

IV Investors' Voice

The American Chamber of Commerce in Kazakhstan

Kazakhstan's leading International Business Association



SUMMER ISSUE
2024

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#108

Salyut to Summer! Charting Kazakhstan's Digital future



► Canada's Response to Kazakhstan's New Digital Code

► AI Guidelines in Kazakhstan

► Digital Challenges and Priority Actions for Kazakhstan

► The AI Imperative in the Digitalization Code

► Underpinning Architecture for Successful Digitilization: International Standards

► Pioneering Digital Transformation with Artificial Intelligence (AI)

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EDITOR'S NOTE



Dear Readers,

The topic for our *Summer Investors' Voice (IV)* focuses on complex and promising technical initiatives – digitalization and other innovative technical developments that have emerged from digitalization with the objective of driving economic growth and fostering further innovation. These entail substantial benefits, but also challenges to be noted, understood, and resolved.

The twelve digitalization articles published in the current *Summer (July) IV* view the benefits and challenges from different perspectives as befitting the scope and importance of digitalization and its most challenging offshoot – *Artificial Intelligence (AI)*. The authors of each article are knowledgeable, presenting their views and offering to work together with Kazakhstan on the country's draft *Digitalization Code*, which is being revised comprehensively after an initial effort to develop a new *Code* in 2023.

With this year's appointment of the new Prime Minister, Olzhas Bektenov, various draft Codes have been slated for reconsideration, review, and revision. Primary among them are the *Digitalization Code* and *Tax Code*. Prodded by the *AmCham Technology and Innovation Working Group*, Prime Minister Bektenov requested AmCham's enquiry into this year's draft *Digitalization Code*. Commentary and recommendations were presented at the AmCham monthly Council session with the Prime Minister and Cabinet Ministers, including the Digitalization Minister.

AmCham therefore brought together a diverse panel of speakers representing the diplomatic community, the international financial community, the legal community, and CEOs of AmCham's leading technology companies. Each community and each speaker was given *carte blanche* to present their own views on digitalization now and in the future. The speakers also provided commentary on *Artificial Intelligence*, still in an early stage of development and controversial, but progressing quickly.

The AmCham Council speaker presentations that launched the Prime Minister's enquiry and have now been transformed into articles for publication represent the perspectives of the *Ambassadors of Canada, the United Kingdom, and Italy* together with the *EBRD, World Bank, Dentons Law Firm, Microsoft, and Google*. In addition, AmCham requested further articles from the *Asian Development Bank, Mastercard, Schneider Electric, and Deloitte*.

Thus a highly diverse group, each with their own perspectives based on their countries, global perspectives, professional backgrounds, and legal knowledge, spoke about the benefits and challenges of digitalization. Primary among the challenges are the regulatory environment, cybersecurity risks, legislative obstacles, and data protection. Primary among the benefits are the opportunity to empower businesses, protect investor rights, and propel further technological advancement.

AmCham hopes you will reflect on the comments from this elite group. In addition the Summer Issue contains a thought-provoking EBRD economic forecast for Central Asia in the year ahead delivered at the *June AmCham Business Roundtable*.

Doris Bradbury
Executive Director, AmCham in Kazakhstan
Editor-in-Chief, *Investors' Voice*



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Alan Hamson joined Foreign Affairs Canada in 2004. In Ottawa, he has worked in the Human Rights, Humanitarian Affairs, and International Gender Equality Division (2004 to 2005), in the National Security Branch of the Privy Council Office (2013 to 2015) and as Director of Strategic Planning and Coordination in the Peace and Stabilization Operations Program (2018 to 2021).

His overseas assignments have included postings in Beijing (2006 to 2009), the Provincial Reconstruction Team in Kandahar, Afghanistan (2009 to 2010) and in Kabul, Afghanistan (2010 to 2012). He was also Canada's Ambassador to South Sudan (2016 to 2018), served at the Canadian Permanent Mission to the UN in New York (2005) and with the International Red Cross in Colombia (2015 to 2016).

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Kathy Leach, U.K. Ambassador to Kazakhstan

Kathy Leach joined the Foreign Office (now the Foreign Commonwealth and Development Office) in 2000. Over the course of her career she has worked on EU trade and development, security policy, human rights, consular policy, climate change and energy, and UK-EU negotiations. She has been posted to Moscow and Tokyo and was Ambassador to Armenia from 2012-2015. Most recently, in London she was Head of the Policy Unit, then Deputy Director of the Strategy Directorate, before becoming Deputy Director of Constitution and Devolution in the Europe Directorate. She took up her role as Ambassador to Kazakhstan in August 2021.

Ambassador Leach has a First Class Honours degree in Russian from the University of Cambridge, and during her career in the FCDO has also studied Japanese, Armenian, and now Kazakh.

International Financial Institutions

Asian Development Bank (ADB)



Utsav Kumar, Country Director, Asian Development Bank (ADB)

Prior to his current assignment in Kazakhstan, Utsav Kumar was Deputy Country Director at the *Asian Development Bank's Sri Lanka Resident Mission* where he also headed the economics, programing, and knowledge unit. He served as Team Leader for the *Sri Lanka Country Partnership Strategy* and was the Co-Team Leader for ADB's special *Policy-Based Loan to Sri Lanka* for economic stabilization. Before that he was an Economist with the *ADB Economic Research Department* and *South Asia Department* at ADB headquarters in Manila.

Utsav Kumar has also been a consultant with the *ADB Central and West Asia Departments*, and the *Southeast Asia Department*. Early in his career, he worked as an Economist with the *U.S. Conference Board*. While pursuing his graduate degree he also worked briefly at the *International Monetary Fund (IMF)*.

Utsav Kumar holds two Master's degrees in Economics and a Doctorate degree from the *University of Maryland*, as well as a Bachelor's degree in Economics from the *University of Delhi, India*. He has published articles in several peer-reviewed journals and edited three volumes of books.



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Prior to joining the Asian Development Bank (ADB), Asem Chakenova worked in the US Embassy Foreign Commercial Service in Kazakhstan. After she joined ADB, she supported infrastructure operations and is now involved in knowledge exchange, collaboration initiatives, and mobilizing resource assistance. With over 15 years of experience in KARM ADB, she has been involved in country assistance programing, loan and TA processing. She is a team member of ADB's transport sector and urban infrastructure projects.

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Before joining the Asian Development Bank, Almas Baitenov held several positions between 2012-2018 in the Kazakhstan Ministries of National Economy and Regional Development, where he worked on urban development and transport infrastructure, state budget investments, and economic cooperation with International Financial Institutions. In 2018, the ADB engaged him as a National Consultant for CAREC first pilot Economic Corridor project between Almaty-Bishkek. In 2023 he was engaged as a Project Coordinator for the ADB National Spatial Data Infrastructure Scoping study. Since then, he has been actively coordinating regional cooperation projects in Kazakhstan.

Almas Baitenov holds a Master's degree in Finance from Stirling University (Stirling, UK).

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Hüseyin Özhan is the EBRD Regional Director for Central Asia with over 20 years of experience in finance and investments across the EBRD regions. He joined EBRD in Istanbul where he was appointed EBRD Head of Ankara and Deputy Head of Turkey in 2015 and 2017, respectively. He then moved to London in 2019 as Advisor to VP Banking, and was appointed Kazakhstan Country Director on 1 September 2021. During his tenure, Kazakhstan has attracted business investments totalling €1.45 bn across 45 projects, including the landmark projects of Almaty Airport, the largest FDI to date in Central Asia, Almaty CHP2 Coal Phaseout, and most recently, the Air Astana privatisation.

Huseyin Ozhan holds a B.A. with Honors in Economics and Mathematics, Minnesota, as well as an M.A. in Finance from Macalester College. He is currently a Ph.D. candidate at Yeditepe University, Istanbul.



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Shynar Nematova is an Associate Banker covering the Manufacturing and Services (M&S) sector within the EBRD. She executes M&S project transactions in Kazakhstan and, in addition to her primary responsibilities, she supports the Bank's digital strategic priorities. In this role she acts as a spokesperson representing the EBRD Digital Hub, promoting digital investment opportunities, fostering policy dialogue, and facilitating knowledge exchange. Before joining the EBRD, she worked at PricewaterhouseCoopers.

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Andrei Mikhnev was appointed World Bank Country Manager for Kazakhstan and Turkmenistan on February 1, 2023. He leads the World Bank policy dialogue with counterparts in Kazakhstan and Turkmenistan, managing the country program and the team based in Astana. Andrei Mikhnev has more than 20 years of international experience in economic development. Most recently he led the World Bank Country Office in Mongolia. He previously led programs in the Middle East and Gulf countries aimed at enhancing competitiveness and private-sector led growth.

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Yeldos Syzdykov is a Partner in the Deloitte Tax & Legal Department. With over 15 years of experience, he specializes in transfer pricing, tax structuring, and international taxation advisory. His expertise includes risk evaluation, recommendations, tax implications, court representation in tax and transfer pricing cases, and developing tax/transfer pricing policies. He has served clients across a range of sectors, including finance, telecommunications, FMCG, oil, gas, and mining.

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Abai Shaikenov is the Managing Partner at Dentons Kazakhstan and has been advising clients across the CIS for over 25 years. He focuses on complex M&A and corporate transactions, including cross-border acquisitions and disposals, as well as diverse finance transactions. His experience includes advising on the most complex and unique M&A and financing transactions in Kazakhstan. He is the preferred legal counsel for leading financial institutions and private investment firms such as Citibank, Bank of China, ICBC, EBRD, KazMinerals, and ERG.

Abai Shaikenov holds an Honors Law Degree from Kazakh State Legal Institute (1996) and a Transactional Summer University degree for international lawyers from Duke University in Hong Kong (1998).



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Aliya Seitova is a Senior Counsel in Dentons' Almaty office. A Kazakhstan Trademark and Patent Attorney, Aliya is one of only a few Eurasian-qualified patent attorneys in Kazakhstan who can register inventions and industrial designs at the regional level in the Eurasian Economic Union. With 15 years of professional experience, Aliya focuses on intellectual property law with a particular emphasis on supporting clients in filing trademarks and patents, trademark and patent infringement matters and related issues, such as unfair competition, customs records, renewal services and due diligence of intellectual property rights.

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Olga Skorokhodova is responsible for Government Affairs and Public Policy in a number of countries of Central Asia and the Caucasus. She also leads strategic AI policy engagement projects within the Emerging Markets team at Google. Prior to joining Google, she served as Senior Government and Public Affairs Manager at an international consultancy firm. She has extensive experience in international organizations, community and non-governmental sectors, and was involved in a number of international research projects.

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Microsoft



Sergey Leschenko, Country Manager, Microsoft Kazakhstan

Sergey Leschenko has over 20 years' experience in the field of telecommunications, mobile products, and innovative technologies. As the Microsoft Kazakhstan Country Manager, he is engaged in the company's strategic development, the digital transformation of Kazakhstani customers and partners, and the country's digitalization projects, a Microsoft priority in the local market.

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Edgard Bou-Chahine began his career as Schneider Electric Financial Controller and worked his way up to Chief Financial Officer for the Middle East and Africa. He was appointed Country President for Schneider Electric operations in Iran, then General Manager for Algeria & Tunisia until February 2022. In March 2022, he became General Manager for Central Asia. In July 2023 he was appointed Schneider Electric CEO for Central Asia and the Caucasus.

Edgard Bou-Chahine graduated from USEK Business School in Lebanon, afterwards receiving an Executive MBA from ESSEC Business School in France and Mannheim Business School in Germany in 2010.



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Business

CANADA'S RESPONSE TO KAZAKHSTAN'S DEVELOPMENT OF A NEW DIGITAL CODE

by Ambassador Alan Hamson
Canadian Ambassador to Kazakhstan

Kazakhstan aims to develop a new digital code that provides a clear regulatory framework for digital activities. The adoption of the *Digital Code* will create a unified legal space for development of the digital economy and digital transformation of public administration. It is planned that the draft *Digital Code* will be included in the plan of legislative work for 2024 and submitted to the *Mazhilis of Parliament* for discussion in late 2024 or early 2025.

Canada acknowledges and welcomes Kazakhstan's initiative to develop a new *Digital Code* that provides a clear regulatory framework for digital activities. A clear and robust regulatory framework is essential for businesses and individuals to navigate the complexities of the digital landscape confidently. Canada is ready to engage with Kazakhstan and other international partners to exchange best practices, share expertise, and promote harmonization of digital regulations where appropriate.



Key challenges in Kazakhstan:

1. **Regulatory Environment:** For businesses, the constant adjustment of regulatory policy hinders long-term planning and informed investment decisions, which limits business activity.
2. **Cybersecurity Risks:** Cybersecurity threats present significant risks. Investors may hesitate to commit capital without assurances of robust cybersecurity measures and regulatory frameworks to protect their investments from cyber threats.
3. **Legislative Hurdles:** Potential investors often find it difficult to navigate through complex regulatory requirements, hindering the testing and scaling of innovative developments.
4. **Confidentiality and Data Protection:** Strengthening data protection is essential not only to protect sensitive information but also to instill confidence among investors.

Suggestions from Canada:

- **Protect Investors Rights and Intellectual Property:** Kazakhstan should ensure that its new Digital Code includes provisions to protect investor rights, including intellectual property rights, contract enforcement mechanisms, and dispute resolution procedures. Legal certainty and protections are essential for attracting long-term investment in the digital sector.
 - Canada is ready to share legal frameworks for shaping a new *Digital Code* of Kazakhstan (*Canadian Intellectual Property Law, Security Acts*, etc.).
- **Incentives for Research and Development:** The Code should offer incentives for investors such as tax benefits to companies engaged in digital research and development, encouraging innovation and technological advancement.
 - Foreign investors in Canada have the opportunity to secure additional funding equivalent to 10% to 20% of project costs, although the specifics of these incentives vary by province.

Provincial investment agencies such as *Invest Ontario*, *Investissement Québec*, and *Invest Alberta*, along with direct government support from provincial and territorial governments, provide these incentives.

- Canadian IT companies enjoy significant advantages through reimbursable tax benefits, designed to incentivize innovation and domestic investment. These benefits, ranging from 15 to 35% of eligible costs, require that a substantial portion of expenditures be incurred within Canada.

The primary objective of the tax incentive program is to encourage Canadian IT companies to invest in R&D activities that contribute to technological advancement, product innovation, and commercialization efforts.

- Canada's startup ecosystem thrives on innovation, and to bolster this spirit of creativity, the government offers significant tax benefits to startups engaged in scientific research and development (R&D) activities. Startups with novel R&D initiatives can access reimbursements of up to 35% of their eligible costs, providing crucial support for their growth and innovation efforts.

