2018 Executive of the Year Award**
Jointly Presented to Ted Etchison, General Director, Tengizchevroil and Bruno Jardin, Managing Director, North Caspian Operating Company

Ted Etchison, General Director of Tengizchevroil's (TCO), has continuously demonstrated his leadership and personal commitment to TCO core values and vision of being the safest, most efficient, and profitable oil and gas enterprise in the world. TCO's achievements and contribution to Kazakhstan's national economy were highlighted and highly appreciated by President Nursultan Nazarbayev during his remarks at TCO's 25th anniversary reception in Astana. Ted Etchison has displayed his leadership skills during his 36-year career with Chevron, and TCO has achieved many significant milestones in 2018 in terms of safety and production levels, hitting the highest production in its history.

Bruno Jardin has served as *Managing Director* of the *North Caspian Operating Company (NCOC)* since 2016, leading the Kashagan offshore oil and gas project. The combined safety, engineering, and logistics challenges in a harsh offshore environment have made the development of this world-class field one of the largest and most complex industrial projects ever undertaken. Bruno Jardin successfully steered NCOC through some of the most critical technical milestones in the history of the project and was awarded the *Dostyk Order of II Degree* by President Nazarbayev. With an estimated Phase 1 cost of \$55 billion USD, Kashagan is a pioneer flagship project that demonstrates the mutual benefit of foreign investment in Kazakhstan.

- **2018 AmCham Public Service Award (Honorary Award)**
Presented to the European Bank for Reconstruction and Development (EBRD)

The **EBRD** and its current **Kazakhstan Country Director, Agris Preimanis**, received the AmCham Public Service Award for EBRD investment into the economic and democratic development of Kazakhstan and Central Asia over the past 25 years.

The EBRD is the second largest investor in Kazakhstan's economy after the oil industry. It has pioneered many projects and provided financial support for many Kazakhstani companies that achieved substantial success in diversifying the economy and promoting entrepreneurship, winning AmCham awards every year for small business partnerships, support to women entrepreneurs, and environmental and renewable energy projects, many in areas neglected in large-scale developments.

- **2018 AmCham Service Award**
Jointly Presented to Baker McKenzie Partner Andrei Yorsh and EY Partner Ksenia Babushkina

Through their respective Working Groups, **Andrei Yorsh** and **Ksenia Babushkina** have jointly made a major contribution to AmCham advocacy for intellectual property rights and healthcare reform, working with the Ministry of Justice and Ministry of Healthcare. **Andrei Yorsh** chairs the *AmCham Inter-Ministerial Intellectual Property Rights Working Group*, which promotes IPR in a broad range of industries, including healthcare and pharmaceuticals. **Ksenia Babushkina** is a healthcare specialist who chairs the *AmCham Healthcare Reform Working Group*, focusing on comparative healthcare models. Both groups promote awareness of the need for patent protection.

Andrei Yorsh and Ksenia Babushkina were leading voices in the *AmCham Healthcare Reform White Paper* and have been selected by the Health Ministry to contribute to drafting the new Health Code

- **2018 Women's Leadership Award**
Presented to Olga Chekayeva, Corporate Social Responsibility Lead, AECOM

As CSR Lead for AECOM, **Olga Chekayeva** has been involved in a number of social development projects. She has worked to help girls learn skills necessary to emerge as tech entrepreneurs and leaders, worked to preserve Kazakh culture, and helped educate and invigorate children with motor and mental disabilities.

- **2018 Entrepreneurship Award**
Presented to Evgeniy Emelyanov, Founder, Intellpack

Evgeniy Emelyanov founded *Intellpack* ten years ago and has developed the company into a well-regarded brand with employees across Kazakhstan. Intellpack has developed from a one-man show to a large company with a strong business structure. Mr. Emelyanov's success is evidenced by the fact that he the first individual entrepreneur in Central Asia to receive an EBRD loan.

