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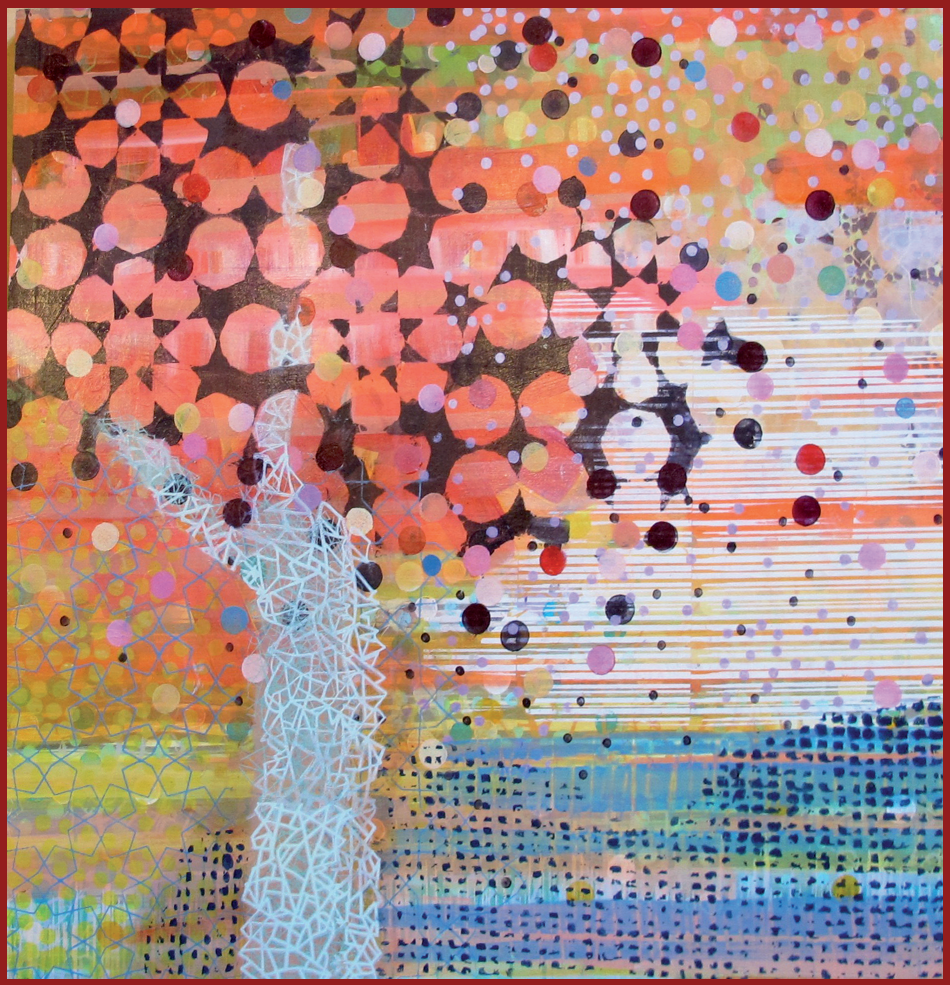
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Kazakhstan's Food and Pharmaceutical Security: Preparing for the Future



- Pharmaceutical Global Supply Chains
- Kazakhstan's Pharmaceutical Security
- Pfizer Improving Healthcare and Tackling Covid-19
- Dr. Reddy's - India's Pharmaceutical Industry
- Kazakhstan's Agrifood Challenges - Best Practices
- Kazakhstan's Goal of Self-Sustainability
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EDITOR'S NOTE



Dear Readers,

As 2020 draws to a close, a difficult year by all counts with the unexpected shock of COVID-19 in the early spring challenging Kazakhstan and the rest of the world to demonstrate resilience and adaptability, we have now entered a period of reflection and planning for the future. The annual *AmCham Economic Policy Conference* thus chose as this year's topic two separate, but intertwined topics brought into sharp focus by the pandemic: *Kazakhstan's Pharmaceutical and Food Security: Preparing for the Future.*

As those who experienced the first, severe lockdown between March and May in Kazakhstan will recall, the only necessities that the population could leave their homes to acquire were medicines and food supplies. In the months that followed, these basic needs were increasingly subject to challenges that placed in question to what extent Kazakhstan was secure and capable of providing food and medicine to its population. Each gave rise to serious questions concerning the country's state of development and its preparedness for the future when, as public health experts believe, there may be more global crises similar in nature and impact to the COVID-19 pandemic.

In a country such as Kazakhstan with a fragile healthcare system, the supply chain for pharmaceuticals quickly collapsed, leaving hospitalized patients without much-needed therapeutic medicines, doctors without protective equipment, and anxious buyers in long lines outside pharmacies waiting to purchase basic healthcare supplies that were in many cases unavailable.

As for food security, Kazakhstan's rich agricultural potential could make the country fully self-sustaining, but its reliance on imported food products – by some accounts 90% of the food products on sale in supermarkets and food shops are imported, not grown locally – undercuts its food security. Inflationary pressures on food pricing also increased greatly during the pandemic.

Thus, serious questions arise that must be confronted and resolved before 'the next time'. The AmCham Conference brought together high-powered and knowledgeable speakers – Ministers and Ambassadors, Chief Executive Officers of leading pharmaceutical companies, generic manufacturers, global food companies, agricultural experts from the World Bank and the United Nations – each with their own commentary and recommendations.

AmCham invites its readers to share our enquiry into these vital questions for Kazakhstan's future, a future that has acquired new and unexpected dimensions in 2020.

Doris Bradbury
Editor-in-Chief, *Investors' Voice*

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CONTRIBUTORS

Keynote Speakers

Government of Kazakhstan



Nurbek Dairbekov, Deputy Minister of Agriculture of Kazakhstan

Nurbek Dairbekov was appointed Deputy Minister of Agriculture of Kazakhstan in November 2019, having previously worked in the private sector for the following companies: Contract Supplies Corporation (Managing Director/ Commercial Director 2012-2016 and 2019), Samal Trans (Advisor to the Director (2016-2019), Green Energy Almaty (Director 2010-2012), Kazakhstan Grain Company (2006-2009), and Agro-Oil Suppoies (2002-2006).

Nurbek Dairbekov graduated from Novosibirsk State University and the Kazakhstan Management, Economics, and Forecasting Institute.



Marat Shoranov, First Deputy Minister of Healthcare of Kazakhstan

Marat Shoranov was appointed First Deputy Minister of Healthcare of Kazakhstan in June 2020. He previously served as Deputy Chairman of the Medical Social Insurance Fund (2019-2020), Head of Public Health for Nur-Sultan (2019), Head of VKO Public Health (2017-2019), Head of the University Medical Center (2015-2017) and Director of the Strategic Development Department, Ministry of Health (2013).

Marat Shoranov holds a Medical degree from Kazakh National Medical University (1997), a Masters' degree in Public Health from Emory University in Atlanta (2011), and completed management and public policy studies at Virginia State University in Richmond (2006).

Ambassadors to Kazakhstan



William Moser, Ambassador of the United States to Kazakhstan

William Moser was confirmed as US Ambassador to Kazakhstan on January 2, 2019 after serving as US Ambassador to Moldova. Since entering the diplomatic corps in 1984, he served in Ukraine, Egypt, Suriname and Mali. State-side he served as Deputy Executive Director for European and Eurasian Affairs, Post Management Officer in the Bureau of Near Eastern and South Asian Affairs, and Political-Military Affairs Officer in the Bureau of Political Military Affairs.