- **Establish Clear Cybersecurity Standards:** Kazakhstan should incorporate clear cybersecurity standards and requirements into its new *Digital Code* to ensure the protection of digital infrastructure, systems, and data. Establishing minimum cybersecurity standards for businesses and organizations can help mitigate risks and enhance resilience against cyber threats.

Canada is prepared to collaborate with Kazakhstan in several key areas of cybersecurity, including developing and implementing cybersecurity standards and guidelines tailored to Kazakhstan's specific needs and priorities and providing training and capacity-building programs for cybersecurity professionals and stakeholders.

- **Strengthening Information Privacy:** By integrating stricter data privacy measures into the new *Digital Code*, Kazakhstan can demonstrate its commitment to upholding privacy principles, align with international best practices, and create a favorable environment for digital innovation and investment.

- In June 2022, the Canadian federal government introduced *Bill C-27*, the *Digital Charter Implementation Act*, which contains newly proposed legislation relating to consumer privacy, data protection, and the first comprehensive laws governing AI systems in Canada.

- Quebec's recent legislation, *Law 25* (previously known as *Bill 64, An Act to Modernize Legislative Provisions as Regards the Protection of Personal Information*), brings substantial modifications to the privacy laws governing both the private and public sectors in the province.

Law 25 increases the fines for non-compliance with privacy legislation, with private sector entities subject to fines ranging **from \$15,000 to \$25 million** or an amount corresponding to **4%** of worldwide turnover for the preceding fiscal year (whichever is greater).

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UNDERPINNING ARCHITECTURE FOR SUCCESSFUL DIGITISATION: INTERNATIONAL STANDARDS FOR DATA PROTECTION, MOBILE SERVICES, AI GROUND RULES

by Ambassador Kathy Leach
UK Ambassador to Kazakhstan

Kazakhstan has made impressive progress in digitisation of e-gov services and financial services. State businesses like *KazPost* are demonstrating the economic efficiencies, and improved outputs, of innovation and digitisation.

But to deepen digitisation successfully, the right underpinning legislative framework, telecommunications environment, and investment in infrastructure is essential. The following are four key points.

- **First, a big gap for Kazakhstan at the moment is Data Protection.** International standards in data protection should be built in to all legislation and best practice, with the state sector leading the way in demonstrating that the law will be implemented and enforced.

Big market players like *Kaspi* now have access to an extraordinary range of personal information about individuals. But there is no clear framework such as a data ombudsman or a right enshrined in the constitution, to make sure that the state or a large firm is held accountable for the data it holds or how it uses that data.



One big data leak or inappropriate use of personal data can deeply damage the reputation of companies and institutions. Basic principles include asking the consent of an individual to use data; responding to individuals who ask to see what data is held on them; and the right to privacy.

One important example is the right to privacy: when the list of NGOs listed as receiving foreign funding under Kazakh legislation was published on-line, it included individuals' personal details such as IIN numbers. This kind of practice should be unacceptable in both the state and private sector.



- **Second, in the growing field of AI it is vital that pioneering companies and AI models reflect developing *International Best Practices* for AI.** The UK and Korea have been leading efforts to help countries and companies develop a code of conduct for AI and AI safety. At the *AI Summits* in the UK last year and in May in Seoul, countries agreed on the principle that AI developers should submit frontier AI models for safety testing, and also agreed to develop government capacity by developing *AI Safety Institutes* and expert advisory panels.

Given Kazakhstan's interest in developing AI, Kazakhstan should align itself with this developing international consensus.

- **Third, the more digital an economy, the more a robust and competitive mobile network becomes important.** Mobile apps have become indispensable to our lives to conduct vital financial, commercial, and personal tasks. Kazakhstan's current mobile market, compared to other markets this size, does not have much competition - most equivalent European and other markets have at least three or four different providers.

Yesterday the Qatari holding *Power International* acquired *Mobile Telecom-Service*, the owner of *ALTEL* and *Tele2* operators. It's a positive move to have more competition in the market, but it is of some concern that there is a proposed three-year moratorium on 5G spectrum auctions currently under discussion in the Senate.

What you do not want is to diminish investment and innovation in future mobile infrastructure and services – this is the risk if you limit the entry into market of new players. In particular, what the Kazakh market is lacking at the moment is global expertise.

There is a UK company, a global top 10 brand, interested in bringing its world-class innovation, technology and expertise to the Kazakh market, together with a local partner. We hope therefore that decisions taken will continue to support a competitive market and drive innovation and investment.

- **Finally, as government services increasingly become digital, it is vital to tackle the digital divide and make sure rural communities and young people have access.** The UK company *OneWeb* has been investing around \$15m in Kazakhstan so far to provide satellite solutions, which will enable digital services for rural areas and transport options. *OneWeb* is committed to working to support affordable internet for rural areas – according to recent data over 20% (1424) of villages in Kazakhstan do not have access to mobile internet.

OneWeb's services were due to start operations on 1 August but the activities of satellite services (*Non-Geostationary Orbit*) are currently not governed by existing regulatory frameworks and

their request for spectrum use authorisation has been refused.

New amendments are now being adopted to create a well-defined regulatory framework for *Non-Geostationary Orbit* operations in Kazakhstan. The *National Security Committee* jointly with the *Telecommunication Committee* will also need to draft the regulations and licensing procedures for non-GSO operations. There is not yet any clarity on the status of these draft regulations, yet time is getting short for the planned launch in August, particularly since amendments usually only come into force 60 days after being adopted.

This means *OneWeb* will not be able to complete the setup and testing of the equipment of their ground station on schedule. *OneWeb* has a pipeline of clients, including *KazPost* and *KazakhMys*, as well as plans to start trials with *Temir Zholy*. The parties involved must work as quickly as possible to draft the needed regulations – or to work with *OneWeb* to find an interim solution to enable them, at the very least, to test their equipment.

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WILL KAZAKHSTAN MAKE A LEAP INTO THE DATA-DRIVEN FUTURE?¹

by Utsav Kumar
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Senior Project Officer, Asian Development Bank (ADB)

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Kazakhstan's National Spatial Data Infrastructure (NSDI) is a transformative initiative that holds the potential to revolutionize the way spatial data is managed and used for the evidence-based decision-making in many sectors of the national economy and contribute to the Digital Kazakhstan State Program. By fostering collaboration, enhancing decision-making, and driving sustainable development, NSDI is poised to play a pivotal role in Kazakhstan's future.



Decision-making and innovation catalyst

Kazakhstan, with its vast territory and diverse geography, is uniquely positioned to leverage the power of spatial data. Being the ninth largest country in the world by land area, efficient management of land, resources, and infrastructure development is crucial for its development and economic growth.

Geospatial data, facilitated by NSDI, can become a backbone for Kazakhstan's urban planning, infrastructure development, agriculture, disaster management, climate change mitigation, and environmental protection and can contribute to the achievement of the goals of sustainable development.

The spatial data infrastructure will enable accessing reliable information and allow urban planners to create sustainable urban environment through integrated data and contribute to the development of the smart cities, will support the farmers with precision agriculture, and ensure the sustainable use

of natural resources. NSDI is an important source of information for effective disaster response and recovery, which has been the most pressing issue for the government and people across Kazakhstan this spring, as well as planning and executing large-scale infrastructure projects with reduced risks and costs. Moreover, it can play a vital role in conserving Kazakhstan's biodiversity and natural landscapes.

Evolution of Kazakhstan's geospatial initiatives

NSDI in Kazakhstan traces its roots back to 2001 when measures for the establishment of the *Automated Information System of the State Land Cadaster for Astana* were introduced. Further development and evolution in this domain resulted in the establishment of the unified state cadaster of immovable property, which can be considered as one of the cornerstones of NSDI.

The *Digital Kazakhstan State Program (DKSP)* that included the support of the digital development initiatives and its implementation plan for 2018–2022 marked an important new step toward further development of the spatial data infrastructure and brought it to the national level. The implementation plan included the *National Spatial Data Infrastructure* project that was oriented to providing digital topographic, geodetic and cartographic data and information and their maintenance.

The Law of Kazakhstan “*On Geodesy, Cartography and Spatial Data*” of 2022, which for the first time established the mandates of the state authorities regarding the NSDI, along with other related laws created a comprehensive legal framework for NSDI development and marked another important step forward in this area.

Among the recent developments in this area is the order of Kazakhstan's *Minister of Digital Development, Innovation and Aerospace Industry (MDDIAI)* of 2023 “*On approval of instructions for creating and updating the National Spatial Data Infrastructure*”, which aimed to centralize and standardize geospatial data management, ensuring compatibility and accessibility for various stakeholders.

¹ The views expressed in this article are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank or its Board of Governors or the governments they represent.

This short historical snapshot shows that in Kazakhstan the need for the *NSDI* is recognized at a high level and it is an integral part of the government programs. The country has made significant steps towards *NSDI* development by laying down a legislative framework, institutional arrangements, investments in geospatial technologies and human resources, and geospatial data production and accessibility. This serves as the basis for further development of the *NSDI*, as well as sectoral projects.

Navigating challenges: Charting Kazakhstan's geospatial future

Establishment of an efficiently functioning *NSDI* is a complex socio-technological endeavor that involves many sectors of the economy and society. While Kazakhstan's progress in developing its *NSDI* is notable, many challenges remain to address.

Strategic planning documents that identify opportunities and goals for geospatial digital transformation in line with the government's priorities, including a national *NSDI* strategy and a strategic implementation plan for its further development, need to be prepared.

To address issues of data management and to improve data quality and availability, legal and policy framework governing the *NSDI* needs to be enhanced taking into consideration the international experience and the rapidly evolving information and spatial data technologies. The current policies and legal frame still have gaps that need to be addressed to resolve the challenges of the growing needs of the national economy to access open, accurate and reliable spatial data and information. In addition to that, the long-term financial sustainability of geospatial initiatives needs to be addressed, which is critical for *NSDI*'s further development, stability and effectiveness.

The absence of universally accepted geospatial data standards and spatial data models also poses a significant challenge. Standardization ensuring interoperability between different geospatial systems and datasets is needed to guarantee the quality, reliability and easy use of the number of different essential data sets for analytics and decision making for economic development.



While there are qualified professionals in the geospatial field, the rapid pace of technological advancements demands continuous capacity building, especially on subjects related to *NSDI*. Training in modern technologies such as machine learning, artificial intelligence, and advanced geospatial analytics is essential but currently insufficient. Additionally, generally low awareness of the *NSDI*'s short and long-term benefits presents a significant challenge for the sustainability of the development in this area and requires relevant measures.

Effective *NSDI* implementation and innovation in geospatial data require strong collaboration among various stakeholders, including government agencies, private sector companies, academia, and civil society. Building a culture of collaboration, cooperation and partnership and establishment of formal mechanisms for stakeholder's engagement are necessary to overcome these challenges.

Addressing these issues will help solidify the country's *NSDI* as a sustainable asset and a vision for a connected Kazakhstan, where information flows seamlessly, facilitating informed decision-making and promoting innovation.

CHARTING KAZAKHSTAN'S DIGITAL FUTURE: THE AI IMPERATIVE IN THE DIGITALIZATION CODE

by Andrei Mikhnev
Kazakhstan Country Manager
World Bank Kazakhstan

The World Bank (WB) congratulates the Government of Kazakhstan on its decision to draft the *Digitalization Code (DC)*, which approaches in a comprehensive and systematic manner key aspects of the legal and regulatory framework for digital economy development. This initiative is consistent with the experience of other countries that adopted similar documents.

Regulatory aspects of artificial intelligence (AI) represent an integral part of the current DC draft (as of April 2024) and are central to the overall digital agenda of the Kazakhstan Government. In this regard, several aspects of AI development deserve a particular attention, including ethical AI principles, AI mitigation and compliance requirements, data governance and protection, data infrastructure development, capacity building and talent development, AI innovation and entrepreneurship. The World Bank is ready to support the Government of Kazakhstan's work on DC preparation and on the overall digital transformation agenda.

We are glad to observe in particular that regulatory aspects of AI represent an integral part of the current DC draft, while being also addressed in the AI strategy and AI law, which are currently under preparation. There is a clear intention to establish guidelines and standards to govern responsible development, deployment, and use of AI systems across sectors. This is fully justified, given the unprecedented rate of adoption and the transformative potential of AI as a driver of innovation, productivity growth, job creation, government efficiency and effectiveness on the one hand, and, on the other, the inherent risks of AI deployment.

With this in mind, let me highlight several areas that deserve special attention in the process of preparing the *Digitalization Code* and other policy documents focusing on AI.

1. **Ethical AI Principles:** Adoption of ethical AI principles, including fairness, transparency, accountability, and privacy protection, is of key importance. By embedding these principles into regulatory policies, Kazakhstan can foster trust and confidence in AI-driven innovations.
2. **Risk Mitigation and Compliance Requirements:** Robust risk mitigation measures and compliance requirements should be incorporated into the

Digitalization Code to address potential risks associated with AI technologies, such as bias, discrimination, and cybersecurity threats. Regulatory oversight mechanisms can ensure adherence to ethical and legal standards.

3. **Data Governance and Protection:** Given the central role of data in AI applications, the *Code* needs to include provisions for comprehensive data governance and protection mechanisms. Safeguarding data privacy, ensuring data security, and promoting responsible data stewardship are essential for building a trustworthy AI ecosystem.
4. **Infrastructure Development.** AI cannot function without dedicated and enhanced cloud capabilities and computing power. In this regard, it is good to observe that the *Code* aims to stimulate rollout of datacenters in Kazakhstan. Coming back to the preceding point on data governance, it is important to address the related issue of data localization requirements and to consider adopting a flexible approach based on data classification with a view to facilitating cross-border data flow and thus stimulating cloud infrastructure, without compromising data protection concerns.
5. **Capacity Building and Talent Development:** The *Code* needs to formulate approaches for fostering AI talent development and capacity building initiatives. Investing in education, training, and research programs will empower Kazakhstan's workforce to leverage AI technologies effectively and drive innovation.
6. **Stimulating AI Innovation and Entrepreneurship:** To promote AI innovation and entrepreneurship, the *Code* needs to incentivize investment in AI research and development, startup incubation, and technology commercialization. Creating a supportive regulatory environment can attract both domestic and foreign investment in AI-driven initiatives.

By embedding these key aspects into the *Digitalization Code*, Kazakhstan can establish a robust regulatory framework that promotes responsible AI adoption, fosters innovation, and accelerates its digital transformation journey.

The World Bank is ready to support the Kazakhstan Government's work on preparation of the *Digitalization Code* and on the overall digital transformation agenda, building upon our engagement in support of providing access to high-quality and climate resilient broadband infrastructure with the *DARE* project.