- **2018 Excellence in Innovation Award**
Presented to Shell Kazakhstan – GIS Geochemical Center of Excellence

Shell Kazakhstan undertook the challenging role of developing *Kazakhstan's Upstream Oil and Gas Technology Roadmap* to bring new technologies to Kazakhstan in order to both increase existing oil production and contribute to the discovery of more resources. Shell's vision in creating the *GIS Geochemical Center of Excellence* is to maximize the value of its oil and gas resources through world-class research and development in partnership with strong local companies and institutes.

- **2018 Award for Most Innovative Education/ Training Program**
Presented to Eurasia Group Kazakhstan

The **Eurasia Group Kazakhstan's Specialist Agriculture Program** has brought much needed agricultural education and training to Kazakhstan. Over the past fifteen years, the Eurasia Group has been committed to modernizing Kazakh agriculture and education at Kazakhstan's many central and local educational institutions, preparing specialists for the country's premier economic diversification sector.

- **2018 Environmental, Health, and Safety Award**
Presented to Karachaganak Petroleum Operating (KPO)

Karachaganak Petroleum Operating (KPO) was recognized for its *Environmental Protection – A Priority* project. Utilizing world-class technologies and advanced techniques, KPO holds itself to the highest of standards in regard to environmental sustainability and has been recognized repeatedly by Kazakhstan and its own industry for its environmental achievements.

- **2018 Health Protection Award**
Presented to the North Caspian Operating Company (NCOC)

The **North Caspian Operating Company (NCOC)** was recognized for its project to upgrade medical services at the Atyrau Oblast Hospital. NCOC placed its own specialists in the regional hospital, where they worked alongside local doctors. The new doctors worked to upgrade the skills and adjust the practices of the Hospital's existing medical staff, with very significant results. This approach has had tangible benefits for both NCOC and the local community

- **2018 Community Service Award – Large Company or Corporation**
Presented to Philip Morris Kazakhstan

Philip Morris Kazakhstan introduced its *Vocational Training Program for People with Disabilities* in the Ily district in 2010 with the goal of integrating the disabled into society and providing them with employable skills. More than 240 people participated in the program, learning an array of skills. As a result, fifteen people now have small businesses of their own or are self-employed. Other graduates work in local businesses, at home, and elsewhere across Kazakhstan.

- **2018 Community Service Award – Small Company or NGO**
Presented to Red Crescent Kazakhstan

The *Community Service Award for SMEs and NGOs* was presented to **Red Crescent Kazakhstan** for their consistent service to the well-being of Kazakhstan's people. The Red Crescent's efforts in combatting malnutrition brought much needed help to 33,000 people in 2017. It aided families affected by natural disasters such as flooding and earthquakes, and it significantly increased the number of blood donors in Kazakhstan, which has dangerously low levels of donors.

- **2018 Support for Kazakh Culture Award**
Presented to KPMG Kazakhstan and Central Asia

KPMG has reinvigorated Kazakhstan's central visual arts museum, the *Kasteyev Art Museum* in Almaty by its financial support for the Museum's research, cultural, and educational initiatives. With KPMG's help, the Museum published a vast catalogue of its archives entitled *Kazakhstan's Paintings*. With this project, KPMG highlighted its commitment to the proliferation and protection of Kazakh culture.

The 2018 Awards Celebration was supported by leading AmCham corporate members whose generosity ensured the evening's high standards:

Gold Sponsors: NCOC, TCO, Chevron, VISA, Bertling, Pfizer, Prime Aviation

Silver Sponsors: ExxonMobil, KPO, OMV Petrom, Eurasia Group, Citi, Sanofi, HeidelbergCement,

Bronze Sponsors: General Electric, Microsoft, Procter & Gamble, Metro Cash & Carry, Kcell, Herbalife, Central Asia Metals, Borusan Makina, Turkuaz

Contributing Sponsors: Coca-Cola, Air Astana

Looking Ahead: 2019 Spring Awards Gala

The *2019 Spring Awards Gala* will be held on 1 June 2019 at the new *St. Regis Hotel* in Astana. Each year, nominations for outstanding achievements increase across all categories, demonstrating the enormous contributions made by AmCham members in all industry sectors, as well as by NGOs and international financial and humanitarian organizations, to Kazakhstan's social and economic growth.