Ambassador Moser has won numerous commendations including the Secretary of Defense's Medal for Distinguished Civilian Service and the Leamon R. Hunt Award for Management Excellence. He holds a B.A. in Political Science from the University of North Carolina at Chapel Hill.



Nicholas Brousseau, Ambassador of Canada to Kazakhstan

Nicholas Brousseau was appointed Canada's Ambassador to Kazakhstan, the Kyrgyz Republic and Tajikistan in 2017. He joined Foreign Affairs Canada (now Global Affairs Canada) in 2004, where he was assigned to the European Union Division and later to the Eastern Europe and Balkans Division. He served as Deputy Director of the Department of Arms Control and Disarmament and at the Permanent Mission of Canada to the UN. Abroad he was assigned to the Canadian Embassy in Russia and Romania. Prior to his appointment as Ambassador, he served as Senior Adviser to the Minister of Foreign Affairs.

Ambassador Brousseau received his B.A. in History at Laval University and an M.A. and Ph.D. from the University of Paris 1 Pantheon-Sorbonne.



Sven-Olov Carlsson, Ambassador of the European Union to Kazakhstan

Sven-Olov Carlsson was appointed Ambassador of the European Union to Kazakhstan in September 2018 after having served as Deputy Head of the EU Delegation to Russia, Deputy Head of the Russia Division (EEAS 2009-2013), Deputy European Correspondent (EG RELEX – 2004-2009), and Principal Administrator for EG Enlargement (1998-2004), all of the 3 latter positions at the European Commission in Brussels. Prior to the EU appointments, he served at the Swedish Ministry of Foreign Affairs with postings in Stockholm, Tunis, Warsaw, Copenhagen, and Moscow.

Ambassador Carlsson holds a BA degree in Slavonic Languages and a BSc in Business Administration from Uppsala University (Sweden).



André Carstens, Ambassador of the Netherlands to Kazakhstan

André Carstens is Ambassador of the Netherlands to Kazakhstan, Kyrgyzstan, and Tajikistan. A long-serving public servant with previous international posts in Russia, Georgia, and in Afghanistan, he rose to senior positions in the Netherlands' Ministry of Foreign Affairs and the Ministry for Security and Justice. Notably, he headed the Netherlands' contribution to the EU Monitoring Mission in Georgia and served as Director of Governance in Mazar-e Sharif, Afghanistan. Prior to his current position, he served as Advisor to the European Counterterrorism Coordinator in Brussels.

André Carstens received his Master's degree in Socio-Economic Law from the University of Utrecht, and completed diplomatic training for the Ministry of Foreign Affairs and the Senior Leadership Program of the Netherlands Public Service.

CONTRIBUTORS

Pharmaceutical Speakers

U.S. Government Medical Research and Development



Donald Townsend, U.S. Government Medical Research and Development (Washington D.C.)

Donald Townsend was formerly the U.S. Intellectual Property Attaché covering Kazakhstan, and in that role worked with stakeholders in the pharma and biologics industry, as well as with the Kazakh government on issues affecting the pharmaceutical industry. He now works in the U.S, the leader in developing new and innovative products for vaccines, therapeutics, and other biologics, as well as new medical devices at a time when the US government and the private sector have allied in their response to the global COVID-19 pandemic.

Donald Townsend graduated from the Catholic University of America, Columbus School of Law.

Dr. Reddy's Laboratories



Nitul Kumar, General Director, Dr. Reddy's Laboratories

Nitul Kumar currently serves as General Director of Dr.Reddy's Laboratories Kazakhstan. He was selected by Dr.Reddy's during his MBA and his first stint was in Oncology sales and marketing in India. Subsequently he has served in various roles in Operations Management, Business Development and Country Management in the markets of Russia, Romania and the CIS.

Nitul Kumar holds a degree in Pharmacy from the University of Rajasthan and an MBA from the University of Pune (India).

EY



Ksenia Babushkina, Partner, Head of Consulting, EY Central Asia and Caucasus Practice

Ksenia Babushkina is a Risk Compentency Leader for Central Asia and the Caucasus, specializing in Risk Management, Internal Audit, Corporate Governance and Compliance Services. Previously she was based in Toronto, Canada, where she was Risk Director in a global consultancy firm.

Ksenia Babushkina has two Bachelor of Science degrees in Economics and International Accounting and Finance from UWED in Uzbekistan and Hogeschool IJselland in Netherlands respectively. She holds an MBA in Accounting Information Systems from Bentley College in Boston and is a Certified Internal Auditor (CIA).

GlaxoSmithKline (GSK)



Oleg Kryuchkov, Country Manager, GSK Kazakhstan

Oleg Kryuchkov joined GSK over 11 years ago and since then has occupied a number of roles of increasing responsibility in GSK Russia Consumer Healthcare (GSK OTC business) and in GSK Kazakhstan Pharma (Rx and Vx) in financial and commercial functions.

He holds a diploma in finance from the Plekhanov Academy of Economics (Moscow, 2005), as well as ACMA/CGMA designations from the Chartered Institute of Management Accountants (CIMA) with 5 years of post-qualification experience.

Johnson & Johnson (Janssen)



Adilet Nazarbayev, CIS Cluster Lead, Janssen (Johnson & Johnson)

Adilet Nazarbayev graduated from South Kazakhstan Medical Academy in Shymkent and in 2006 he completed postgraduate studies at the Kazakhstan Research Center for Maternal and Child Health in Almaty specializing in obstetrics and gynecology. In 2010 he graduated from the International Academy of Business with a Masters' degree in Business Administration.

Adilet Nazarbayev joined Janssen (Johnson & Johnson's pharmaceutical companies) in 2005, working in sales and marketing. In 2014 he was appointed Branch Manager of Janssen in Kazakhstan, and in the 2019 he was promoted to the Janssen CIS Cluster Lead position.

Pfizer

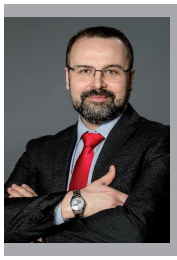


Dmitry Kozenkov, Head of Pfizer Representative Office in the Caucasus and Central Asia

Prior to Pfizer, Dmitry Kozenkov spent 9 years at Eli Lilly, where he held the position of Regional Head of the Eli Lilly in Central Asia, Mongolia, Ukraine and Moldova. Previously, he held executive positions in the Lilly sales, pricing, commercial and financial departments, as well as at KPMG and Basic Element.

Dmitry Kozenkov graduated from the Dubna International University of Nature and Society in 2004.

Sanofi



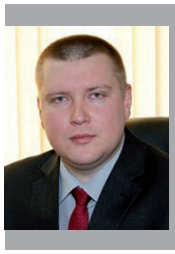
Vitaly Bystryukov, Country Chair, Sanofi Kazakhstan, and General Manager RX, Sanofi Central Asia

Vitaly Bystryukov was appointed Country Chair, Sanofi Kazakhstan and General Manager RX, Sanofi Central Asia in August 2019. He has more than 18 years of executive experience in the pharmaceutical industry, holding various positions in global pharmaceutical companies. Prior to joining Sanofi Central Asia, he served as Sanofi Diabetes Business Unit Head in Russia. Beginning in 2013, Vitaly Bystryukov implemented several successful transformational projects at Sanofi, modifying the Business Unit's model and structure. As Head of the Diabetes franchise, he launched a key innovative product for which Sanofi won an International Award.

Vitaly Bystryukov graduated from Chelyabinsk State Medical Academy and holds an MBA from Moscow International Higher Business School.