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ACCELERATING KAZAKHSTAN'S DIGITAL FUTURE

by **Huseyin Ozhan**, Regional Director
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Head of Digital Hub



European Bank
for Reconstruction and Development

As Kazakhstan strides toward a digital future, the journey is marked by both challenges and opportunities. Positioning the country as an important regional digital hub, an ambitious goal has been set by the Government of Kazakhstan to achieve complete high-speed internet coverage by 2027 under the *Accessible Internet* national project. Highlighting the dedication to enhancing digital accessibility, the timeline for the rollout of the 5G network, initially scheduled for 2027, has been accelerated to 2025.



Despite significant progress in digital connectivity, with broadband access reaching 94% of rural and 95% of urban populations as of the end of 2022, challenges persist, particularly in enhancing mobile internet quality and expanding coverage in underserved rural and small urban areas.

Addressing these gaps necessitates a robust investment strategy focused on last-mile connectivity, promoting next-gen communication networks with streamlined regulations, and implementing targeted incentives alongside fostering public-private partnerships to expedite infrastructure development efficiently.

Kazakhstan's advancements in digital infrastructure and public service digitalisation position the country as a digital leader in the Central Asian region and among the world leaders in the development index of *E-gov* and *Fintech*. President Tokayev instructed to bring the export of IT-services to USD 1 billion by 2026, including via JVs with large international IT companies, developing AI technology and intensified focus on training of qualified specialists.

However, the widespread adoption of digital tools and processes at the firm and local levels remains limited. Bridging this gap necessitates prioritising comprehensive digital literacy initiatives from early education to ongoing upskilling. Ensuring universal access to digital skills development with a particular focus on gender equality will empower the private sector to fully embrace digitalisation.

This drive for digital literacy extends beyond traditional sectors to industries like mining, where sustainable extraction of critical raw materials is essential for achieving carbon neutrality and advancing digital and green transitions. Kazakhstan's mining industry, a significant contributor to the country's GDP and employment, must integrate innovative digital technologies to enhance sustainability. Promoting R&D in digital mining technologies, incentivising the adoption of digital solutions by mining companies, and investing in workforce digital upskilling is essential to drive the industry's digital transition.

Moreover, Kazakhstan has emerged as a regional entrepreneurial hub with a vibrant startup ecosystem supported by state policies and a growing pool of talented individuals. Yet startups face challenges such as an over-reliance on the local market and difficulties with global scaling strategies, heightened by limited access to finance due to an underdeveloped investment culture.

Ensuring uniform development of all elements of the startup ecosystem and fostering partnerships between government agencies and the private sector for financial and consulting assistance are crucial to support startups in overcoming these barriers.

The *European Bank for Reconstruction and Development (EBRD)* is at the forefront, aiding the nation in overcoming digital hurdles and fostering sustainable growth. To address gaps and provide opportunities for growth, EBRD combines investment in new technologies and IT services with policy dialogue for digital transformation, leading numerous projects in Kazakhstan to support digital transition, improve access to digital skills, and facilitate the adoption of new technologies in the private sector.

Key EBRD initiatives include:

- The **Kazakhstan Women in Business II Program** and the **Youth in Business Program**, provide credit to promote sub-loans for women-led and youth-led MSMEs, enhancing digital lending practices and offering digital skills and mentoring opportunities.
- The **Kokshetau Hospital Project** pioneers the digitalisation of healthcare infrastructure by introducing a cyber-resilient *Health Information Management System* adhering to international information security standards.
- The **EBRD Cities Digitalisation Initiative (CDI)** is another strategic approach that accelerates the digital transition of cities. The first CDI pilot in Izmir, Turkey, assessed digital maturity gaps and proposed priority projects for bank support, while the second pilot will commence in 2024 in Aktobe, Kazakhstan.
- The **Star Venture Program**, launched in Kazakhstan as the first Central Asian country to benefit from this initiative, offers bespoke advisory

services, technical assistance, and access to a network of international mentors and advisers to help start-ups enhance their competitiveness, enter new markets, and attract investments.

- Additionally, the **Memorandum of Understanding (MoU)** with **Tau-Ken Samruk**, Kazakhstan's national mining company, aims to modernize mining practices by integrating cutting-edge technologies to reduce greenhouse gas emissions and achieve carbon neutrality, emphasizing digital solutions for sustainable development.

Conclusion

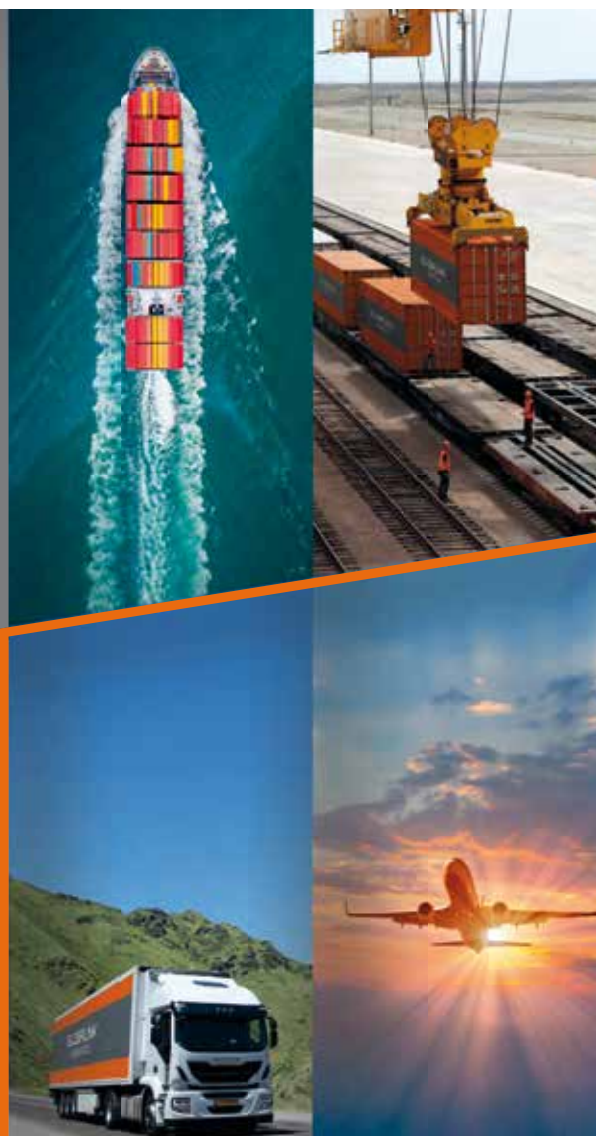
Digitalisation has been set as a strategic priority by the Government of Kazakhstan, focused on enhancing access to digital services, improving transparency, and fostering good governance, highlighting its critical role in the country's economic growth and sustainability. The *European Bank for Reconstruction and Development* remains committed to supporting these efforts through targeted investments and strategic partnerships, ensuring that Kazakhstan harnesses its full potential in the digital age.

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ARTIFICIAL INTELLIGENCE (AI) GUIDELINES FOR KAZAKHSTAN

by Abai Shaikenov, Managing Partner
Aliya Seitova, Senior Counsel
Dentons Kazakhstan

This article takes a look at how Artificial Intelligence is currently used in Kazakhstan and, after highlighting international practices, makes some suggestions for transparent and effective AI rules, as well as fundamental ethical standards for users and AI creators.



AI in Kazakhstan

AI has firmly entered many spheres of life in Kazakhstan. For example, according to an April 2024 report published by the *National Bank of Kazakhstan*, already a third of the country's financial market participants use AI for work. The highest level of use, around 60 percent, is observed among second-tier banks of Kazakhstan.

In addition, Kazakhstan is set to be the first country in Central Asia to create a *cloud platform* for developing AI solutions. Furthermore, Astana is to become home to the premier *AI data processing center* in the region.

The above is indicative of the growth of AI technologies and applications across various industries in Kazakhstan and requires the development of simple and understandable rules for the use of AI at the legislative level.

New AI Committee

The government of Kazakhstan has newly established the *Committee on Artificial Intelligence and Innovation Development* under the *Ministry of Digital Development, Innovation and the Aerospace Industry*.

The *AI Committee's* mandate includes developing and implementing legal regulations in AI technologies. In addition, it is expected to play a key role in fostering innovation, promoting research and development, and ensuring ethical and responsible use of AI in various sectors.

Current Legal Approaches

Globally, we see the following two approaches when regulating AI:

1. Some countries have *no specific binding legislation on AI*: AI is subject to *traditional laws*, whose provisions are general enough to cover the activities of AI and to be interpreted broadly by the courts.
2. Other countries develop *specific legislation on AI* (for example, the rules laid down by the European Union).

Kazakhstan currently has no comprehensive regulation of AI. That said, the government is working on a draft *Digital Code*, which will include, among other things, regulation of AI.

In our view, the experience of the European Union, which not long ago adopted the world's first *Artificial Intelligence Act*, deserves particular attention. This Act lays down fundamental principles of regulating AI both at the level of creators and at the level of users of AI.

It is necessary to point out that the *AI Act* was born out of deep and lively discussions among all interested parties. For example, even the *AI concept*, as provided for in the Act, was the subject of debates and conclusions of many experts. Its central idea is to ensure that *human rights and freedoms* remain at the center of attention as we continue to explore the breakthrough technology of AI.

The *European Union AI Act* also provides for a so-called *risk-based approach* to regulating AI. This approach can be summarized as follows: The different types of AI systems are divided into several categories, depending on the level of risk for users. The higher the risk category, the stricter the legal regulation. For example, systems using harmful manipulative "*subconscious techniques*" or exploiting certain vulnerable population groups (physical or mental deviations) are *prohibited*.

At the same time, systems presenting **limited risk**, such as systems interacting with people (e.g., *chatbots*), *emotion-recognition systems*, *biometric categorization systems*, as well as *systems generating or manipulating images, audio or video content* (e.g., *deepfakes*), will be subject to a limited set of legal obligations to ensure transparency.

This approach seems reasonable and justified, and it has been put forth for consideration by the developers of the *Digital Code of Kazakhstan*. In addition, international practice has already developed some approaches and concepts for regulating AI, which, after careful study and consideration, could be applied in Kazakhstan.

Conclusion

Based on the above, in our view, Kazakhstan should take international experience into consideration in this relatively new field of regulating AI. We suggest the following main principles for regulating AI in Kazakhstan:

1. **Personal data** should be used within AI appropriately and lawfully.
2. **Transparency** – AI should be used responsibly (people should be able to understand how AI systems make decisions).
3. **Accountability** – people who design and deploy an AI system need to be accountable for its actions and decisions.
4. **Safety (security)** – AI systems and the data they contain should be protected from cyber threats.

In addition, we believe the following main aspects of AI legal regulation which should be regulated at the legislative level in Kazakhstan:

1. **The AI concept:** Kazakhstan currently lacks a definition of AI.
2. **AI and intellectual property:**
 - **Can AI be recognized as the author of works?** Under current Kazakhstani legislation, only a physical person whose creative labor has produced the work can be recognized as the author.
 - **Can works created by AI be protected?** The possibility of granting intellectual property protection to works created using AI.



3. **Liability for the actions of AI:** Since AI itself cannot take on culpability and thus cannot be held liable, there are different subjects potentially responsible for the AI's actions: the user, the author, or the rights holder—or a combination of the three.
4. **AI and personal data:** Kazakhstan should, at the very least, determine what personal data can be collected in processed by AI and under what conditions.

Please also refer to our AI legal alerts at [dentons.com](https://www.dentons.com) for more insights:

1. *Dentons Kazakhstan AI Legal Alert*
2. *When the creator isn't human: Can AI be recognized as an author of IP?*
3. *Protectability of AI-created IP*
4. *Protecting personal data: What Kazakhstan can learn from current practice*
5. *When AI causes damage: How is responsibility determined?*

THE ESSENTIAL ROLE OF CYBERSECURITY IN TODAY'S DIGITAL WORLD

by Mastercard



We are living in a time of unprecedented change, where technology that a few years ago was the stuff of science fiction is now an everyday reality. This is transforming how we live our lives and do business bringing enormous opportunities. However, as sure as night follows day, new opportunities can also bring with it new risk, and in our hyper connected digital world, the importance of cybersecurity cannot be underestimated.

From paying for your morning coffee on your smart watch, to transferring funds on your phone, the vital ingredient to all these transactions is trust, and it is that trust that is constantly under threat.

In an indication of how important this is, cybersecurity now sits above geopolitics and economic challenges as a leading risk area for many key players, including merchants, fintechs, financial institutions (FIs). As criminals continue to exploit new technologies, pressure is building on businesses around the globe to protect their systems from increasingly sophisticated attacks.

Cybercrime is a global issue and is now the equivalent of the world's third largest economy after the United States and China.

In 2023, the average global cost of a data breach reached a staggering \$4.45 million, a 15% increase from the previous three years. But the 'cost' is not simply the financial loss experienced by individuals, it's the reputational damage and diminished goodwill that organisations experience. Furthermore, Mastercard's research recently revealed that 98% of consumers are concerned about the current level of cybercrime showing the scale of the task that businesses now face in tackling the challenge.

This is a threat that organisations of all sizes and all sectors cannot ignore. As a world-leading, global technology company, Mastercard doesn't take this lightly.

In our increasingly digital world, businesses need to look beyond their own networks to ensure there are protected. Understanding their third- and fourth-party risk, indeed the security of their entire supply chain is vital. As the saying goes, a chain is only as strong as its weakest link, a company's network security is just the same.

Mastercard has invested \$7 billion in the last 5 years. Our innovative AI technology is helping to do just it, not only identifying cyber vulnerabilities in an

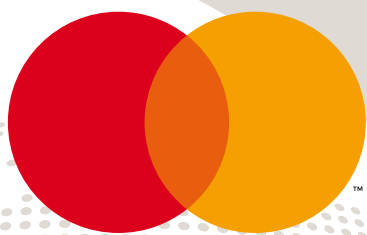
organization's networks, but also the risks that exist within their supply chains – allowing us to highlights potential cyberthreats. Our *RiskRecon* platform assess 19 million entities to identify fraud trends. Using our AI-powered threat protection we are event able to set traps to stop unwanted bots from getting any closer.

This technology isn't just something to tap into to enrich individual experiences, it helps solve some of society's most pressing challenges and keeps people safe. Using our unique networkwide view we are able to observe and understand trends and behaviour, identifying potential cyber threats and empowering businesses to take action before a cyberattack occurs.

Mastercard knows that trust is fragile and it can be broken quickly, so as the digitization of the world's ecosystem increases, it's getting harder for organisations to navigate the maze of cyber risks alone. This is why it is important we continue to forge ahead to give businesses, merchants, FIs and fintechs trailblazing tools and expert knowledge to understand the risks they're facing.