AmCham in Kazakhstan's Regions

Although Almaty is recognized as Kazakhstan's commercial center, it is vital to AmCham to maintain its presence in Kazakhstan's other major cities where the AmCham membership is concentrated. These regional centers are *Astana*, Kazakhstan's capital city where the Chamber's intensive advocacy initiative is conducted vis-a-vis the Government of Kazakhstan, *Atyrau* and *Aktau* in Western Kazakhstan, the heart of the oil industry, and Shymkent, the rapidly growing business center in southern Kazakhstan.

AmCham Resident Regional Representatives are based in these four cities, enabling the Chamber to understand issues important to members outside Almaty. In 2018, the AmCham Resident Regional Representatives were:

- **Astana - Bela Ferenczi, General Director, GE**
- **Atyrau - Haymish Paulse, Deputy General Manager, Tengizchevroil**
- **Aktau - Dorin Baru, General Manager, OMV Petrom**
- **Shymkent - Roman Kempe, Kazakhstan Manager, Heidelberg Cement**

The AmCham Board of Directors also includes prominent members from Astana and Kazakhstan. In 2018 Atyrau was well-represented on the Board by **Ted Etchison, General Director, Tengizchevroil** and Astana was represented by **AmCham Vice-President Bela Ferenczi, General Director, GE**.

AmCham highlights issues affecting the oil industry and the Caspian region at the *Prime Minister's Council to Improve the Investment Environment* and has achieved success on behalf of major oil companies operating in the region. AmCham continued these efforts through the **Inter-Ministerial VAT Refunds Working Group** and through its successor, the **Inter-Ministerial Tax Reform Working Group**, both working with the Finance Ministry and the State Revenue Committee on tax issues crucial to the oil industry, as well as many other industries. AmCham has also actively supported individual companies in the industry obtain significant VAT refunds owing over many years.

Three other **Inter-Ministerial Working Groups - the Licensing Reform Working Group (Engineering, Construction, Architecture), Environmental Law Reform Working Group, and Energy Renewables Working Group** - were also engaged in crucial advocacy work affecting oil industry operations with the Energy Ministry and the Investment and Development Ministry. In 2018 the Licensing Reform Working Group completed its task of reforming those parts of the country's licensing regulations that had been impeding foreign firms from obtaining licenses crucial to working in their industries.

The **Inter-Ministerial Working Groups** are structured as video-conferences in order to include member participation from other cities outside of Astana. These Groups are a valuable addition to the AmCham regional presence and ability to advocate on behalf of its diverse membership.

As described in the **AmCham Working Groups** section, new Groups have been added this past year for a total of 24 Working Groups (both Internal and Inter-Ministerial) across all regions of Kazakhstan.

AmCham organizes a variety of events in each of the above four regional cities each year, and both the Executive Director and staff regularly travel to each city for conferences, speaker events, Sundowners, and Working Group meetings.

Astana receives continuing close attention to further develop the relationship with the Government, as well as to remain in touch with the diplomatic community in the capital. Monthly Council sessions are held in Astana, as well as many follow-up meetings with Ministers on issues raised at the Council. **AmCham Economic Policy Forum Conferences** are held annually in Astana so as to involve senior Government officials in advocacy issues.

In 2018 the *AmCham Economic Policy Forum Conference* in Astana had as its topic *Challenges to Economic Diversification* with four prominent Keynote Speakers and four panels composed of AmCham CEOs from a broad range of industries. The Keynote Speakers included *Agriculture Minister/ Deputy Prime Minister Umirzak Shukeyev, Investment and Development Deputy Minister Arystan Kabikenov, U.S. Ambassador George Krol, and Canadian Ambassador Nicholas Brousseau.*

The **AmCham Awards Ceremony** each year includes recognition for corporate and individual initiatives in all regions of Kazakhstan. Articles about regional issues are continuously sought for **Investors Voice**, which regularly publishes an *April Issue* devoted to Western Kazakhstan and the Caspian region. News from other regions is regularly covered as it arises. The **2018 Investment White Paper: Barriers to Foreign Investment**, was based on input from AmCham corporate members based in all major regions of Kazakhstan.