Agricultural Speakers

Eurasia Group



Sergey Glokke, General Director, Eurasia Group Kazakhstan

Sergey Glokke has worked for Eurasia Group, the official distributor of John Deere agriculture equipment in Kazakhstan, since 2001. He has over a decade of experience supplying Kazakhstan's agriculture industry with world-class equipment and technology. From 2012-2013, he chaired the Ministry of Agriculture Working Group on Agricultural Engineering. Currently, he is General Director of Eurasia Group Kazakhstan, as well as Chief Operating Officer of Eurasia Group Switzerland.

Sergey Glokke graduated from Kyrgyz-Russian Slavic University, Faculty of International Relations, with a Bachelor's degree in Political Science. He also holds a Master's degree in International Relations.

Metro Cash and Carry



Anton Van Gorp, General Director, Metro Cash and Carry

Anton Van Gorp was appointed General Director (CEO) of METRO Cash & Carry in Kazakhstan in 2013. Before joining METRO Cash and Carry, he owned his own companies in China and worked in both the domestic and export markets. Prior to 2008, he worked for 18 years for MAKRO, a cash and carry wholesaler from the Netherlands.

Anton Van Gorp studied at the Royal Netherlands Military Academy and served for five years in the Dutch army. In addition, he completed a Program for Management Development (PMD) at Harvard Business School in 1992.

UN Food and Agriculture Organization (FAO)



Kairat Nazhmidenov, Lead Economist and Head, UN Food and Agriculture Organization Kazakhstan

Kairat Nazhmidenov has led the FAO Liaison and Partnership Office in Kazakhstan since 2017. Previously he served as an economist at CARANA Corporation (1994-2001), the Asian Development Bank (2002) and World Bank (2003-2004). At FAO he has been an agricultural economics and investment officer (2004-2019) at FAO Headquarters (Rome) and the FAO Regional Office for Europe and Central Asia (Budapest). He has international experience in 18 countries in economics and investments for the agri-food sector and rural development, sustainable land and water management, forests and fisheries, resource-saving and climate-friendly technologies in Eastern Europe, the Caucasus, and Central and Southeast Asia.

Kairat Nazhmidenov holds professional degrees from the University of International Business (UIB) and Kazakh National Agrarian University.

World Bank



Sergiy Zorya, Lead Agriculture Economist, Europe and Central Asia, World Bank

Sergiy Zorya is the World Bank Lead Agriculture Economist for Europe and Central Asia (ECA). He is currently based in Tashkent, Uzbekistan, coordinating the agricultural portfolio in Central Asia. Sergiy joined the World Bank in 2005 through the Young Professionals Program. Prior to ECA he worked in two of the Bank's other Regions (East Asia and Africa) and as Anchor of the Sustainable Development Network in Agriculture and Rural Development.

Sergiy Zorya holds a Master's degree in Agricultural Economics from the Agricultural University of Zhytomyr, Ukraine, and a Ph.D. in Agricultural Economics from Georg-August University in Göttingen, Germany.

AMCHAM ECONOMIC POLICY CONFERENCE 2020

KAZAKHSTAN'S PHARMACEUTICAL AND FOOD SECURITY: PREPARING FOR THE FUTURE 29-30 OCTOBER 2020 - CONFERENCE OVERVIEW

Each year AmCham organizes an *Economic Policy Conference*, an advocacy event open to a broad attendance consisting of ambassadors, senior diplomats, international financial institutions, and the Kazakhstan Government, as well as core AmCham members, the broader business community, NGOs, academics, and the local media. The lead Keynote Speaker for each Conference is typically a Minister, followed by 2 Ambassadors, all of whom are interviewed by the media following their presentations. The Conferences occupy a full day in a hotel conference hall either in Almaty or Nur-Sultan with simultaneous interpretation throughout the day so that speakers may deliver their presentations in either English or Russian. The Conferences are interactive with lively Q&A.

Given the restrictions on public events arising from the Covid-19 pandemic, the October 2020 Conference was held on a virtual platform and was broken into 2 morning sessions of 3-4 hours each on successive days for the two separate, though inter-related topics (*Pharmaceutical and Food Security*). The virtual audience was thus encouraged to remain with the conference for a few hours, then return the following day for the next topic.





Pharmaceutical and Food Security were chosen as conference topics although their subject matter was not directly connected, but during the pandemic they become inter-twined and of great importance. During the pandemic's early total lockdown stage, pharmaceuticals and food were the only items the population was allowed to leave their homes to purchase, and only pharmacies and retail food shops remained open. Later, when the lockdown was relaxed to gradually allow for a fuller range of shopping, medicines and food nonetheless remained core necessities, but each had their own set of problems.

Difficulties with supply chains and soaring costs for pharmaceuticals/ healthcare products emerged as medicines and other healthcare supplies were soon exhausted due to overwhelming demand. Kazakhstan's population rushed to stock up on medicines to prevent or treat the coronavirus, and food (most of which is imported in Kazakhstan) was subject to steep inflation. Food supplies were plentiful but costly, and medicines and healthcare products were also subject to price-gouging and inflationary pricing.

Thus, serious lapses were exposed in supply chains and pricing for the most essential, in-demand items for the country's population, problems that impacted most deeply on the regional populations with limited access and income. Although these problems were later alleviated (but not fully resolved), the question remains of how to ensure these necessities will not pose greater challenges 'the next time' should there be future epidemics or pandemics similar to Covid-19, as healthcare experts predict can be expected.

Kazakhstan must prepare for this eventuality with stronger supply chains and better control over pricing to ensure pharmaceutical and food security. This was the Conference topic targeting these inter-related challenges requiring careful planning for the future.

I. Pharmaceutical Security Session - Thursday, 29 October

Kazakhstan does not have its own pharmaceutical industry, but relies on imported medicines and healthcare products, a vulnerability during a global event such as the Covid-19 pandemic. Although it is not realistic for Kazakhstan to aspire to sophisticated pharmaceutical R&D, and the Health Ministry has not always provided the necessary leadership, the current drive to produce local generics may alleviate the imbalance and create better pharmaceutical security if properly implemented. An important issue is pharmaceutical patent protection to ensure reliable, high-quality medicines.

The Pharmaceutical Session opened with a Keynote Speech by the Deputy Minister of Health, who was followed by the U.S. and Canadian Ambassadors delivering presentations on their countries' healthcare systems, the action taken to control Covid-19, and global pharmaceutical R&D to produce coronavirus treatments and vaccines.

U.S. Ambassador William Moser covered a number of issues with recommendations for Kazakhstan. First and foremost he stressed the need for cooperation between the public and private sectors to facilitate efficient and rapid development of new medicines to combat the pandemic, guiding supply and pricing of medical products and observance pharmaceutical patent protection, while also pointing out the benefits and risks of localized production.

Canadian Ambassador Nicholas Brousseau stressed the need for international cooperation to defeat Covid-19 and Canada's participation in a number of international networks uniting efforts by individual countries, as well as Canada's commitment to WTO trade facilitation and the WHO SOLIDARITY trial, a multi-national clinical trial to study possible treatment options. He noted the obligation of Canadian pharmacies and the right of consumers to inform the government about shortages and supply chain problems so that these issues may be quickly resolved.

The Keynote Speeches were followed by a particularly interesting presentation by **Donald Townsend**, the former **Regional Intellectual Property Attache** at the **U.S. Embassy in Moscow**, a lawyer specializing in pharmaceutical patents, now engaged in ***Operation Warp Speed (OWS)***, the U.S. Government initiative funding the pharmaceutical frontrunners developing Covid vaccines. In addition to speaking about ***OWS***, he provided an overview of the network of federal public health agencies and institutions engaged at various levels in the struggle to contain the pandemic.