To this end, in 2023 Mastercard launched a new *Cybersecurity FlexiMasters* with Singapore's *Nanyang Technological University* to help professionals retrain as cybersecurity experts. This year we also opened our first cybersecurity centre outside of North America. The new *European Cybersecurity Resilience Centre (ECRC)* based in Waterloo, Belgium brings together security experts from multiple sectors including law enforcement, government and other external partners to accelerate knowledge-sharing, enable round-the-clock vigilance and boost cybersecurity in the region. Through relentless innovation Mastercard can empower them with the resources to assess, protect and organise against today's attacks – and anticipate those of tomorrow.

As technology rapidly advances and society becomes more connected, we know there will be new threats that require rapid responses and unprecedented levels of business resilience. With that comes exciting new opportunities for Mastercard to push the pace of development even further and deliver innovation with lightning speed. However, in striving to outpace cyberthreats, we must ensure trust remains central to our efforts to make payments seamless and secure. Maintaining this equilibrium is vital to securing the connections that power our digital world.



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AI AND THE GOVERNMENT'S CREATION OF A DIGITALIZATION CODE

by **Sergey Leschenko**, Country Manager
CIS Cluster, Central Europe
Microsoft

Summary: Current questions of digitalization and the opportunities available to governments worldwide, particularly the government of Kazakhstan, through the use of artificial intelligence tools.



Today, many governments are already transforming public services with the help of *AI* across various sectors. *AI* tools can improve interaction with citizens by providing fast access to self-service tasks, transactions, and commonly requested information, optimizing the work of public services. *AI* can unlock insights to act quickly using data that would otherwise require painstaking manual analysis. *AI* supports employees by minimizing administrative burdens, burnout, and silos across departments.

Also, a common use scenario is when state employees accelerate writing and communication tasks by leveraging helpful first drafts, outlines, memos, and whitepapers, created by *AI*. *AI* is used also to enhance state security, and much more.

Although governments around the world may often be perceived as not being the quickest in adopting technology and using their structures, they have the chance to shed this image and become early adopters of generative *AI*. By using this technology strategically and thoughtfully, they can transform internal operations and improve interactions with citizens, paving the way for the future.

Kazakhstan is actively pursuing digital transformation, impacting sectors from financial services and public administration to education. The country ranks 28th in the UN e-government ranking due to the Egov service's convenient online offerings. As a promising market for technological innovation in Central Asia, Kazakhstan sees significant growth opportunities in

AI, cloud computing, and big data. The government's *Digitalization Code* aims to create a secure, accessible digital environment, enhancing citizens' quality of life and supporting a robust information infrastructure. By adopting *AI*-powered platforms, Kazakhstan aims to drive economic and social progress, potentially generating billions annually by 2033.

To support its vision, Kazakhstan requires a reliable and scalable *AI* platform. One standout example of such a platform is *Microsoft Copilot*. This *AI* digital assistant integrates seamlessly into the applications many public service workers use every day, streamlining their tasks. Its versatility and customization are key strengths, allowing it to adapt to the specific needs of various government departments. Whether for policy-making or public service delivery, *Copilot* can be tailored to enhance particular workflows and processes.

Early world governments use cases often target efficiency improvements or the introduction of new services based on readily available data. In general, the scope of *AI* applications is broad, including chatbots, virtual assistants, content creation, language translation, fraud detection, predictive analytics, and medical research, among others. Simultaneously, agencies are already reaping immediate benefits from adopting *Copilot* for *Microsoft 365*. According to a Microsoft survey, *70% of users reported increased productivity, and 68% noted improved work quality. Overall, users completed tasks such as searching, writing, and summarizing 29% faster.*

Here are some examples how governments all over the world implement technologies to solve these challenges:

The **UK public sector** is using *Microsoft Copilot* to boost efficiency and productivity, transforming government operations and setting a benchmark for digital innovation. *Copilot* accelerates *policy-making* by speeding up drafting processes and ensuring document consistency. Additionally, it automates tasks, reducing errors and enhancing the quality of public service delivery.

In **Qatar**, the *Ministry of Communications and Information Technology* prioritized world-class security by digitizing government operations with *Microsoft Azure*. The cloud platform supports application development, data storage, and operations across distributed data centers, and provides opportunities for *AI* developments. The ministry's information assurance measures not only bolstered data security and operational efficiency but also achieved \$7.3 million in cost savings.

In **Serbia**, the Statistical Office conducted the nation's first paperless census using a hybrid cloud solution, significantly reducing the time to publish official results from 18 months to just six. This solution improved data encoding speed, accuracy, and overall data quality, while also streamlining maintenance and ensuring optimal security and real-time monitoring.

Another crucial aspect that governments focus on during digitalization is security. Cybercriminals target the public sector for ransomware attacks more than any other sector, and nation-state actors are ramping up their attacks on critical infrastructure and government. A recent report attributed 85% of the rise in cyberattacks over the past 12 months to bad actors using generative AI. Considering that, technology providers are responding with *AI-powered* innovations to counter the threat.

For example, *Microsoft Copilot* offers one of the most powerful new opportunities for governments to make dramatic improvements in cybersecurity, thanks to the power of generative AI.

Microsoft Copilot for Security is the first generative AI security product designed to protect organizations with unparalleled speed and scale. It integrates *OpenAI's* advanced *GPT-4* model with a Microsoft-developed security framework, leveraging Microsoft's unique expertise, global threat intelligence, and comprehensive security products.

This solution is crafted to seamlessly integrate with the systems and tools used by contemporary governments, including security operations centers (SOCs) for organizational and technical security management, and security information and event

management (*SIEM*) systems for threat detection, analysis, and response.

Governments are usually enthusiastic about new tools that can enhance employees' impact, from providing coordinated care for vulnerable populations to driving successful criminal investigations. However, concerns about skilling and training often make leaders hesitant. Additionally, there is widespread worry that *AI* might replace jobs, when in reality, those who embrace *AI* are more likely to thrive.

To address this, governments' focus on empowering employees with the necessary tools, technology, and support for meaningful work can be a solution. A good starting point is to offer baseline training on *AI* essentials tailored to different roles. Providing access to basic tools and capabilities for exploration and experimentation is also crucial. By encouraging employees to use *AI* within well-defined guidelines, governments not only address concerns about *AI* but also tap into the organization's greatest asset: its people's creativity.

AI is already changing the way we live. Microsoft is helping governments around the world to undergo their *AI* transformation journeys using the hyperscale cloud and the range of innovative *AI* services. For Kazakhstan, Artificial Intelligence is also the key to unlocking the country's potential and creating a bright future for its people, driving Kazakhstan's growth and development, aligning with the government's goals of economic diversification and sustainable progress. Microsoft is committed to supporting the country's *AI* transformation with *Copilot*, the ultimate *AI* platform, to pave the way for a future where technology drives economic growth and societal well-being.



AI SPRINT: KAZAKHSTAN'S ONCE-IN-A-GENERATION OPPORTUNITY

by Olga Skorokhodova
Government Affairs and Public Policy
Caucasus and Central Asia
Google



Artificial Intelligence (AI) isn't just a technological advancement; it's a catalyst for profound economic transformation. Google firmly believes that AI can drive significant economic growth and unlock new opportunities, especially in emerging markets like Kazakhstan.

AI is already demonstrating its potential to bridge the gap between developed and developing markets. From improving healthcare access and revolutionizing agriculture to optimizing resource extraction through smart mining, AI's applications are far-reaching. AI-based smart mining technologies alone could save mineral producers USD 290-390 billion annually by 2035, while ensuring long-term safety and sustainability.

However, this will not happen automatically. To capture AI potential, the right set of policies and regulations is required.



Kazakhstan's Digital Transformation Success

Over recent years, Kazakhstan has made an impressive progress in digital transformation achieving a high ranking in the *UN E-Government index* and now offering more than 1,000 public services online.

Google is proud to be Kazakhstan's partner in this journey, launching products like *Street View* benefiting local businesses, *YouTube Premium* supporting the country's creative economy, or *Flood Hub*, our free and publicly available tool that uses AI to develop flood forecasts up to 9 days.

Becoming an AI Sprinter: A Four-Pillar Framework

AI and Cloud adoption present a new growth frontier for Kazakhstan. With strong infrastructure, a growing tech scene and a pool of IT talent, the country is well-positioned to become what we call an "AI Sprinter" – a country that strategically leverages AI for rapid, inclusive growth.

Google published the *AI Sprinters Report* as a roadmap for AI adoption in emerging economies. There are **4 key game changers** Kazakhstan can focus its efforts on: *invest in infrastructure*, in *AI skilling at all levels*, in *modernizing national data systems*, and finally in *creating AI-enabling regulation*.

Revolutionizing Infrastructure with Cloud First Policies

Continuing investing in reliable and affordable high-speed internet within the country, as well as boosting Kazakhstan's and Central Asia's connectivity is fundamentally important.

Kazakhstan also has the opportunity to strengthen its digital leadership and pave the way for a better AI future by pushing forward Cloud adoption. One of the ways to do it is to embrace the *Cloud First* approach mandating public institutions to consider cloud solutions before any on-premise infrastructure investment.

Cloud computing is essential for governments, local enterprises, and organizations to deploy AI systems cost-effectively, securely, and at scale. By prioritizing secured cloud solutions over traditional IT systems, Kazakhstan can ensure that AI is widely and inclusively deployed, driving innovation and economic growth across sectors.

Building an AI-ready Workforce

Building an AI-ready workforce is crucial for AI success. It takes a collaborative effort and requires a multi-pronged strategy: fostering basic AI understanding

(*AI Learners*) across all population, equipping *AI* implementers with practical skills required to use and adapt *AI* tools at work, and nurturing *AI* innovators who can create locally relevant *AI* solutions.

Google is fostering a thriving *AI* ecosystem in Kazakhstan and Central Asia by directly empowering the next generation of tech talent. Through *IT Hub*, Google has provided 1,000 university students in Kazakhstan with advanced *AI* and *Cloud* skills, preparing them to drive innovation. The Google *Build with AI for Sustainable Growth* program equips developers to harness the power of Gemini, our most advanced LLM model, to tackle pressing regional social and sustainability challenges.



Modernizing National Data Systems

To unlock *AI* potential further, Kazakhstan should continue to modernize national data systems. This means encouraging data sharing across and between ministries and government agencies, promoting open data principles, and facilitating secure cross-border data flow - something which still remains a challenge.

Kazakhstani companies like *Solai*, a startup providing last-mile distribution solutions enabled by *AI*, are already demonstrating how data and *AI* can transform industries. By investing further in robust data infrastructure and fostering a culture of data sharing, Kazakhstan can unleash the full power of *AI* to improve lives and drive economic growth.

Enabling Regulation to Drive AI Adoption

In addition to adopting *Cloud First* principles and ensuring free cross-border data flow, Kazakhstan can pursue four key policies to foster widespread and inclusive *AI* deployment:

- **National AI Strategy:** Adopt and implement a *National AI* strategy focused on leveraging *AI* to achieve significant public objectives.
- **Risk-Based Regulation:** Adhere to a risk-based and proportional approach when regulating *AI* products and services. Ensure robust public-private dialogue in the drafting of such regulations.
- **Data and Rights:** Maintain privacy and copyright frameworks that allow the use of publicly available information while upholding legitimate rights.
- **International Standards:** Contribute to the development of international technical standards for *AI* at international and regional forums, and promote the recognition of these standards by industry players and regulators locally.

Next Steps

The Government of Kazakhstan has demonstrated remarkable success in implementing policies that drive large-scale digital transformation. The presence of fintech companies that may set international benchmarks and the delivery of 92% of public services online are testaments to this progress.

Google commends Kazakhstan for its significant investment in creating an environment conducive to *AI*-powered growth. The establishment of the *AI Committee* under the *Ministry of Digital Development* further underscores this commitment.

Google is dedicated to partnering with Kazakhstani public institutions, the private sector, and international investors. Together, we can unlock the full potential of *AI* through thoughtful regulation. By collaborating across sectors and focusing on infrastructure, skills, innovation, and policy, Kazakhstan can not only become a leader in *AI* adoption but also a model for other countries in the region.



THE PROMISING FUTURE OF INDUSTRIAL AI – ENERGY AND DIGITAL TRANSFORMATION

by **Edgard Bou Chahine**
*General Manager, Kazakhstan
 Central Asia and the Caucasus
 Schneider Electric*

The future of energy with Industrial AI is promising as Schneider Electric has the technology to reduce CO2 emissions by 70%. Swift deployment of these technologies on both the supply and demand side is crucial, with 55% of the carbon transformation residing there. With concerted effort and supportive policies, we can scale these solutions and empower the energy industry to lead the transformation of energy systems. Leveraging AI is essential to revolutionize energy production and consumption, creating a cleaner planet and a sustainable future for all.

Digital transformation has become a top priority for 74% of organizations, with global spending forecasted to reach 3.9 trillion U.S. dollars by 2027. Industrial companies are turning to technologies like software-defined automation, cloud, IoT, AI, and industrial robotics to optimize plants, empower their workforce, increase agility, and drive innovation.

Despite the era of smart factories and operations being here, embarking on digital transformation can still seem overwhelming, especially for successful existing operations. According to a 2021 study of 850 organizations by BCG, only 1 in 3 digital transformations were considered successful.

Careful assessment and planning, effective change management strategies, discussions with the existing workforce, and of course, an expert consulting team that can fully understand an operation and create customized solutions and roadmaps to meet specific business needs are key to ensuring a successful outcome. Understanding this, Schneider Electric has developed comprehensive digital transformation services organized around five key consultancy practices:

- **Operational excellence:** Simplify and digitize production processes and supply chains by empowering the workforce.
- **Asset management:** Optimize and digitize asset maintenance to reduce downtime and maximize usage.
- **Sustainability and energy efficiency:** Reduce CO2 emissions through a digitized and decarbonized value chain.

- **Cybersecurity:** Address IT/OT cybersecurity as a core enabler of digitalization.
- **Change management:** Enable a governance and transformation office for technology deployment with a measurable impact.

Unleashing the Potential of AI

In the energy sector, the potential of artificial intelligence (AI) and digital tools to transform energy is undeniable. They promise to optimize supply and demand, accelerating the shift to lower-carbon energy systems. However, many companies struggle to grasp AI's practical value, hindering widespread adoption. We view industrial AI as an accelerator but advocate for a selective approach, focusing on the most relevant use cases for your business.

Digitalization and industrial AI offer near-term benefits, including:

1. **Reduced Carbon Emissions:** AI optimizes energy-intensive processes, reducing operational and maintenance costs while cutting emissions.
2. **Optimized Energy Demand:** AI manages microgrids and electric vehicle charging stations, ensuring efficient energy use and avoiding peak demand times.
3. **Enhanced Operational Efficiency:** AI revolutionizes operational efficiency by optimizing processes, minimizing downtime, and driving significant performance improvements.