Looking Ahead: AmCham in Kazakhstan's Regions in 2019

The AmCham regional presence will continue in 2019. AmCham will continue to organize Roundtables, Workshops, and Sundowners throughout the year to bring members together in the regions. The **Western Kazakhstan Spring Issue of Investors' Voice** will continue to highlight developments in the Caspian region with special attention to Atyrau and Aktau.

AmCham will maintain its presence in Astana and intensify its advocacy efforts through the *Council to Improve the Investment Environment*, as well as in direct contact with the Ministries participating in the Council and Inter-Ministerial Working Groups. Closer collaboration with the Astana-based **Ministries of the National Economy, Finance, Justice, Investment and Development, Energy, and Healthcare and Social Development** will be developed.

The annual **AmCham Economic Policy Conference** will continue to be held in Astana, and the **Spring Awards Gala**, held for the first time in Astana in 2018, will continue to be held in Astana in 2019.

AmCham Publications and Communications

A crucial area of AmCham activity is its publications and communications strategy, which ensures the broadest possible visibility to AmCham, enabling its voice to be heard where it matters. AmCham publications are distributed not only to members in Kazakhstan, but to leading non-member businesses across the region, Eurasian AmChams, and Washington D.C. government agencies.

In that AmCham maintains close ties with all diplomatic missions in Kazakhstan, AmCham publications are distributed to embassies and other diplomatic missions in Astana and Almaty. Kazakhstan Government ministries and agencies also receive copies of all AmCham materials. For this reason, it is important that AmCham communications and publications meet the highest possible professional standards, for they serve as the Chamber's face and voice throughout the world.

Among AmCham publications are *White Papers* developed for presentation to the Government, more specifically to the Prime Minister and Cabinet Ministers who attend the *Council to Improve the Investment Environment*. In 2018 two White Papers were prepared and submitted to the Prime Minister. Further information is provided below.

Investors' Voice (IV)

Investors' Voice (IV) is the AmCham's flagship publication, a 60-page bimonthly magazine containing feature articles and member-related news. It has progressed in recent years from being a membership magazine to a respected, widely-read business and economic policy publication. Each Issue sets out a priority theme and presents thematic feature articles containing commentary on economic, legal, and social issues.



IV is published five times per year with a summer break. It is entirely compiled and edited in-house with articles submitted by members and leading non-members invited to discuss topics on which they possess expertise. *Special Issues* are also published to reflect timely events and topics.

In 2017 the *Summer IV Issue* was redesigned as a special *Expo 2017* publication to reflect the enormous contribution of AmCham members to the *Expo Future Energy* theme. In 2018 the *December Winter Holidays Issue* was focused on *Global Corporate Philanthropy* to inform readers about members' historical philanthropy through creation of philanthropic foundations, many dating from the 19th century.

IV has a direct distribution list in excess of 3,000 in Kazakhstan and across Central Asia, as well as in Europe, the Middle East, and Washington D.C. Because the magazine is also available in 5-star hotel rooms and business centers throughout Kazakhstan, it is seen and read by the broadest possible business readership estimated at 12,000 readers.

In 2018 individual issues of **IV** were devoted to the following themes:

- *Winter Spotlight on Tax and Legal Reform 2018 (February)*
- *Caspian Spring 2018 – Oil and Gas in Recovery Mode (April)*
- *Challenges to Economic Diversification (July)*
- *Oil and Gas 2018: Recovery and Challenges (October)*
- *Global Corporate Philanthropy: A Commitment for All Seasons (December)*

Each **IV** cover features the work of a contemporary Kazakh artist, thus promoting Kazakhstan's artistic culture and making today's artists known to the readership.

AmCham 2018 White Papers

In 2018 AmCham prepared an expanded update of its **2014 White Paper - Improving Kazakhstan's Investment Climate: Top Ten Barriers to Foreign Investment** for presentation to the Prime Minister and the Cabinet Ministers at *The Council to Improve the Investment Climate*. The 2014 version was well-received by the Prime Minister, who invited AmCham to deliver presentations on each section to the Cabinet at its weekly meetings.