Townsend stressed that public-private partnerships (PPP) and cooperation between government agencies are key to rapid progress, pointing out the enormous financial investment required by the government in facilitating rapid progress by the private sector. OWS provides a good example of PPP and has proven its worth by supporting the first vaccines to successfully progress through the lengthy 3-stage testing process and to be ready for emergency release onto the market.



The **First Morning Panel** was composed of the CEOs of four global Big Pharma Covid-19 vaccine frontrunners, all AmCham members: *Pfizer, Johnson & Johnson, Sanofi,* and *GSK*, each of which have successfully progressed in various partnerships towards the completion and marketing of vaccines and therapeutic medications and treatments. Each CEO outlined their company's priorities and research.

Logistics and distribution were also priorities in the effort to maintain an efficient supply chain. Nonetheless, each company admitted that the unexpected global surge of demand for medicines in the pandemic's early stage derailed their supply chains.

The **Second Panel** focused on the place of generics and localized production of medicines to complete the supply chain and to provide pharmaceutical security. The Moderator, **EY Partner Ksenia Babushkina**, who heads the firm's Advisory division and chairs the *AmCham Healthcare Reform Working Group*, spoke about several of the broader challenges confronting generics production in Kazakhstan and internationally, in particular pricing and access.

Her presentation was matched by **Andrei Yorsh, a Baker McKenzie Partner** who currently chairs the *AmCham InterMinisterial Intellectual Property Working Group*, spoke about legal issues affecting localized generic manufacture, in particular patent protection and generic contractual agreements.

A particularly interesting presentation was delivered by **Nitul Kumar, CEO of Dr. Reddy's Laboratories**, a leading Indian generic manufacturer that markets its products in Kazakhstan. He spoke about the development of the pharmaceutical industry following India's independence in 1947, the difficulties in securing access for the rights to patented medicines, and the resulting development of India's global generic leadership.

India's history may have particular resonance for Kazakhstan as it also develops localized medical generics, but without the expertise and investment to develop highly specialized medicines of the type needed to combat COVID-19.

II. Food Security Session – Friday, 30 October

Kazakhstan's food security requires development of its very rich agricultural potential, which could balance the country's current reliance on food imports that creates a vulnerability to supply chain disruption. The focus of the *Food Security Session* was on agriculture and agrifood development which, although always at the top of Kazakhstan's list for economic diversification, has not progressed and is hobbled by disadvantages – legal, social, infrastructure, education - that await government resolution.

The current Government strategy for agricultural development appears to be seeking more foreign investment, rather than undertaking the fundamental reforms that would create a more vibrant and more secure agricultural sector.

The opening Keynote Speech was presented by **Agriculture Deputy Minister Nurbek Dayerbekov**, who spoke about Kazakhstan's leading agricultural products and the country's great potential for foreign investment, given the abundance of rich agricultural land. In particular, he pointed to fruit and vegetables (greenhouses) and the dairy industry as particularly attractive sectors for investment. Following his presentation, the Deputy Minister remained with the conference, taking notes on each of the presentations and engaging in discussion.

The two Ambassadors who delivered Keynotes following the Deputy Minister were uniquely suited to complementary presentations, given the agricultural heritage and abundance of the countries they represented – **European Union Ambassador Sven-Olov Carlsson** and **Netherlands Ambassador André Carstens**.

EU Ambassador Carlsson warned that food nationalism is a misguided strategy to create food security. He stressed that security depends on open markets, comparative advantage, and diversification of sources of supply. The EU's food security results from being the largest importer and exporter of agri-food products and the world's largest seafood market. However, he also noted that the increasing recurrence of droughts, floods, forest fires and new agricultural pests are a constant reminder that the global food system is under threat and must become more sustainable.



The Ambassador further outlined the approach to agricultural development and protection contained within the *EU Green Deal*, the *EU Farm to Fork Program*, and in next year's *U.N. Food Systems Summit*. With reference to Kazakhstan, he referred to the *EU-Kazakhstan Enhanced Partnership and Cooperation Agreement*, in which food security is an important element.

Netherlands Ambassador Carstens highlighted the paradox of his country's international leadership role for agricultural production and supply despite the Netherlands' small size. The Netherlands is the world's second-largest exporter of agricultural and food products, the third largest exporter of horticulture products, and occupies 4th place on the ***Global Food Security Index***.

Given Kazakhstan's abundance of rich, but underutilized farmland, the Ambassador stressed there is no reason for Kazakhstan's heavy reliance on food imports to feed its population. Farming can be a source of wealth and pride and Kazakhstan should upgrade the perception of farming as a vital profession and profitable business in which farms are handed down through families for generations.

The Netherlands has built a high-tech fruit farm near Almaty in cooperation with *Kazakh National Agrarian University (KazNUU)* and a group of 14 fruit growing farmers, and has cooperated in building greenhouses in six regions of Kazakhstan. It is currently engaged in the *Dutch Fruit Solutions Project* in Almaty in cooperation with KazNUU. Ambassador Carstens signaled his country's readiness to provide further agricultural expertise for Kazakhstan.

In view of the recent awarding of the *Nobel Peace Prize* to the *World Food Program*, which is a member of the **U.N. Food and Agriculture Organization (FAO)**, the presence of the **FAO Regional Partnership and Liaison Office** in Kazakhstan was an honored participant in the Conference.

Kairat Nazhimidenov, Head of the FAO Regional Office began by citing the overwhelming number of undernourished people in the world – 690 million, with the addition this year of 132 million. The pandemic has limited trade, decreased labor migration, increased poverty in urban and rural areas, and led to social instability – all consequences of food instability. Sustainable development of agriculture is critically important due to its interconnected economic, social and ecological impact.

FAO support has been a constant in almost all of the World Bank's food security and agricultural projects in Central Asia. The World Bank recently approved a US$500 million loan to Kazakhstan for its *Sustainable Livestock Development Program* developed with FAO. Moreover, the EBRD and FAO also recently approved a joint COVID-19 response package to support Central Asia's agrifood sector as it copes with pandemic challenges while also building longer-term food system resilience.

Tiago Carneiro Dos Santos, **General Director of Danone-Berkut**, the world's leading fresh dairy producer, which launched its local dairy facility in Kazakhstan ten years ago, spoke about the company's sourcing of milk and other supplies from local farmers. The French company takes pride in its operations in Kazakhstan and its ability to stock the country's leading stores and supermarkets with fresh, locally produced yoghurt and other dairy products during the pandemic. Dairy is an essential nutritional food sector in maintaining human immunity and bone health, critical needs for both adults and children.



Raimbek Batalov, Founder and President of Raimbek Group, a well-known Kazakhstani entrepreneur whose fruit juices and dairy products are available everywhere, as well as an outspoken public advocate for agriculture and agrifood development and SME support, spoke at length about the pandemic impact on food security. Stressing the need for urgent and effective government support to advance agricultural development and the potential for agrifood expansion in Kazakhstan, he addressed himself directly to the Ministry of Agriculture, citing the country's vulnerability by relying on imported food that could be grown and processed in Kazakhstan.