Schneider Electric Maintains its Leadership in ESG Ratings

Schneider Sustainability Impact (SSI), is Schneider Electric's continuous improvement process to deliver outstanding sustainability performance in line with its business strategy and to measure the company's progress toward its global sustainability targets for 2021–2025.

This comprehensive program is designed to address and contribute to six long-term commitments covering all **environmental, social, and governance (ESG)** dimensions. The company's sustainability focus encompasses a wide range of efforts, including reducing its own emissions, helping customers improve energy efficiency, and minimizing their emissions.

Schneider Electric has played a significant role in assisting its customers in reducing carbon emissions, resulting in the saving and avoidance of 576 million tonnes of CO₂ since 2018. Additionally, Schneider Electric has demonstrated substantial progress in transforming its supply chain, with carbon emissions from its top 1,000 suppliers decreasing by 28% since the program's initiation. Furthermore, the company has set standards for its supply chain partners, with 28% of its most strategic partners meeting Schneider Electric's standards according to the Q1 Results.

Schneider Electric has topped the *"World's Most Sustainable Companies for 2024"* list by *Time* magazine and *Statista*. This recognition reflects Schneider Electric's ambitious goals to reduce its own emissions, but also the company's commitment to helping its customers to become more energy efficient and reduce their emissions. *Time* and *Statista* used a transparent, multi-stage methodology to identify the world's most sustainable companies for 2024. The process began with a pool of over 5,000 of the world's largest and most influential companies.

Following a rigorous four-stage assessment, the final ranking excluded unsustainable industries and considered factors like external sustainability ratings and commitments, corporate reporting practices, and environmental and social performance indicators. This comprehensive approach produced a ranking of 500 companies from over 30 countries.

Empowering Digital Transformation for Sustainable Energy in Central Asia

Schneider Electric offerings embody a unique fusion of experience, industry expertise, and deployment capabilities. We ensure that digital transformation endeavors are comprehensive, influential, and foster synergies that optimize value.

In Kazakhstan and across Central Asia, the digitalization of not just the electric grid but the entire electricity value chain, from generation to consumption, is imperative for efficiency and sustainability. Without digitalization, achieving efficient, reliable, and secure electricity is unattainable. Furthermore, it is essential for reducing CO₂ emissions and progressing towards net-zero operations in the future.

The journey, both regionally and globally, has commenced and is poised to accelerate. As time swiftly progresses, overarching megatrends such as energy transition, artificial intelligence, climate change, new equilibriums, and others will undoubtedly shape our future world.

The challenges are significant and require actions now, such as:

Modernizing and digitizing existing installed base to reduce waste, make efficiency and reliability.

1. **Financing investments in the whole electricity value chain** for modernization and digitization. It is not about all or nothing approach, but a step-by-step approach prioritizing the most critical use cases.
2. **Setting the appropriate regulations** and adapting the rules in force to align them with digitalization requirements, to encourage and incentivize the energy efficiency programs, to protect renewable energy investments.
3. **Defining a smart long-term tariff strategy** to ensure and secure the minimum return on investment.
4. **Partnering with expert or specialist companies** in the field of energy management, electrification, and digitization, seeking transfer of technology, sharing of experience.
5. **Upskilling the workforce in the age of digital transformation.** It is imperative to a smooth digital transformation. It is crucial to have a strategy to develop local competencies by implementing the appropriate education programs that support such modern and digital applications in local operations, in coordination with global companies and universities. People make the change.

About Schneider Electric

Schneider is a global industrial technology leader bringing world-leading expertise in electrification, automation and digitization to smart industries, resilient infrastructure, future-proof data centers, intelligent buildings, and intuitive homes. Anchored by our deep domain expertise, Schneider provides integrated end-to-end lifecycle AI, enabling Industrial IoT solutions to connect with products, automation, software and services, delivering digital twins to enable profitable growth for Schneider customers.

Schneider has an ecosystem of 150,000 colleagues and more than a million partners operating in over 100 countries to ensure proximity to its customers and stakeholders. We embrace diversity and inclusion in everything we do, guided by Schneider's meaningful purpose of a sustainable future for all.

KAZAKHSTAN'S CORPORATE TAX LANDSCAPE IS UNDERGOING SIGNIFICANT CHANGES

by Yeldos Syzdykov, Partner, Deloitte
Saule Shintakova, Tax Manager, Deloitte

Kazakhstan is currently witnessing some significant changes in its corporate tax landscape. President Tokayev, in his address on September 1, 2022, directed the government to launch a tax law overhaul, including by drafting a new *Tax Code* that promises predictable tax policy, a full revamp of tax administration processes, more transparent customs administration, and the complete digitalization of tax controls. It also included technological modernization and scientific development incentives, among others.



On September 1, 2023, once work on the new *Tax Code* had been started, President Tokayev further instructed the legislators to:

- **offer tax exemptions to both foreign and domestic investors to bolster manufacturing**
- **revise tax policy to stimulate processing**
- **fully digitalize tax controls**
- **reduce tax reporting forms by 30% and the total number of taxes payable**

A draft *Tax Code* was eventually made available for public discussion and is due to be implemented from January 1, 2025¹.

In this article, we will be exploring the recent corporate taxation proposals, and given that the new draft *Tax Code* is a brand-new document, with numerous changes in both structure and form, we will focus on key changes that could affect international investors, if adopted, such as corporate tax rates, incentives, dividend repatriation, non-resident taxation, and other historically important areas.

¹The Draft *Tax Code* for public discussion is available at: <https://legalacts.egov.kz/npa/view?id=15096317>

Tax Rates and Base

The prevailing *CIT* (*Corporate Income Tax*) rate, which applies to most businesses operating in Kazakhstan, will remain at 20%. However, the new *Tax Code* introduces differentiated *CIT* rates for the following sectors:

1. **Banking sector (excluding real sector financing income):** a higher 25% rate will apply
2. **Gambling industry:** the same 25% rate will apply
3. **Processing industry, social sectors (such as education and healthcare), and financial leasing:** a reduced 10% rate will apply
4. **Agricultural producers:** a significantly lower 3% rate will apply

The draft *Tax Code* published for public discussion seems to provide no economic justification for tax rate increases, while the government's *Atameken National Chamber of Entrepreneurs* presentation does not seem to provide any financial or economic rationale for the government's intention. As we know, tax policy is a popular government tool to influence national economies, but, increasing tax rates beyond a certain point can actually be counterproductive in generating additional tax revenue, a phenomenon often illustrated by the famous "*Laffer Curve*".

With this in mind, it might be worthwhile including an analysis in the draft document of the financial and economic rationale behind raising income tax rates and assessing the potential impact on long-term economic growth.

The standard VAT rate would remain at 12%. However, importers of raw materials processed in Kazakhstan would have the option to defer VAT payable for one year. This should free up cash flow by allowing businesses to pay the tax once finished products have been sold.

The following VAT benefits will remain for specific cases:

- **Special Investment Contracts and Investment Agreements:** Businesses operating under these agreements will still enjoy VAT benefits and concessions.
- **Import-Resale Chains (for specific goods):** VAT exemptions will apply to medicines, agricultural machinery, etc.

Tax Audit Streamlining

The new draft *Tax Code* has removed the concept of planned or scheduled risk assessment-based tax audits, meaning that in future, tax audits will be “unscheduled”. However, the tax authorities may conduct an unplanned audit at a taxpayer’s request, not an option under the law.

Digitalization of Tax Administration

The worldwide digitalization of everyday activities, including in taxation, has been noted by the President, which is why he chose to cover it in his address and instruct those drafting the new *Tax Code* to emphasize and promote the potential for tax administration digitalization as a vital tool in a new service model aimed at simplifying the tax declaration process.

The draft *Tax Code* has looked to digitalize the tax administration process at all stages - from informative notification to tax collection and enforcement measures, as well as taxpayer registration/de-registration; tax compliance and filing using big data available for small and medium-sized businesses; e-commerce administration; and tax risk management, desk audits, and horizontal monitoring.

Depending on how it is implemented, the digitalized service model could play a crucial role in improving tax administration efficiency, reducing the burden on taxpayers, and enhancing the overall business climate. Reducing administrative expenses and providing fiscal support could be a real catalyst to development of entrepreneurship, stimulate economic growth, and strengthen trust between businesses and government.

Incentives for IT sector

Under the draft of the new *Tax Code*, benefits are preserved for participants in the special *Astana Hub* economic zone. Specifically, they will be exempt from paying *CIT*, *VAT*, and other taxes, similar to existing benefits. However, a new condition is added: benefits are possible only if at least 90% of revenue consists of income from IT services/activities and certain other types of income. Failure to meet this condition will limit the application of benefits.

Concept of the Development of Artificial Intelligence

It is separately necessary to note that the Government appreciates the need for legislative regulation of the development of artificial intelligence and relevant reforms, including tax legislation reform.

In particular in accordance with the publicly available *Concept of the Development of Artificial Intelligence* for 2024-2029 years (thereafter – the “Concept”), adopted by the Government recently, some tax issues are also addressed. Thus it is stated that one of the potential challenges associated with the widespread adoption of artificial intelligence and robotics is an increase in income inequality. This prompts consideration of how legislation should be adjusted and whether a comprehensive tax system reform is necessary to offset the potential inequality resulting from the widespread implementation of artificial intelligence.

It is also concluded in the *Concept*, that at this stage, there is no need to introduce any taxes on artificial intelligence systems or robots. Implementing such measures in one country may lead relevant companies to relocate to jurisdictions with more favorable conditions. Though, in the future, there may be a question about how to classify robots and artificial intelligence systems: as artificial workers who should pay taxes, or as equipment (with incentives for their expansion and updates).

Therefore, although the currently developed new draft *Tax Code* does not yet address the above *AI* issues, it should be expected that in the near future these new challenges may drive further tax reform.

Taxation of Non-Residents

Historically, non-residents in Kazakhstan have paid *withholding tax (WHT)* on income sourced in Kazakhstan. Investors, particularly those repatriating investment income from Kazakhstan, have monitored the taxation of dividends closely.

WHT is currently charged at 15% on dividends, with the possibility to reduce it through double taxation treaties to 5% or 10%. However, a practice emerged recently whereby certain taxpayers have not been able to apply international treaties automatically to claim the reduced rates and have had to withhold tax at the standard rate due to additional requirements imposed on dividends paid to non-residents, rendering the benefit to be available only via a complicated refund procedure.

The *New Tax Code* removes these restrictive conditions, but introduces the following new conditions:

- income paid should not be related to a non-resident’s permanent establishment in Kazakhstan (**income attribution rule**).

- for activities conducted under an agreement or transaction, taxpayers must demonstrate that the primary purpose of entering into the agreement or transaction was not to acquire treaty benefits (**principle purpose test**).

With the implementation of the *New Tax Code*, as we understand it, taxpayers may once again be able to apply reduced *WHT* rates independently, which, in my view, is more in line with investor-oriented international practices. However, they will need to prepare a defense file to substantiate the principal purpose and permanent establishment non-attribution tests, if applicable.

However, new conditions will be introduced with respect to other types of service income, i.e. when a non-resident has a registered permanent establishment or branch in Kazakhstan, or when services lead to the formation of a permanent establishment, tax agents will not be able to apply treaty-based reduced rates or exemptions independently and should apply *WHT*, with the non-resident seeking a refund.

Expanding the Definition: Similar Contracts for Non-Resident Permanent Establishments

Under current law, non-residents can create a permanent establishment in Kazakhstan in a number of ways, including when they provide services, typically related to connected projects, through personnel physically located in the country.

Historically, only closely-related or interdependent projects were considered “connected.” However, the *draft Tax Code* has expanded its definition of connected projects to include similar contracts, which are those where a non-resident or its related party provide services or work:

- with similar characteristics and objectives.
- having comparable content
- utilizing the same technology
- linked to the same infrastructure
- using identical or homogeneous resources (equipment, personnel or infrastructure) that are identical or similar

Having said that it is vital for non-residents implementing complex contracts and projects, such as *EPC* contracts, in Kazakhstan to analyze the above changes and their impact on tax obligations, the incorporation of permanent establishments, and income attribution.

Finally, even though the government is considering joining the *Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule*, which has seen extensive implementation in the EU, the draft *Tax Code* makes no mention of the *Pillar 2* reform. This could be a key omission as *Pillar 2* reform is one of the most significant tax reforms in *OECD* countries in the last decade.

“*Pillar Two* sets out global minimum tax rules designed to ensure that large multinational businesses pay a minimum effective rate of tax of 15% on profits in all countries”.

“The rules will apply to multinational enterprise groups and large-scale domestic groups in the EU with combined financial revenue of more than €750 million a year. They will apply to any large group, both domestic and international, with a parent company or a subsidiary situated in an EU country.

The *Pillar 2* directive includes a common set of rules on how to calculate and apply a so-called ‘top-up tax’ due in a particular country should the effective tax rate be below 15%. If a subsidiary is not subject to the minimum effective rate in a foreign country where it is located, the EU country of the parent company will apply a top-up tax on the latter. Where the parent company is situated outside the EU in a low-tax country that does not apply equivalent rules, a subsidiary in the EU country may apply a top up tax”.

If the government does not introduce *EU Pillar 2* legislation, any *CIT* concessions to below 15% for various industries will only result in reduced tax revenue for Kazakhstan and other countries collecting the difference via the “*top up tax*” to be paid by parent companies.

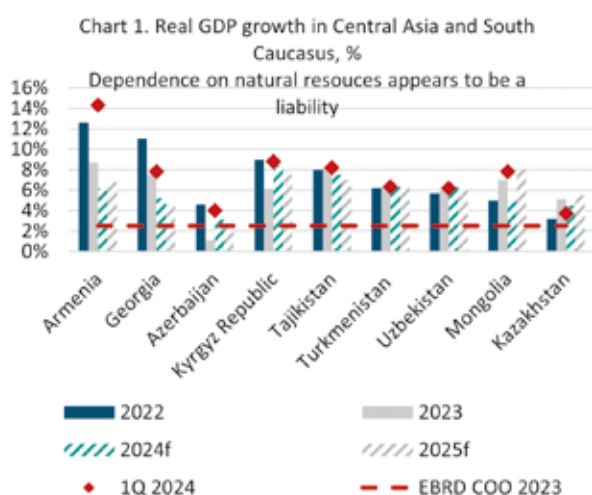
In summary, the key remember is that the government has drafted an entirely new *Tax Code*, with a different structure, revising many tax incentives, tax liabilities and tax administration, as well as *Digitalization* and, no doubt in time, *Artificial Intelligence*. We have only provided an overview of some key elements historically affecting investors but cannot rule out that other elements of high importance may have not yet come to our attention. Once the *Tax Code* comes into effect, we recommend studying the changes and applicable tax benefits thoroughly, updating your existing tax policies and methodologies to align with updated legislation.