The 52-page **2018 Investment White Paper: Improving the Investment Climate - Barriers to Foreign Investment** included updates on the original 'Top Ten' and added six new chapters focused on **Privatization, Intellectual Property, Currency Controls, Agriculture, Healthcare, and the Oil and Gas Industry**. Input from a broad range of AmCham CEOs and subject experts provided an overview of the challenges faced by each industry and advanced recommendations to the Government for resolution of the problems.

In the Summer of 2018 AmCham produced a second **Investment White Paper - Building a World-Class Healthcare System in Kazakhstan** in response to the Healthcare Ministry's project to draft a new Health Code. The Paper contained recommendations for a number of problem areas: health insurance, intellectual property rights, market access, localization opportunities for efficiency, citizen involvement. The pharmaceutical industry contributed commentary on patent protection, drug pricing, and procurement.

AmCham Membership Directory 2018-2019

The **AmCham Membership Directory** is a comprehensive 150-page publication listing and describing each AmCham member institution in a full half-page entry for informational and promotional purposes. It is compiled each summer for distribution at the annual autumn oil and gas conferences, and distribution continues throughout the year. The *Directory* is highly valued and retained for use year-round by CEOs, ambassadors, and Cabinet Ministers as a basic reference guide to the AmCham business community.

AmCham Newsletter

The electronic **Newsletter** is a bi-weekly communication sent to all members and embassies advising of upcoming AmCham events, meetings, member services, and employment vacancies. It also updates recipients about AmCham advocacy and other news.

AmCham Website (www.amcham.kz)

The **AmCham Website** is an accessible and comprehensive means for informing visitors about AmCham. It contains a full description of AmCham operations, with a calendar of upcoming events and conferences. Publications are available for viewing on the website, and the Working Group and Advocacy sections are updated regularly.

Looking Ahead: 2019 Publications and Communications

AmCham regards its publications and communications as a priority area of its overall activity – its face and voice to members and non-members around the world. All of the above publications will be continued and updated in 2019. **Investors' Voice** will continue to evolve, having progressed in recent years from being primarily a membership publication to recognition as a major regional business magazine.



AmCham Philanthropy and Community Service

AmCham has traditionally served the outside community as well as its own member community in a variety of ways. In 2018 AmCham raised funds and made donations to serve a number of community needs.

- AmCham offers **Internships with stipends** each year to final-year students from *KIMEP* and *Nazarbayev University* and to young professionals specializing in management, economics, and finance. Their support with event organization, bookkeeping, and membership is invaluable. AmCham has also been able to offer staff positions to interns upon graduation or to recommend them for employment to member companies.
- In 2018 AmCham donated \$10,000 to the **U.N. High Commission for Refugees** to assist with the enormous financial needs associated with the continuing refugee movements towards Europe and North America. Kazakhstan has its own refugee and migration challenges from the surrounding countries and the Middle East. The AmCham donation was directed towards meeting Kazakhstan's needs in refugee resettlement and support.

Looking Ahead: Philanthropy and Community Service in 2019

Although the AmCham capacity for philanthropy has been restricted in recent years as a result of frequent devaluations of Kazakhstan's national currency and its impact on the business community, charitable events and donations will ramp up in 2019 as AmCham continues to serve the community in which its members live and work.



2018 AmCham Financial Report

AmCham met revenue targets in the 2018 Budget and remained within budgetary guidelines, resulting in a modest surplus. A detailed report by the Board Treasurer on the Chamber's 2018 Financials is an essential part of the Annual General Meeting in January 2019.

Looking Ahead: 2019 AmCham Budget

The 2019 AmCham Budget will be, as always, a conservative budget founded on cost containment and judicious utilization of membership revenue, supplemented by advertising revenue from **Investors' Voice** and the **Membership Directory**. There will be no increase in membership fees in 2019. Advocacy costs will continue to be an important budgetary item but will remain within revenue parameters.



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