Sergey Glokke, General Manager of Eurasia Group, the Swiss distributor for *John Deere, Lindsay Irrigation,* and German, Swedish, and British agricultural companies, articulated his long-term vision for a world with a rapidly growing population. In twenty years the global population will increase to 2 billion people, vastly increasing the demands on food security, but cultivated land will not increase, meaning that more food must be produced on less land. Given its vast expanses of land, Kazakhstan will have the opportunity to become one of the main contributors to food security.



The pandemic is thus forcing more creative planning for land usage to feed both Kazakhstan's people and the global population over the next decade and beyond. Machinery and land usage must be upgraded, and farmers must be educated to maximize the land's potential. Kazakhstan should also implement social and legal reform to enable farmers currently leasing small farms to own their farmland and to develop it properly.

With high quality equipment, an additional $2 billion can be earned annually, thus increasing agriculture's annual share of Kazakhstan's GDP to 6-7%. The government must also reconsider and reduce the heavy tax burden imposed on farms and equipment that makes it impossible for farmers to invest in the high-tech machinery needed to maximize the land's potential.

Anton van Gorp, General Director of Metro Cash and Carry, spoke about his company's interest in sourcing more food products locally, but facing many obstacles, particularly underdeveloped infrastructure and transportation to quickly move local products from farms into the stores. Kazakhstan should study international best practices to facilitate efficient management and distribution of its agricultural products. Also needed are better education programs for the farming communities and agronomists. He estimated optimistically that between 5-15 years are needed to achieve a dynamic transformation of agricultural practices in Kazakhstan.



Metro also promotes food banks, which are only beginning in Kazakhstan. Too much food is wasted while it is still edible that could be supplied to people without resources for adequate nourishment across Kazakhstan. Metro was the first retail food business to donate its products to the Almaty Food Bank recently launched by the Red Crescent Society and will continue to do so in the future.

Sergiy Zorya, Lead Agricultural Economist for the World Bank, spoke about Central Asia's multifold agricultural challenge – water, land reform, supporting small farmers, taxes, crops, education, and creating an export/ import strategy. He stressed the need for more public programs supporting inclusion of small and medium farms into the value chain and reviewed the Bank's recent *Livestock Program* that was the subject of the earlier FAO presentation. The *2020 IMF-World Bank Annual Meeting* signaled that food security is key to recovery from the pandemic that has ravaged the world, particularly poor nations for whom food security and sustainable development are challenges.

Conclusion: AmCham - Government Advocacy

Food and Pharmaceutical Security will serve as the primary topic for the next *AmCham-Prime Minister's Council to Improve the Investment Environment*, AmCham's dialogue platform with Prime Minister and the most senior levels of Government. Food and Pharmaceuticals are not only as economic challenges, but also social issues - important at all times, not only during a pandemic. AmCham will therefore seek to engage Government efforts to address these necessities essential to Kazakhstan's development, as well as to prepare for future crises.

KAZAKHSTAN CONFRONTS COVID-19
KEYNOTE SPEECH BY MARAT SHORANOV
FIRST DEPUTY MINISTER OF HEALTHCARE

Kazakhstan and the Ministry of Healthcare have a strong belief in the value of international cooperation in healthcare issues. This became especially obvious during the Covid-19 pandemic that struck the world unexpectedly and has dominated 2020. However, joint efforts and international partnerships are now working together to defeat the pandemic. And so I will begin by expressing Kazakhstan's gratitude to the foreign countries that have provided humanitarian and advisory assistance in our struggle against the coronavirus.

Since the onset of the pandemic, the Government of Kazakhstan and the medical community have directed their efforts towards developing measures to ensure economic stability and to counter the spread of infection. This has led to stabilizing the epidemiological situation. In Kazakhstan today, the infection growth rate is 0.13%, which is 7 times lower than in other CIS countries. This was possible due to the joint efforts of the Government and Kazakhstan's people. As an example, sixteen hospitals specializing in treating infectious diseases and meeting international standards were built for coronavirus patients.

A Government *Multisector Covid-19 Commission* under chairmanship of the Prime Minister, a *Covid-19 Operations Committee* chaired by the Deputy Prime Minister, and a *State Exports Headquarters* under the Healthcare Ministry were created to work together to combat the pandemic. The Government drafted and implemented a *National Action Plan* to prevent the spread of the coronavirus infection. As in other countries, sanitary and epidemiological measures was strengthened at all points of entry on Kazakhstan's border. Protocols were also established to monitor all arrivals from abroad and measures were taken to evacuate Kazakhstani citizens and to bring them home.

The readiness of medical organizations was ensured, necessary personal protective equipment was provided, and strategies for preventing and treating the coronavirus were created. Information was communicated to the public through the media and all public means of communication, alerting them to the disease's symptoms and critical nature, together with preventative measures to protect their health.

At the height of the pandemic, accelerated drug testing was conducted without laboratory tests, thus reducing the testing period from 210 to 70 calendar days. Accelerated testing of clinical trials over 15 days was introduced and permits to conduct clinical trials could be issued within 5 working days. Accelerated assessments of the quality of registered drugs were carried out in 3 working days without laboratory tests and with a shortened documentation list. Maximum retail prices for drugs and medical devices were established to prevent unreasonable price increases.

With the COVID-19 First Wave still in progress, Kazakhstan's healthcare system is preparing for seasonal acute respiratory infections and a possible Covid-19 Second Wave. In order to have the necessary medicines and medical products on hand, a two-month supply of coronavirus drugs - the so-called irreducible supply – has been stockpiled to treat about 60.000 hospital patients per month.

The Health Ministry's procurement division, *SK Pharmacia*, purchased 44 of the most in-demand drugs at a cost of 8.2 billion tenge. A regional medical budget has been created in all regions to allocate funds on a returnable basis to wholesale distributors for the purchase of high-demand drugs. Monitoring is conducted daily to ascertain availability of pharmaceuticals and medical products in demand at wholesale distributors across Kazakhstan.

In June, a *Biopharmaceutical Plant* was built in the Zhambyl region for vaccine production with a capacity of 60 million vaccine doses per year under the *Biological Safety Research Institute.* Kazakhstani scientists have developed a Covid-19 vaccine included in the *World Health Organization* vaccine list that has successfully passed clinical trials.

Measures were also taken to equip hospitals with high-quality medical care to prevent a deteriorating situation. For example, 20 additional CT scanners, 53 X-Ray machines, 64 oxygen stations and 1,500 domestic devices were shipped to Shymkent. Thousands of ambulances were purchased and 100 mobile medical medical units were delivered to regions across the country, thus increasing access to quality medical services, especially in remote areas.

A great deal is still being done to prepare for a possible Second Wave of the pandemic. A Kazakh-American partnership enabled the purchase of medical equipment and products such as anesthesia and GE ultrasound diagnostic medical systems, as well as *Datex-Omeda* artificial lung ventilators. Forty types of American drugs and medical devices were purchased for US$ 54.4 million dollars.

In September, *SK Pharmacia* and *KazakhInvest* negotiated localized pharmaceutical production in Kazakhstan with *Pfizer* and *Boston Biopharma.* The Ministry of Healthcare pays special attention to partnership with leading pharmaceutical companies to provide timely supply of medical products for future medical crises. In particular, the Ministry would like to express its gratitude to *Chevron* for providing much-appreciated humanitarian aid: 5 types of medicines and 400,000 items of personal protective equipment.

Today, more than ever, it is important to strengthen international cooperation to fight the COVID-19 pandemic that has encircled the planet. Only together can we defeat this highly infectious disease, but together we are on the path to a future in which the pandemic will be defeated.