CENTRAL ASIA: AN ECONOMIC OUTLOOK AND POLICY PRESCRIPTIONS FOR 2024-2025 AND BEYOND

by Eric Livny, Head of Turkmenistan
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Central Asia and Mongolia, EBRD

Kamilla Mamatova, Associate Economist,
Central Asia and Mongolia, EBRD

During the past two-three years, the Central Asia and South Caucasus economies have been continuing on a path of robust post-Covid recovery, in stark contrast with the much more lackluster performance in other EBRD countries of operations – in Central and Eastern Europe, Turkey, and the South-Eastern Mediterranean region. Looking at Chart 1, one can observe that growth in 2022-2024 has been particularly strong in economies where natural resources account for a smaller share in GDP and exports. Several factors combined to produce this outcome.



Source: National statistical authorities, EBRD

First, the initial impetus seems to have been provided by a wave of money, high-quality human capital and business relocation from Russia hitting the region in 2022 (Armenia and Georgia have been completely awash with Russian “relocant” during 2022 and much of 2023).

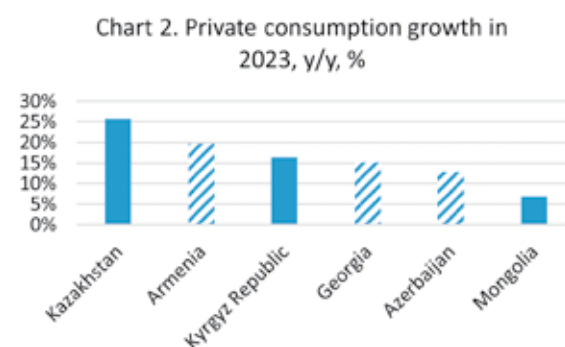
Second, growth has been further aided by the opportunistic spike in Central Asia’s intermediated trade with Russia. While the impact of intermediated trade may be temporary, the associated public and private investment in transport, logistics, and export-oriented manufacturing capacities (Kazakhstan and Almaty region in particular appear to have been the main beneficiaries) are set to continue, supporting regional growth.

Third, rapid improvements in tax collection capacity provided governments in a number of smaller countries, such as the Kyrgyz Republic, with the wherewithal to raise public sector wages, finance extensive social programs and infrastructure investment.

Fourth, and resulting from the above, most Central Asian economies have been enjoying robust growth in wages and real incomes, which – coupled with a surge in international arrivals and tourism – created a consumption boom further supported by technological advances in consumer lending (despite elevated interest rates).

Lastly, intra-regional trade, investment and tourism continued to rise, reflecting success in mending fences (literally, by demarcating long-disputed borders) and deepening economic cooperation throughout the region. The overall outlook for 2024-2025 is quite positive, despite short-term damage caused by adverse weather events in Kazakhstan and Mongolia. The region stands to benefit from closer Central Asian integration, reforms, and investments in the water, energy, and transport sectors, as well as experimentation with industrial policies aimed at promoting diversification.

Growth throughout Central Asia is sustained by a positive feedback loop from strong external and domestic demand to income, and from income to consumption

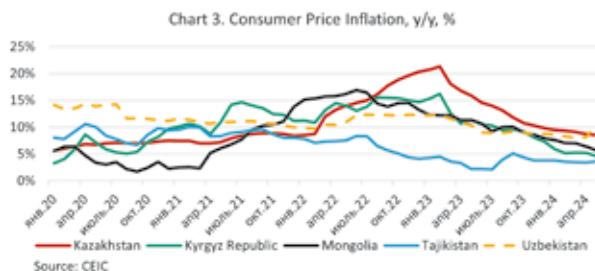


The Kazakh **labor market** is clearly overheated, with unemployment reaching a historic low of 4.7% and real wages increasing by 2.7% in Q1 2024. With incomes increasing, consumption added more than 25% in 2023. In the Kyrgyz Republic, **incomes and consumption swell due to three factors: growing wages, net remittances** (up 7% from January to May 2024) and **credit** (outstanding consumer loans rose by 60% year-on-year in May 2024). As a result, wholesale and retail trade grew by 21% in H1 2024.

Tourism is another big factor throughout the region. In Mongolia, the number of international visitors finally exceeded pre-pandemic levels in 2023, growing 2.6 times year-on-year and driving demand for tourism-related goods and services, including cashmere products. In Tajikistan, retail trade (up 11.7% year-on-year from January to May 2024) and hospitality activities (up 12.9% year-on-year) grew on increased remittances, wages, international arrivals, and credit expansion. Finally, one should note **digital advances in consumer lending and their role in boosting domestic demand**. For example, Uzbekistan saw outstanding banking sector loans increase by a staggering 40% in Q1 2024.

Despite strong demand-side pressures, inflation receded in all Central Asian countries in line with broader global trends

After peaking in late-2022-early 2023, inflation fell to single digits by the end 2023, aided by tight monetary policies and the normalization of food and transportation prices. In 2024, inflation continued a downward trajectory across the region, with the exception of Uzbekistan. As of May 2024, Uzbekistan's inflation stood at 10.6 per cent, remaining stickier due to exchange rate depreciation and elevated fiscal spending. Conversely, Tajikistan maintains the lowest inflation in the region largely due to unconventional measures, including food price controls.



With inflationary pressures easing, most Central Banks in the region started to gradually soften their monetary policy stances. Cumulative rate cuts so far have ranged from 75 basis points in Tajikistan to 400 basis points in the Kyrgyz Republic, bringing real interest rates down to 3.4-5.85%.

Spreads with developed countries remain slightly higher compared to pre-war levels, but solid international reserves support debt sustainability.

In 2023, public debt in Central Asian countries slightly increased in absolute terms (except in Turkmenistan and Mongolia) but declined relative to GDP due to strong economic growth. International reserves provide a relatively comfortable cushion against external risks, covering 3.1 to 12 months of imports.



Regional connectivity and economic integration challenges, chronic water and energy shortages as well as experimentation with industrial policies (to promote innovation and diversification) continue to dominate Central Asia's economic policy agendas.

Following Uzbekistan's reopening in 2017, Central Asian nations have come much closer together. Intra-regional trade almost tripled since 2016 supported by improved bilateral and multilateral arrangements. For example, UzKazTrade was established in 2023 with a mandate to bring bilateral Uzbek-Kazakh trade to \$10 billion. 28 inter-state agreements have been recently signed by Uzbek and Tajik presidents in Dushanbe, two of which focus on trade facilitation, and one on streamlining customs procedures at border crossing points between the two countries.

These agreements are supposed to help bring bilateral trade turnover from \$505 million in 2023 to \$2 billion. A number of bilateral agreements involving Kazakhstan and the Kyrgyz Republic have been signed recently to ease cross-border movement and to upgrade border crossing points serving road transportation in 2024-2027. The region is also seeing a very large number of meeting in the C5+1 format (e.g. with the China, US, and Japan), attesting to the Central Asia's regional cohesion, economic and geopolitical significance.

The looming water and energy crisis threatens national and regional security, necessitating sectoral reforms and tariff adjustments. Water shortages have become a regular occurrence across the region. In 2023, downstream countries faced significant irrigation water shortages, with some

starting to ration water supply. Similarly, energy generation throughout the region is frequently failing to meet peak winter demand, resulting in occasional blackouts.

Consequently, authorities are forced to accelerate investment in ailing infrastructure, address regulatory bottlenecks, build technical capacities and gradually bring electricity and other utility tariffs closer to cost-recovery levels. While drinking water tariffs are being increased throughout the region, irrigation tariffs have remained largely unchanged due to political economy considerations. In 2024, electricity tariffs for average households increased by 20.6% in Kazakhstan, 18.8% in the Kyrgyz Republic, 16.67% in Tajikistan, and 56.52% in Uzbekistan. In absolute terms, however, these tariffs remain far below the OECD average.

Eager to foster diversification, Central Asian government are launching bold industrial policy experiments. Inspired by Uzbekistan's perceived success in developing a competitive automotive industry, other countries started investing in own **car manufacturing**, attracting significant investment from China and other global players. Capitalizing on the globally expanding Business Process Outsourcing (BPO) industry, as well as domestic demand for digital products and services, Central Asian countries are also prioritizing ICT sector development. Countries

set ambitious IT exports targets (\$1 billion by 2026 in Kazakhstan, \$5 billion by 2030 in Uzbekistan), provide significant support through *Special Economic Zones* (*IT Park in Tashkent, High Technology Park in the Kyrgyz Republic, Astana Hub in Kazakhstan*), private and public training interventions (*Astrum IT Academy* and *One Million Coders* initiatives in Uzbekistan). Importantly, general business support measures are undergoing significant reforms. Kazakhstan's *DAMU Entrepreneurship Development Fund* is moving away from blanket interest rate subsidies toward better targeted and more cost-effective mechanisms such as (properly priced) loan guarantees.

To conclude, having grown so rapidly over the past several years, the region appears to be a victim of own success in the sense of straining the environment, transport, energy and water supply systems. Economic growth increases the overall size of the pie, lifting all boats, small and large, and slowing down is not an option given mounting demographic pressures. However, to sustain growth at politically and socially acceptable levels, national governments throughout Central Asia will have to find ways to accelerate investment in infrastructure, improve public management practices (e.g. by implementing politically sensitive tariff reforms), address human capital gaps, and reach a broad regional agreement on the use of shared resources, such as transport, water and energy. There is no time to waste.



ASTANA SUNDOWNER - NVENT THERMAL KAZAKHSTAN ST. REGIS HOTEL WINTER GARDEN, 25 APRIL 2024

The largest AmCham Sundowner ever held outside of Almaty was held for nVent Thermal at the prestigious St. Regis Hotel in Astana on 25 April 2024. The Winter Garden (otherwise known as 'the Yurt' due to its unique design) was the Sundowner setting with its expansive windows overlooking the Ishim River and surrounded by Astana's Central Park. Attendance exceeded 120 guests, many of whom were diplomats and ambassadors, including the U.S. Ambassador, Italian Ambassador, European Union Ambassador, and other guests of honor, including nVent corporate executives who had travelled to Astana for the celebration.

The celebration marked the recent opening of the nVent Thermal office in Astana, the second Kazakhstan office for nVent following its successful office in Atyrau, where it serves and supports the largest operators in the Caspian region. nVent is the leading global provider of Raychem, providing electrical heat tracing solutions for various industries in addition to the oil industry: mining, petrochemical plants, refineries and power generation to water and waste treatment, food processing, and many others. The company offers innovative products and turnkey solutions from front-end engineering and installation to maintenance and operation services.



Located in the capital city's Central Park, the St. Regis Hotel features a distinctive architectural design with neo-classical elements and 120 guest rooms, 23 suites, two Royal Suites, and a Presidential Suite. Butler service is available for each level of accommodation, a feature renowned for all the international St. Regis Hotels.

The St. Regis Astor Ballroom is the setting for the AmCham Annual Gala, the most exclusive and glamorous setting for over 200 diplomatic and corporate guests each year.





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AMCHAM SPRING AWARDS GALA – A SPARKLING BLACK-TIE EVENING THE ST. REGIS ASTANA HOTEL SATURDAY, 1 JUNE 2024

The *Annual AmCham Spring Awards Gala*, now taking place for the 17th year, was held at Astana's most elegant hotel, the St. Regis Hotel. The Gala, a glamorous evening that has become an AmCham tradition, presents 12 Awards for outstanding achievements in government, industry, and international institutions. The nature of the achievements may be cultural as well as business, industrial, corporate social responsibility, and individual leadership. AmCham has presented more than 100 Awards for outstanding achievements over many years.



Each year has a Master of Ceremonies (now two Emcees, given the growing volume of guests and Awards) from among the Ambassadors or AmCham CEOs.

This year's Emcees were World Bank Kazakhstan Director Andrei Mikhnev and Netherlands Ambassador Nico Schermers. A perfect combination, they conducted the Awards Ceremony with flair.

The Gala attracts numerous Ambassadors – this year 12 Ambassadors attended in black-tie to present each Award after 'opening the envelope' (the Nominees do not know in advance who will receive the Award), then handing the personalized engraved bronze Awards at the podium with congratulations to the Winners, who then deliver a brief speech about their achievement, personal or institutional.

Each year two *Honorary Awards* are presented at the beginning of the Ceremony *The U.S. Ambassador's Award for Best Contribution to U.S.- Kazakhstan Relations* is traditionally presented by the U.S. Ambassador himself and the *AmCham Award for Public Service* is presented by the AmCham Executive Director.



Since the Awards Gala was launched, the *Honorary Awards* have been presented to Prime Ministers, Deputy Prime Ministers, National Bank Governors, Cabinet Ministers, Public Figures, and Cultural Leaders – all of whom have attended the Gala to receive their Awards in person and have spent the evening socializing with the other guests.



*Prime Minister Bakhytzhan Sagintayev receives
AmCham Public Service Award 2019*

Apart from the *Honorary Awards*, which are discretionary, the Award Nominations submitted by the AmCham Membership increase each year. This year's competition was especially intense with 75 Nominations for 12 Awards. The Nominations are adjudicated by an impartial Selection Committee that rotates from year to year.

This year has been especially challenging, marked by global challenges such as geopolitical conflict and inflation. Nonetheless AmCham members and government leaders have proven their resilience with outstanding achievements that have contributed not only to their own companies and institutions, but also to Kazakhstan's economic growth.

The evening's final Award was a particularly interesting and unique achievement – *Support for Kazakh Culture*, a project to spread traditional Kazakh music between Kazakhstan and Turkey. The evening ended with a lively Dombra performance appreciated by all the guests and sponsored by Borusan CAT, a major Turkish conglomerate with a lengthy history of success in Kazakhstan.



Dombra performance wins the Support for Kazakh Culture Award

The full list of Awards with this year's Winners in each category was the following:

Honorary Awards

- *U.S. Ambassador's Award for Best Contribution to U.S.-Kazakhstan Relations: Kanat Sharlapaev, Minister of Industry and Construction of Kazakhstan*
- *AmCham Public Service Award: Galymzhan Koishybayev, Deputy Prime Minister of Kazakhstan, Chief of Staff for the Prime Minister*

Corporate and Individual Awards

- *Executive of the Year Award – Thomas Jose, General Director, Beiersdorf*



- *Women's Leadership Award – Assel Sadykulova, CEO, AVON; Anastassiya Pankrasheva, Manager, Borusan CAT*



- *AmCham Service Award – Erlan Dosymbekov, Managing Partner, EY*
- *Most Innovative Education/ Training Award – Air Astana*
- *Entrepreneurship Award – Johnson & Johnson*
- *Excellence in Innovation Award – Eurasia Group*
- *Environmental and Safety Award – Beeline*



- *Health Protection Award – Pfizer Kazakhstan*
- *Community Service Award (Large Companies) – Citibank; Coca-Cola*
- *Community Service Award (NGOs) – Bulat Utemuratov Foundation; Chevron/ I Teach Me NGO*
- *Support for Kazakh Culture Award – Borusan CAT; Haileybury School Almaty*



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AMCHAM U.S. INDEPENDENCE DAY CELEBRATION INTERCONTINENTAL ALMATY HOTEL, SUMMER GARDEN SATURDAY EVENING, 6 JULY 2024

The annual AmCham *U.S. Independence Day* was held, as always, in the very best location for adults and children in the spacious Summer Garden of the InterContinental Almaty Hotel. Three hundred AmCham members with their families, friends, and colleagues attended the four-hour celebration. The program was especially designed for the many children whose enjoyment lasted all evening.