KAZAKHSTAN'S PHARMACEUTICAL SECURITY
KEYNOTE SPEECH BY U.S.AMBASSADOR WILLIAM MOSER

The topic of pharmaceutical security couldn't be more timely or important. The COVID-19 pandemic has cast new light on old problems: drug shortages and lack of effective treatments. Shortcomings in global pharmaceutical supply chains – from small markets to large ones – have stymied governments and healthcare professionals around the world as they work to ensure a steady, safe supply of needed pharmaceuticals. Drug companies are also under pressure to accelerate innovation in an effort to develop and bring to market new medicines.

The urgency and scale of the current crisis mean that contributing to the search for effective treatments - and the moral imperative of governments and companies to provide timely access to those treatments - is indispensable to protecting public health. It is not surprising therefore that we are seeing industry- and government-wide efforts unfold at unprecedented speed and scale.

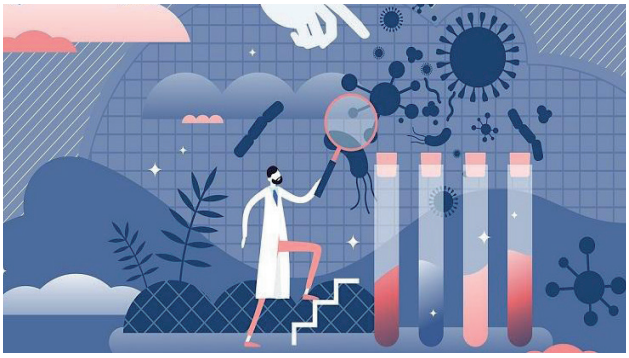
This has resulted in new partnerships among pharmaceutical companies and governments to accelerate research and development in search of new medicines, vaccines and diagnostics. They are also working together to ensure that supplies of existing medicines are available when people need them. Beyond the current pandemic, it will be important to consider how this cooperation can be sustained and enabled in order to effectively respond to future outbreaks of infectious diseases.



Shortages of drugs during the current pandemic have been exacerbated by increased demand for certain medications as well as increased hospitalization. In the United States, we have also seen shortages impacting patients when they go to the pharmacy. Drugs to treat cardiovascular disease or prevent blood clots for example, or even antibiotics for bacterial infections, have been in short supply. Patients wanting to stock up on medical supplies, a normal reaction during a pandemic, have also drained the supply of needed medicines.

The COVID-19 crisis has also heightened the dangers posed by the global trade in counterfeit pharmaceutical products. Serious health and safety issues arise when people take fake medicines. According to the *World Health Organization,* the broader trade in fake medicines is worth more than $30 billion dollars in low and middle-income countries. During a public health crisis such as the current COVID-19 pandemic, tackling this global scourge becomes even more pressing.

As vaccines for the COVID-19 coronavirus begin to come to market, governments will need to take extra caution to guard against the distribution of fake and counterfeit products. They will also need to ensure the integrity of the supply chain to ensure that people in greatest need get the vaccine first. That is why it is so important for governments to partner with private industry to address these critical challenges. It's another reason why exchanges like this are so important.



While there is no simple solution for remedying drug shortages and combating counterfeit medicine, the U.S. has enacted legislation aimed at improving the quality, safety and timeliness of the drug supply. For example, *the Drug Quality and Security Act* outlines steps to build an electronic system to trace and authenticate medicines as they move through the distribution network. Once in place, these systems will help to secure the pharmaceutical supply chain, ensuring that patients receive the right medicines when they need them.

This year t*he U.S. Food and Drug Administration (FDA)* updated a comprehensive analysis of factors contributing to drug shortages in the United States. Among the findings:

- *The FDA cites contracting practices as a source of business uncertainty and "race to the bottom" pricing dynamics.*
- *The FDA recommends that contracts ensure that manufacturers can charge sustainable prices for their products and earn sustainable risk-adjusted returns on their investment in launching or continuing to market prescription drugs, especially older generic drugs.*
- *Similarly, the FDA notes that contracts should recognize and reward good manufacturing practices, such as paying higher prices for drugs manufactured at advanced facilities or guaranteeing purchase of set volumes at set prices.*

Recognizing and rewarding quality manufacturing will provide companies with incentive to achieve greater reliability in production, thus reducing the risk of supply disruptions and shortages.

Another major factor contributing to drug shortages around the world is manufacturing and quality problems. The Commissioner of the FDA recently wrote about how investing in advanced manufacturing can help address drug shortages. We see investment in advanced manufacturing as enabling innovation, increasing efficiency, and improving supply chain resiliency for medical products.

Kazakhstan has the potential to make gains in this area as well. Attracting investment in pharmaceutical production can help Kazakhstan attain greater supply chain security, but it needs to target this localization carefully. It is not always clear that local production is more cost-efficient, given the relatively small size of the Kazakhstan market, especially for patented drugs.

U.S. drug manufacturers have approached the U.S. mission about opportunities to invest in pharmaceutical production in Kazakhstan. But while they see significant opportunity in the market, they also see challenges. Some of the impediments they cite to localization include lack of guarantees in pharmaceutical pricing and supply volume. Companies have also expressed concern around reference pricing methodology used in Kazakhstan to determine appropriate pricing for pharmaceuticals. Pharmaceutical companies have also noted the need for innovative contracting, such as introducing cost- and risk-sharing mechanisms in partnership with the Ministry of Health.

Another critical issue is protection of intellectual property. Investors will need guarantees their drugs will not be undercut by counterfeits or generics that may infringe existing patents. If Kazakhstan wants to attract localization and guarantee supply of advanced pharmaceuticals to its market, it must place protection and enforcement of intellectual property rights as its highest priority.

Despite these challenges, the pharmaceutical industry sees real opportunity in the Kazakhstan market and this is evidenced by the impressive lineup of companies participating in today's conference. I am confident this event will shed important light on some of the challenges facing both industry and the government as they work together to address the current pandemic and secure the pharmaceutical supply chain in Kazakhstan.



PHARMACEUTICAL GLOBAL SUPPLY CHAINS

KEYNOTE ADDRESS BY NICHOLAS BROUSSEAU AMBASSADOR OF CANADA TO KAZAKHSTAN, KYRGYZSTAN, AND TAJIKISTAN

A resurgence of COVID-19 cases is currently being seen around the world, and so it is indeed very timely to have a deeper discussion on pharmaceutical and food security. The pandemic continues to be an unprecedented challenge to public health and food systems. Its sudden onset this spring stretched, and in some cases broke, global pharmaceutical supply chains, leaving health authorities competing for limited medical supplies.

Food security has also been impacted as countries closed borders, limited exports, and continue to face devastating economic losses. Already we have seen that food and pharmaceutical insecurity broadens and deepens existing sources of fragility. How governments and the global health and food industries manage this crisis is impacting the stability of both countries and regions. It will leave a lasting legacy.



Nonetheless, Canada, Kazakhstan, and the international community are in a better position today to respond than they were last spring. This article will focus on Canada's response, particularly regarding efforts to improve pharmaceutical security through:

- *The monitoring of global pharmaceutical supplies to identify potential shortages as well as to maintain open supply chains;*
- *Participation in international research efforts to develop more effective responses to COVID-19; and*
- *Scaling up our medical industry's capacity to meet domestic and global needs.*

Canada's Health Ministry is closely monitoring impacts on the global supply of medicines as a member of the *International Pharmaceutical Regulators Program.* Canada is working closely with international regulatory partners, including the European Medicines Agency and *the United States Food and Drug Administration* to share information on any signs of global supply disruptions.

It is crucial to avoid a return to the situation in the first wave, where governments were competing chaotically with each other to purchase limited supplies. Domestically, companies that market prescription drugs in Canada must report anticipated or actual drug shortages on a public website called *Drug Shortages Canada.* In addition, Canadian health authorities have asked industry stakeholder associations to notify them of any early signals of shortages related to COVID-19. Provinces and territories, healthcare professionals, and the public can also report signals of drug and medical device shortages.

Like many countries around the world, Canada's stockpile of medical supplies in early 2020 was not sufficient to meet the rapid increase in demand. An across-the-board government effort was launched in March to mobilize domestic and international medical industry to meet critical needs.

To rapidly address shortages, Canada created an online COVID-19 procurement portal. This single website allows domestic and international companies to register their interest and describe their product offer directly to authorities. More than 22,000 submissions have been received.

Shortages were made worse by actions that disrupted global supply chains of essential medical supplies. Canada, along with the *Ottawa Group for WTO Reform,* recognizes the importance of facilitating trade in vital medical supplies. That's why Canada has committed to ensure any measures introduced in response to COVID-19 are promptly notified to the WTO, and that Canada will withdraw any trade restrictive measures introduced in response to COVID-19 as quickly as possible.



We agree with like-minded partners in the group, including the European Union, Australia, Japan, and others, that there is value in ensuring that supply chains remain versatile, diverse and resilient. A discussion about supply chains is incomplete without mentioning their contents. We know that innovative research and large-scale development projects are needed to respond to COVID-19.

Ultimately, ending the threat requires developing a safe and effective vaccine. On March 11, Canada announced a commitment of $1 billion to support a Canadian COVID response fund, $275 million of which will go to research and development projects to ensure supplies of potential vaccines and treatments.

On October 23, Prime Minister Trudeau announced Canada is investing $214 million for made-in-Canada vaccines, split between multiple candidates. However, Canada is also aware that the Coronavirus cannot be beaten unless it is ended everywhere, and therefore the Government of Canada recently committed $220 million through the *COVAX Advance Market Commitment* to purchase vaccine doses for low- and middle-income countries.

Vaccine development is not the only priority research area. Other areas include medical countermeasures, clinical management research, as well as social and policy research. At the international level, Canada joins other countries in sharing information and providing scientific expertise and leadership in various forums. As an example: just two weeks ago, Health Canada and the *European Medicines Agency* co-chaired a COVID-19 workshop for the *International Coalition of Medicines Regulatory Authorities*, which represents authorities in every region in the world.



Capacity is being leveraged at federal research facilities, and federal funding agencies are strategically aligned to support Canadian research capacity. The Canadian private sector is being engaged to contribute research and development solutions into a critical global R&D enterprise. Canada has invested nearly $1 million to support the Canadian arm of the World Health Organization's *SOLIDARITY* trial, a multi-national clinical trial to study possible treatment options.

Finally, Canadian companies have mobilized to find solutions to address new challenges and unprecedented demand for supplies. Companies rapidly scaled up production or retooled their manufacturing lines to develop products made in Canada to help fight against COVID-19. As they have expanded, these companies have turned from focusing primarily on the Canadian market to the global market. To ensure that their solutions contribute to global health security, Canada has created a shareable directory of Canadian export-ready companies across sectors.

Kazakhstan and Canada face similar medical challenges: we need to ensure health security in major population centers across vast distances, as well as in remote towns and villages. We have similar industry challenges with rotational workforces. Digital health is a key way to address these problems and Canada has many companies operating in this sector. It requires enhanced cybersecurity for protection of sensitive medical data.

BlackBerry, for example, has transformed itself from a mobile device maker to a cyber-security provider with tailored mobile healthcare solutions. In fact, seven of thirteen *Fortune 500* healthcare providers use Blackberry software.



The need for medical training has never been greater. Canadian companies have developed remote education programs for medical specialists, including *CyberPatient,* which offers an online practical training tool designed for medical workers. It has already been used in Eastern Europe and Uzbekistan.

Rapid testing is a crucial part of COVID response. Canadian companies like *Advanced Biological Materials and Response Biomedical* specialize in providing high quality, precise and fast tests to identify COVID-19. Digitial Artificial Intelligence and predictive analysis platforms can decrease the risk of outbreaks and monitor treatment and patient management. Standout Canadian companies include *Bluedot AI*, among the first in the world to identify the emerging risk from COVID-19.

Conclusion

This is just a small sample of the more than 150 Canadian companies that are ready to contribute to ensuring global health security. Food and pharmaceutical insecurity threatens stability, and our response will leave a legacy. We are facing a crisis that knows no borders.

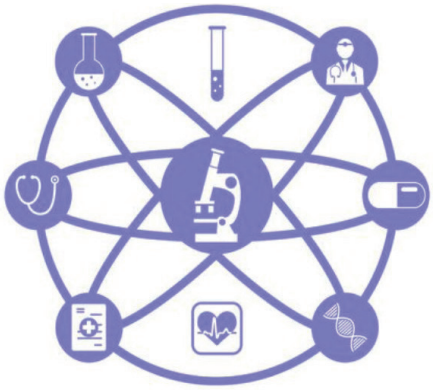
Global cooperation is and will continue to be essential to protecting people's health, ensuring food security, and ultimately defeating the pandemic. It will determine the future of our health and our societies.

THE U.S. GOVERNMENT'S PUBLIC-PRIVATE PARTNERSHIPS: OPERATION WARP SPEED

by Donald Townsend
U.S. Government Medical Research and Development (Washington D.C.)

It is important to understand the U.S. government's role in healthcare and in ensuring sufficient supply. In general, healthcare in the U.S., including the provision of medicines and treatments, has traditionally been handled by the private sector. However, the *Department of Health and Human Services (HHS),* the US equivalent of Kazakhstan's' Ministry of Health, plays an important role in supporting and incentivizing research and development, manufacturing and patient care.

Generous funding is provided to HHS each year to achieve this, with the government proposing a budget of $94.5 billion in discretionary budget authority and $1.3 trillion in mandatory funding for HHS in 2021. Part of this budget goes towards grants to academia, institutions, NGOs and private industry for medical research, as well as support for institutions and sub-agencies working on medical innovations such as the *National Institutes of Health (NIH)* and the *Biomedical Advanced Research and Development Authority (BARDA).*



BARDA supports the transition of medical countermeasures such as vaccines, drugs, and diagnostics from research through advanced development towards consideration for approval by the *Food and Drug Administration (FDA)* and inclusion into the *Strategic National Stockpile*. This is achieved through **public-private partnerships** with industry to share risk, improve efficiency and accelerate development, all while sustaining a marketplace that guarantees continued access to countermeasures vital to the national security of the United States.

In addition to HHS, other US agencies work in partnership with private industry to address pharmaceutical security for the nation. A lesser known example is the *U.S. Department of Defense*, whose *Joint Project Manager Medical Countermeasure Systems (JPM-MCS)* authority has a mission to provide U.S. military forces — and the nation — with safe, effective, and innovative medical solutions to counter chemical, biological, radiological, and nuclear threats. JPM funds the research, development, manufacture and supply of vaccines, antiviral drugs, antitoxins, and monoclonal antibodies unavailable on the commercial market and that may not be developed due to lack of commercial incentive. A good example is vaccines for tropical diseases such as Ebola, which are not financially viable to produce without government funding.