The evening began with Welcoming Speeches delivered by the AmCham Executive Director, the AmCham President, and the Chief Executive Officer of AVON, who had recently won the *Women's Leadership Award*. Live music was played under the trees throughout the evening by the *Jazz Session Group* while children played their games, had their faces painted, bounced endlessly in the Bouncing Castle, and jumped with joy at performances by acrobats, magicians, and hula-hoop performers.

A large barbecue dinner was prepared for adults by the InterContinental Hotel staff and a children's menu was served to the children. The Hotel wheeled out the huge traditional *American Flag Cake*, the InterContinental's special gift to AmCham each year for Independence Day.

The children picked winning tickets for the Lottery, prizes that included *Air Astana* tickets to any destination worldwide and *Turkish Airline* tickets to vacation destinations in Turkey. Brunch and dinner tickets to exclusive restaurants, certificates for a day at hotel spas, cosmetics for women, and gift certificates for customized men's suits from *The Imperial Tailoring Company* were also lottery prizes.

Everyone awaited the grand fireworks display at the end of the evening as darkness fell and the sky lit up with the famous *AmCham Salyut* to celebrate *Independence Day*.



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NEW MEMBERS



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MEMBER NEWS



Utsav Kumar is Appointed Kazakhstan Country Director for the Asian Development Bank (ADB)

Prior to his current assignment in Kazakhstan, Utsav Kumar was Deputy Country Director at the *Asian Development Bank's Sri Lanka Resident Mission* where he also headed the economics, programing, and knowledge unit. He served as Team Leader for the *Sri Lanka Country Partnership Strategy* and was the Co-Team Leader for ADB's special Policy-Based Loan to Sri Lanka for economic stabilization. Before that he was an Economist with the *ADB Economic Research Department* and *South Asia Department* at ADB headquarters in Manila.

Utsav Kumar has also been a consultant with the *ADB Central and West Asia Departments*, and the *Southeast Asia Department*. Early in his career, he worked as an Economist with the *U.S. Conference Board*. While pursuing his graduate degree he worked briefly at the *International Monetary Fund (IMF)*.

Utsav Kumar holds two Master's degrees in Economics and a Doctorate degree from the *University of Maryland*, as well as a Bachelor's degree in Economics from the *University of Delhi, India*.



Andrei Mikhnev is Appointed Country Manager of World Bank Kazakhstan

Andrei Mikhnev was appointed World Bank Country Manager for Kazakhstan and Turkmenistan on February 1, 2023. He leads the World Bank policy dialogue with counterparts in Kazakhstan and Turkmenistan, managing the country program and the team based in Astana.

Andrei Mikhnev has more than 20 years of international experience focus on economic development. Most recently, he led the World Bank Country Office in Mongolia. Prior to that, he led programs in the Middle East and the Gulf countries aimed at enhancing the competitiveness and private-sector led growth in that region. During his career he has worked on economic reforms in Latin America, Sub-Saharan Africa, South Asia, the Middle East and North Africa, Europe and Central Asia.

Andrei Mikhnev holds a Ph.D. degree in international economics from the Taras Shevchenko National University in Kyiv.



MEMBER NEWS



Dr. Rashed Mustafa Sarwar is Appointed UNICEF Representative in Kazakhstan

Dr Rashed Mustafa Sarwar has over 25 years of diverse work with UNICEF and other UN agencies in politically transitional and developing countries, in countries of middle and upper-income status as well as in extreme humanitarian and post-conflict situations in Central Asia and the Caucasus, Europe and Southeast Asia.

Before joining UNICEF in Kazakhstan, Dr Rashed led the *UNICEF Refugee Response* operation in Poland. He established the UNICEF presence and performed overall leadership of the *Refugee Program* that has provided over US\$ 250 million to millions of Ukrainian refugee children and women in Poland for two years. He served as UNICEF Representative to Malaysia and Special Representative to Brunei Darussalam from 2020 to 2022, UNICEF Representative to Belarus from 2015-2020, and UNICEF Deputy Representative to Azerbaijan in 2009-2015.

Dr. Sarwar is a national of Bangladesh and has advanced medical education. Between 2006-2009 he served as Chief of the UNICEF Office for the North Caucasus. Between 1995- 2006, he worked for UNHCR in East Timor, Abkhazia, and UNWFP in Tajikistan, as well as for UNICEF in South-East Asia in the fields of Health and Nutrition, Early Childhood Development, and Immunization.



Dumitru Lipcanu is Appointed Acting Representative for UN High Commissioner in Central Asia (UNHCR)

Dumitru Lipcanu was appointed Acting UNHCR Representation for Central Asia in Kazakhstan in October 2020. After joining UNHCR in 2010 he has contributed in various capacities to the protection of refugees and internally displaced persons' rights in different operations, including emergency and protracted situations in Moldova, South Sudan, Ukraine, and Jordan.

His areas of expertise include operations management, community protection, support for socio-economic empowerment of forcibly displaced and stateless populations, refugee integration, humanitarian interagency cooperation, and emergency response coordination.

Prior to UNHCR, Dumitru Lipcanu worked for the *International Organization for Migration (IOM)*, preceded by employment in international companies in Romania and Belgium.

Dumitru Lipcanu graduated with a BSc in Economics from the Moldova Academy of Economic Studies in 1997, followed by several internships in the United States and Switzerland. He is fluent in English, French, Russian and Romanian.



MEMBER NEWS



Vugar Manafli is Appointed CEO of British American Tobacco (BAT) Kazakhstan

Vugar Manafli, newly-appointed CEO of British American Tobacco (BAT) Kazakhstan, began his career in 2002 at Procter & Gamble, after which he moved on to Colgate-Palmolive. His career path at Colgate-Palmolive began as a sales supervisor, where he first demonstrated that he was not afraid to show inclusiveness, make mistakes, and move forward. Vugar's last role at Colgate was Central Asia Cluster GM.

Vugar Manafli's colleagues note his eagerness to help in the development of every employee. He believes in the importance of inclusiveness, that every team member should have the opportunity to contribute and grow. His approach to leadership is based on support and mentorship, creating a favorable work environment and promoting high performance.

A strong business development professional, Vugar Manafli earned a Master's degree in International Relations and International Law from Baku State University. In the future, he plans to teach young talents at a school or university. He believes that passing on knowledge and experience to the younger generation is one of the most important contributions he can make.



Marat Rafikov is Appointed Head of Cisco Branch Kazakhstan

Marat Rafikov's professional journey in the field of information technology and telecommunications has been both diverse and fulfilling. He currently serves as the Head of Cisco Branch in Kazakhstan, where he is responsible for overseeing the region's operations, strategic planning, and business development. In this role, he manages relationships with a wide array of clients, including public sector entities, power structures, and long-standing historical customers.

Before his current role, Marat Rafikov was an Account Manager for key Cisco customers within the territory where his primary focus was on Service Providers and the Oil and Gas sectors. He was previously Lead of Advanced Services for Cisco Kazakhstan. In this capacity, he provided strategic leadership and technical expertise to ensure high-quality services.

Marat's career before joining Cisco was marked by a series of technical roles in IT engineering across several prominent companies. He worked with Kazakhtelecom, Transtelecom, and Beeline Kazakhstan, where he gained extensive hands-on experience.

Marat Rafikov holds Bachelor's degrees in Standardization, Certification, and Metrology, and another in Radio, Electricity, and Telecommunication.

AMCHAM ADVOCACY UPDATE: MARCH-JULY 2024

With the appointment of a new Prime Minister, Olzhas Bektenov, to launch 2024, AmCham was informed that the *Prime Minister's Council to Improve the Investment Climate* would continue as a valuable source of commentary and reform recommendations for the government. AmCham decided to design the first Council meeting to address Prime Minister Olzhas Bektenov's priorities as he took up his new government position.

March Council Session – Obstacles to Investment: three Items in an Unfulfilled Agenda

- As one of the Prime Minister's previous positions had been heading Kazakhstan's *Anti-Corruption Agency*, AmCham invited three OECD Speakers on this topic to open the meeting. *Anti-Corruption* was particularly relevant for the March Council session in that the *OECD Anti-Corruption Network* and *OECD Business Integrity Program*, both of which include AmCham as a member, conducted a four-day Monitoring Session with the *Anti-Corruption Agency* in Astana between April 8-12.
- A second long-standing problem area included in the Council Agenda was *Fair Competition* - frequent obstacles to fair competition that discourage companies from seeking new business initiatives. This can often be understood as giving preference to 'insider' competitors that are not necessarily the most competent businesses or suppliers. Preference is given to weaker local companies as opposed to companies with extensive experience.
- The third topic on the Council Agenda was *Tax Reform* and the long-awaited new *Tax Code* developed last year but now subject to revision for both corporate and personal income taxes. Taxes have always been an on-going subject for discussion at the Council but recommendations have not always been implemented. Royalties and double taxation have been frequently addressed but not resolved since the first Council meeting in 2009.

These three inter-related topics thus constituted the Agenda for Prime Minister Bektenov's first Council session under the general title of *Obstacles to Investment*. If fulfilled, the three topics outlined above can be expected to improve investment.



In addition to the OECD *Anti-Corruption* Speakers, the Council Speakers were a varied group with diverse points of departure for each of the topics, but all were in agreement on the need to pursue strong reform positions.

Three Ambassadors spoke on behalf of *Canada*, the *United Kingdom*, and the *European Union*. The *Asian Development Bank's* Country Director addressed the need for *Fiscal Decentralization*, and three AmCham Corporate CEOs spoke on behalf of *EY* (addressing the new *Tax Code*), *Beeline* (addressing regulation of telecom frequencies and royalties), and *Johnson & Johnson* (addressing pharmaceutical patent protection and application of VAT to medical prices).

June Council Session – Digitalization and the Digitalization Code: Emerging Issues

An interesting development was the Prime Minister's request to submit copies of all the AmCham presentations as a resource for the Government in its reform efforts. The presentations from both the *March Council* (*tax reform, judicial reform, combating anti-corruption*) and the *June Council* (*Digitalization and Artificial Intelligence*) were submitted to the PMO so that the Government Working Groups can refer to AmCham recommendations.

Reform is a constant process and it is to be hoped that the AmCham presentations at the Council will be used for reform purposes. The original framework of the *Digitalization Code* was completed in 2023, but a new version is being developed for presentation by the end of 2024.

The June Digitalization session was held with the following speakers on the AmCham side: three ambassadors (*Canada, UK, Italy*), two IFI Kazakhstan-based Directors (*World Bank, EBRD*), and three AmCham Corporate members (*Dentons Law Firm, Microsoft, Google*). Their presentations also included reference to codes and regulatory guidelines already introduced in other countries that could be relevant to Kazakhstan.

EBRD pointed out the progress of digital connectivity in Kazakhstan both in rural and urban areas, but cites the need to improve digital quality. However, EBRD has been particularly active in developing and implementing digital projects in a variety of regions and initiatives – *women in business, port modernization, health information systems, and urban digitalization*.

The Italian Ambassador commented knowledgeably about digitalized grids as a ‘key to boost electrification. However he also saw AI as ‘both a problem and a solution due to its highly energy intensive nature’. The AI applications can optimize energy consumption, reduce waste, and improve efficiency and security levels but may also have negative impacts on grid resilience.

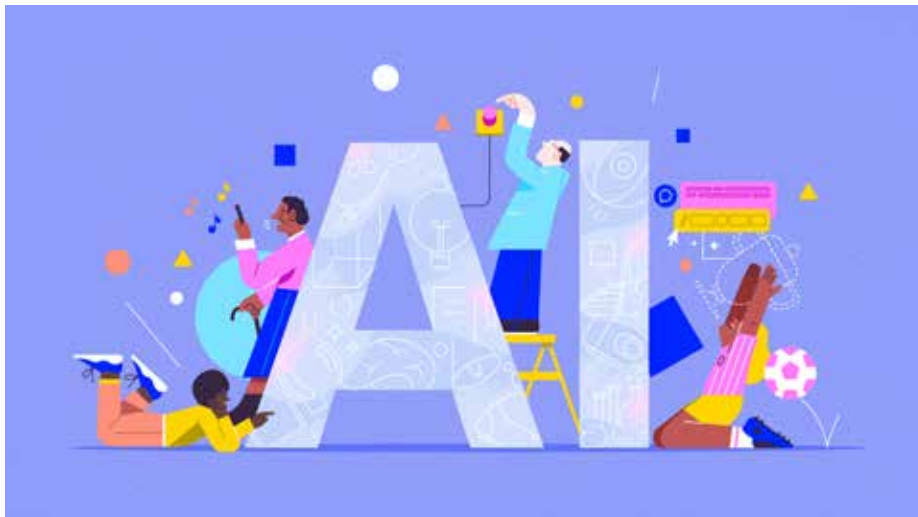
Dentons focused on *AI guidelines*, reporting that a third of the participants in Kazakhstan’s financial and banking market are already using artificial intelligence for work. This requires development of simple and understandable AI rules at the legislative levels, but Kazakhstan has not yet regulated artificial intelligence. However, a *Committee for Artificial Intelligence and Innovation Development* was created at the end of April. It is expected that this Committee will develop AI rules for both regular users and developers.



Dentons also pointed out that the recent *European Union AI Act* has established international standards that could serve Kazakhstan well: the *concept of AI, areas of use, rules for use of AI confidential information, personal data protection, and copyright*.

The Microsoft CEO stressed the company’s leadership at the forefront of AI research and technology and its role in sharing Microsoft practices with public and private stakeholders.

The Google speaker stressed the AI potential to drive economic growth and open up new forms of economic opportunity for Kazakhstan. Public-private partnership is seen as crucial to foster an environment conducive to AI-driven economic growth in Kazakhstan.



AMCHAM WORKING GROUPS UPDATE

MARCH-JULY 2024

Technology and Innovation Working Group - April 30, 2024

On Tuesday, April 30, at 12 pm, the *Technology and Innovation Working Group* convened its monthly meeting on the Microsoft Teams platform. The session was chaired by **Sergey Leschenko**, Microsoft's Country Manager, with **Dmitrii Diuriagin**, CIS SMB Channel Sales for Modern Workplace at Microsoft, as the Guest Speaker. The focal topic of discussion was "*Copilot - AI in Work Collaboration Today*."

As AI continue to revolutionize the workplace, a staggering 87% of organizations believe that artificial intelligence will provide them with a competitive edge. This belief underpinned the excitement around *Copilot for Microsoft 365*, a tool designed to access business content and context seamlessly.

Microsoft Graph is at the heart of this transformation. Serving as a gateway to data and analytics in *Microsoft 365*, *Graph* leveraged a unified programming model to access data across Microsoft's cloud services, including *Microsoft 365*, *Enterprise Mobility + Security*, *Windows*, and *Dynamics Business Central*. Key components of *Microsoft Graph* includes:

- **Graph API:** A unified endpoint for real-time access to internal data.
- **Graph Connectors:** These deliver external data to Microsoft Graph, integrating information from platforms like Salesforce and Jira.
- **Graph Data Connect:** Provides secure and scalable access to large datasets on the *Azure AI* platform, enabling valuable insights and analytics.

Sitting atop *Microsoft Graph* is the *Semantic Index*, which interprets user queries to generate complex, meaningful, and multilingual responses. This enhances productivity by improving search functionality within *Copilot for Microsoft 365*. Using AI and natural language processing, the *Semantic Index* understands the meaning behind search terms, recognizing synonyms and related concepts to deliver precise and efficient search results.

Copilot for Microsoft 365 was integrated into key Microsoft applications such as *Word*, *PowerPoint*, *Excel*, *Outlook*, and *Teams*. The potential time savings with *Copilot* were significant. On average, users could save 10 hours per month, translating to a 180% return on investment when considering an employee cost of \$30,000 per year.

The impact on overall business value is substantial. Organizations can boost their net profit by enhancing the productivity, efficiency, and creativity of their most valuable asset: their employees. The benefits include:

- **Increased Productivity:** More efficient processes and satisfying work experiences.
- **Enhanced Focus:** Employees can concentrate on more rewarding tasks, saving time for more critical work.
- **Reduced Meeting and Email Time:** Less time spent on repetitive or routine tasks.
- **Creative Opportunities:** Employees have more time to innovate and develop creative solutions.

The meeting also explored the tangible benefits of using *Copilot*. Employees had reported significant satisfaction with *Copilot*, expressing reluctance to return to work without it and frustration at the thought of its absence. Moreover, *Copilot's* presence influenced employer choice, highlighting its value in the modern workplace.

As the *Technology and Innovation Working Group* delved into the transformative potential of AI in work collaboration, it became clear that tools like *Microsoft Copilot* will not just enhance productivity but also reshape how organizations approach work in the digital age.

Intellectual Property/ Pharmaceutical Protection Working Group - April 30, 2024

The *IP/Pharmaceutical Protection Working Group* held its meeting on Friday, April 30, via the Microsoft Teams platform. The meeting was chaired by **Adilet Nazarbayev**, CIS Cluster Lead at *Janssen Pharmaceuticals*, *Johnson & Johnson*, together with Group Advisor **Donald Townsend**, U.S. Senior Commercial Officer.

The agenda for the meeting included a review of the Working Group's results for 2023 and plans for 2024, an update on the outcomes of a recent meeting with the Minister of Healthcare, and the provision of any new patent infringement cases by other members. Additionally, the group aimed to collect proposals for future meetings with governmental bodies.

A significant part of the discussion focused on the lack of protection for patent holders' rights in regulatory processes. There are no procedures in place to verify the presence of protected inventions in drugs and medical devices during their expertise and registration.

This gap includes the absence of regulation on issuing *Registration Certificates (RC)* for drugs and medical devices containing protected inventions, such as refusing to issue or issuing with a delayed market entry period. Moreover, there is no provision for suspending the RC during active disputes over infringement or threats of infringement.

In the procurement of drugs under state programs, potential suppliers cannot be disqualified from tender participation if there is a dispute over intellectual property infringement. Furthermore, patent infringement or disputes over infringement are not grounds for rejecting a supplier's tender application.

The group reviewed past efforts, including meetings and discussions with various government officials and bodies. AmCham has contributed significantly to these efforts by providing international experience on patent protection, proposing amendments to regulatory acts for patent rights protection, highlighting cases of patent rights violations in drug procurement, and organizing a roundtable with participation from the *Ministry of Health (MoH)* and *Ministry of Justice*.

Governmental bodies have been urged to identify the reasons for excluding patent protection norms in the registration and procurement of drugs, consider restoring previously existing norms, and examine proposals for patent searches and alignment with international non-proprietary names. Despite these efforts, proposed amendments to regulatory acts for patent protection have not been accepted, and legislative changes have not been achieved.

The Working Group decided to prepare a letter to the *MoH* to clarify the status of the implementation of the protocol from the AmCham meeting with the *MoH* in March 2024. The *IP/Pharmaceutical Protection* Working Group remains committed to addressing these critical issues and will continue to engage with government bodies to advocate for stronger patent protection measures within the industry.

Corporate Social Responsibility (CSR) Working Group - June 11, 2024

The *Almaty Corporate Social Responsibility Working Group* held its meeting on June 11 online via Microsoft Teams. The session was chaired by **Thomas Jose**, General Director of *Beiersdorf Eurasia*, and featured **Yuliya Lim**, Air Astana Chief Compliance and Sustainability Officer as the keynote speaker. Participants included representatives from *Bertling*, *DIS Group*, *KIMEP University*, *DataArt Kazakhstan*, *BAT Kazakhstan*, *Lufthansa Kazakhstan*, *Red Crescent KZ*, *Procter & Gamble*, *PwC Kazakhstan*, *BDF*, *Delta Airlines*, *INPEX*, and others.

The agenda focused on the critical topic of reducing the carbon footprint in the aviation industry. Currently, the aviation sector accounts for approximately 2-3% of global CO₂ emissions. With the increasing demand for air travel, addressing its environmental impact has become more pressing than ever. Air Astana's presentation provided a comprehensive overview of the current state of emissions within the industry and explored various strategies for mitigation.

A significant portion of the discussion centered around *Sustainable Aviation Fuel (SAF)*, which has emerged as a promising solution to the industry's environmental challenges. *SAF* offers numerous benefits, including a significant reduction in carbon emissions, use of renewable and sustainable resources, enhancement of energy security, compatibility with existing aviation infrastructure, and advancements in technology. Additionally, *SAF* aligns with policy and regulatory compliance, making it a viable option for the industry's future.

The meeting also highlighted future net-zero technologies that the aviation sector is actively developing, with new types of aircraft expected to be introduced after 2035. These include hydrogen aircraft, hybrid-electric aircraft, and solar-powered aircraft, all of which aim to drastically reduce emissions and contribute to a more sustainable future for air travel.

Air Astana's commitment to sustainability is evident in its *ESG (Environmental, Social, and Governance)* initiatives. Since establishing the *Compliance and Sustainability Department* in 2019, the company has made significant progress. In 2022, the *CSR Committee* was redesigned as the *ESG Committee* to assist the Board of Directors in overseeing *ESG*-related issues.

The same year, the *Low-Carbon Development Program* for 2023-2032 was developed. In 2023, the *ESG Strategy* for 2023-2032 was created, and *ESG* training was conducted for the Board of Directors and executive management. Furthermore, Air Astana included *TCFD (Task Force on Climate-Related Financial Disclosures)* recommendations in its Annual Report for 2022, marking a significant milestone in its sustainability journey.

Identifying six priority *UN Sustainable Development Goals*, Air Astana has engaged in various initiatives, such as a research study on the potential for *SAF* production and consumption in Kazakhstan in partnership with the *EBRD (European Bank for Reconstruction and Development)* and *KazMunaiGas*. One of the notable projects is "*Upcycling for the Future*," which creatively recycles used aircraft parts. In 2022, the *Almaty Esentai Gallery* hosted an exhibition showcasing repurposed parts of *Boeing 767* and *Airbus A320* aircraft turned into functional urban interior items and stylish art objects by local craftsmen and designers.

The meeting underscored the importance of collaborative efforts and innovative solutions in achieving a sustainable future for air travel. Air Astana's comprehensive approach to sustainability demonstrates its leadership in promoting eco-friendly practices within the aviation industry, setting a benchmark for others to follow.

WELCOME ADDITIONS TO THE CHAMBER



GOOGLE

CORPORATE A

Olga Skorokhodova
Government Affairs
(based in Dubai)

Email: oskorokhodova@google.com
Website: [google.com](https://www.google.com)

Founded in 1998, Google's mission is to organize the world's information and make it universally accessible and useful. Google has rapidly grown to offer a multitude of products and services beyond *Google Search*, many of which hold dominant market positions.

Google and *YouTube* are the two most visited websites worldwide followed by *Facebook* and *Twitter*. Google is a subsidiary of *Alphabet Inc.*

Through products and platforms like *Search*, *Maps*, *Gmail*, *Android*, *Google Play*, *Google Cloud*, *Chrome* and *YouTube*, Google plays a meaningful role in the daily lives of billions of people and has become one of the most widely-known companies in the world.

Google's other ventures outside of Internet services and consumer electronics include quantum computing (*Sycamore*), self-driving cars (*Waymo*, formerly the *Google Self-Driving Car Project*), smart cities (*Sidewalk Labs*), and transformer models (*Google Brain*).

Google also performs language translation (*Translate*), video calling (*Meet*), music streaming (*YouTube Music*) and a host of other services.



AVIS7

CORPORATE B

Abildin Cozy
Deputy Director

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AVIS7 is a private Kazakhstani company, the only official authorized reseller since 2020 of *Jeppesen*, a *Boeing Company*, for government users in Kazakhstan. AVIS7 also cooperates with other American companies such as *Universal Avionics*, *Rockwell Collins*, *Genesys Aerosystems*, *Garmin* and *Honeywell*.

AVIS7 services are intended to enhance flight safety. It provides aeronautical information documents (*maps/charts*, *airways manuals*, *flight planning software*, *electronic databases for aircraft on-board equipment (avionics) and portable devices*). The company provides services within the state defense framework and is in the register of Atameken domestic manufacturers. AVIS7 also has its own products: *Kazakhstan Airways Manual* and a *Radionavigation Chart*.

Since 2020, the volume of services sold by AVIS7 and *Jeppesen* has doubled in Kazakhstan. With the increase in the aircraft fleet and the emergence of new technologies, the demand for services in Kazakhstan continues to grow. AVIS7 clients include the *Ministry of Emergency Situations*, as well as private business aviation and small aviation companies: *Dala Air*, *Alaman Air*, *Q-AVIA*, *South Oil*, *Prime Aviation*, *Zhetusy* and others.



THE IMPERIAL TAILORING COMPANY

CORPORATE C

Barry Tewani
Director

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The Imperial Tailoring Company originally opened in 1969 in South Africa. Twenty years later it launched its services in Moscow. The Imperial Tailor is one of the most famous salon brands in Eastern Europe and the CIS countries engaged in sewing elite men's clothing. Today, the Company is included in the world ranking of the 10 leading salons of bespoke tailoring.

The Imperial Tailor has 12 VIP class lounges operating in 6 countries around the world. It has been operating in Kazakhstan since 2001 with two salons in Astana, Kazakhstan's capital city, and in Almaty, the country's business center. Customized classic business suits can be sewn for all customers.

Both salons are open for business seven days a week. Appointments can be scheduled at the following telephone numbers:

Almaty: +7 (727) 258 82 20
+7 (777) 221 83 74
Astana: +7 (7172) 52 44 72
+7 (7172) 52 42 92

AMCHAM WORKING GROUPS

Working Groups made up of representatives from Amcham member companies provide comment, discussion and submission of positions and represent the united interests of the business community in Kazakhstan by identifying challenges faced by investors and proactively addressing them. Each group meets regularly, providing a forum for networking and the exchange of information. Groups are formed on an as-needed basis at the request of the AmCham membership.

GOVERNANCE

The AmCham is governed by a Board of Directors elected annually from and by the membership. Directors currently and in the past have included individuals from the following company members:

AES	HSBC
AIG Insurance	Hyatt Hotel
Baker & McKenzie	Honeywell
BASF Central Asia	Inditex
Beeline	Intercontinental Hotel
BG Group	KIMEP
Bracewell and Giuliani	KPMG
Capital Bank	Nestle
Chevron	Pfizer
Citibank	Philip Morris Kazakhstan
Conoco Phillips	Philips Kazakhstan
Coca-Cola	PricewaterhouseCoopers
Dechert	Procter & Gamble
Deloitte	Raytheon
EBRD	Scot Holland CBRE
EY	Tengizchevroil
GE International	Visor Capital
Halliburton	White & Case

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Marina Trinca Vespan
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Resident Representative, Atyrau and Aktau
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MEMBERSHIP CATEGORIES AND ANNUAL FEES

Corporate A	(Worldwide revenues in excess of 100 million USD)	\$5,500 USD
Corporate B	(Worldwide revenues between 2-100 million USD)	\$4,000 USD
Corporate C	(Worldwide revenues not exceeding 2 million USD)	\$3,000 USD
Non-Profit		\$2,000 USD
Individual**		\$500 USD

***Individual memberships are available only under special circumstances for persons not associated with a company.*

Corporate membership entitles a company to delegate 3 individuals as AmCham voting members. The number of persons from each company participating in working groups, forums, and business roundtables is usually not limited.

All applications for membership must be approved by the Board of Directors of the American Chamber of Commerce in Kazakhstan. For further information about membership benefits, the application process, or Investors' Voice magazine, please contact: info@amcham.kz

**823,6 mln
KZT**paid through
DTP.KZ service**2 468**number of insurance payments
paid through **DTP.KZ service****6 hours**the fastest insurance
payouts direct to bank card

DTP.KZ is an innovative insurance payment service. With this service, drivers who have been involved in an accident can receive their insurance payment directly to their bank card without having to visit the insurance company's office. The service provides one hundred percent safety. All necessary documents are signed online using the Digital Identification system.

The service was launched in collaboration with Sergek*.
The service protects from the fraud cases, providing the possibility to:



Verify the fact that the participants of the insured event were at the scene of the accident at the time of the accident.



Check whether the vehicle was damaged before the accident.



To determine if the reported damage corresponds to the post-accident damage that is visible from the Sergek's cameras.

* The Sergek system is a Kazakhstani intelligent solution that monitors road traffic, records violations and ensures safety on roads and streets.

Scoring system using Machine learning has been launched, which offers:

PREDICTION OF THE PROBABILITY OF AN ACCIDENT

Prediction of the payout amountCustomer
segmentation**Customized rates for drivers**Analysis of drivers' behavioral
and financial parameters

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