In 2010, the *Assistant to the President for Homeland Security and Counterterrorism,* recognizing that the supply of certain medical supplies was not being addressed by private industry in a manner that might be needed in a health emergency, ordered the *Department of Defense (DoD)* to "*[e]stablish agile and flexible advanced development and manufacturing capabilities to support the development, licensure, and production of medical countermeasures that address the needs of our military and the nation".*

In response, the DoD funded construction of the *Advanced Biologics Manufacturing Facility for Private and Public Use,* which was completed in December 2016. This facility is now a center of COVID-19 vaccine development, wherein the government owns the facility, and private companies operate it. Such a structure is routinely used in the U.S. and is known as a *"Go-Co"*, i.e., government-owned, company-operated.

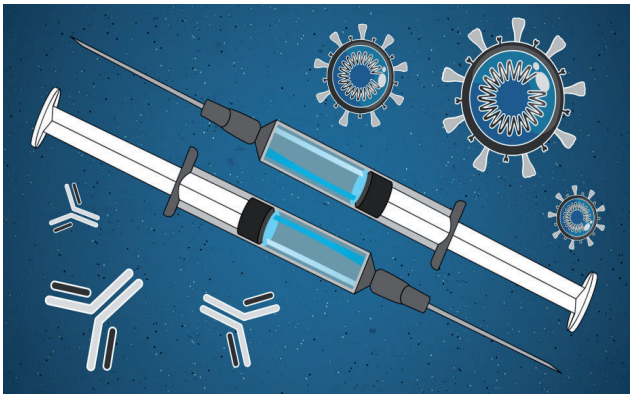
On the HHS side, the FDA is collaborating with federal partners and with industry to improve manufacturing of the current generation of influenza vaccines and facilitate the next generation of influenza vaccines. BARDA has established three 'Centers', referred to as *Centers for Innovation in Advanced Development and Manufacturing (CIADM's)*, to develop and manufacture medical countermeasures such as vaccines and therapeutics used to protect health in emergencies, and which can transition quickly and cost-effectively between products.

Created as **public-private partnerships**, the HHS CIADM's will provide a significant domestic infrastructure in the United States capable of producing medical countermeasures to protect Americans from the health impacts of bioterrorism as well as pandemic influenza and other disease in response to public health emergencies.



Despite all these efforts, everyone is aware that the world, including the U.S., was unprepared to respond to the COVID-19 pandemic with a relevant vaccine or therapeutics. Thus, in the U.S., the government quickly established *Operation Warp Speed (OWS)*, a partnership among components of the *HHS, CDC*, the *National Institutes of Health (NIH), BARDA*, and the *DoD,* funded by the government to the tune of $10 billion.

As is the model in the US, OWS engages with private firms and other federal agencies, coordinating efforts to develop a COVID-19 vaccine and COVID-19 therapeutics. Importantly, the U.S. government has decided to take on the risk of funding the manufacturing infrastructure (i.e., biologics production facilities) to produce these vaccines and therapeutics, so as to give firms confidence that they can invest aggressively in development and allowing faster distribution of an eventual vaccine.



Financial and human costs are mounting, and the government knows that capital investment by the private sector is difficult due to the level of uncertainty involved. Thus, for the first time ever, manufacturing capacity for selected candidates will be advanced WHILE they are still in development, rather than scaled up after approval or authorization, with the government, rather than private companies, taking the risk to build the manufacturing.

The manufacturing capacity developed will be used for whatever vaccine is eventually successful, if possible given the nature of the successful product, regardless of which firms have developed the capacity. Time is of the essence, and the government understands that public-private partnerships are needed to keep the manufacturing and supply chains open to deliver sufficient supply for the population.

In addition to development and manufacturing, *Operation Warp Speed* is working with its private partners to develop plans for delivering a safe and effective product to Americans as quickly and reliably as possible. The breakdown is as follows: experts from HHS are leading vaccine development, while experts from DoD are partnering with the CDC and other parts of HHS to coordinate supply, production, and distribution of vaccines.



Thus the pandemic has caused governments to look at how things have been done in the past, their shortcomings when a health emergency struck, lessons learned, and to start planning and taking action to ensure pharma and biopharma security for the nation in the future. We must all now recognize that better planning from all sectors (private and public) is needed. Working together to determine how best to prepare for health emergencies in the future is crucial.

For some countries this preparation may mean stockpiling, localizing manufacturing of essential medicines at government expense, or entering in agreements with international partners to assure supply. For others, like the U.S., preparation may mean government funding of research, development and manufacturing facilities, and public-private partnerships with industry leaders capable of operating such facilities. There is no one-size-fits-all plan.

There is no mistaking that the government and the private sector must work closely together to brainstorm and develop a plan for response to the current and future health emergencies to minimize the losses we are now experiencing. In view of the losses to the people and the economy, there really is no choice. If the government and private sector, both of whom have valuable resources, work together now to plan for and invest in a viable plan for response, pharmaceutical security may be achieved.



WHY SHOULD GENERICS REFOCUS ON SCALE?

by Ksenia Babushkina
Partner and Head of Consulting Practice
EY Consulting, Central Asia and Caucasus

Now is the time for generic manufacturers to focus on building more scale in higher-value treatments to increase return on assets.

The market dynamics for US generics have improved after a decline in prices that started in early 2014 and began to abate by the end of 2019. At the same time, generics manufacturers are moving more into complex, higher-value biosimilar treatments that offer relatively higher margins. The COVID-19 pandemic will cause companies to re-examine their global supply chain strategy and footprint. There are already opportunities for companies to reassess products in which they want to compete and to invest in the capabilities they want to emphasize.

The opportunity is there to focus on building more scale in higher-value treatments to increase return on assets. Companies also need to rationalize manufacturing capacity and operations in conjunction with overall portfolio optimization efforts. To do this effectively, companies need to identify the most suitable targets to add to their portfolios, while also considering which lower-cost, lower-margin treatments to divest.

Improving the pricing environment

Generics pricing came under pressure in early 2014, when double-digit price increases ebbed, according to an August 2019 Barclay's research report. In fact, the report shows that from late 2015 through mid-2019, prices actually declined. A double-digit increase in *US Food and Drug Administration (FDA)* approvals through t*he Abbreviated New Drug Application (ANDA)* (17% increase over 2014 to 2018), competition from lower-cost products in India, regulatory and public scrutiny over prices, and consolidation of group purchasing organizations combined to pressure prices and create excess capacity.

Since hitting bottom in mid-2017, price declines have eased. By early 2019, prices even increased in some months. A combination of factors has helped stem pricing declines. The onetime impact of large buying groups driving down prices has passed through the system. While prices are still lower, they aren't falling as steeply as in the middle of the last decade. At the same time, leading manufacturers have rationalized costs and pruned their product portfolios. For example, in 2018, one large pharma sold its European generics business to a private equity investor. Meanwhile, *Teva* has cut costs for the past three years, reducing about $2.5 billion from a $3 billion cost-reduction goal.

Companies have also discontinued less-profitable treatments. In fact, according to the FDA, the number of drugs discontinued in 2018 was 132, up from 18 in 2017.

More generics approvals, but also more shortages

At the same time, more injectable treatments have reached generic status, helping to offset persistent deflation in generic oral solids. These treatments are non-commoditized and offer higher margins and long-duration opportunities to unbranded generics manufacturers. In some cases, patients take treatments for months or years.

Shortages of injectable treatments for diseases such as cancer, sepsis and other life-threatening conditions, in part due to manufacturing issues at specific companies, also have supported prices. The COVID-19 outbreak, which is disrupting the global supply chain for pharmaceuticals, is also resulting in shortages of generics, given that China produces many of the active pharmaceutical ingredients used to make these products. For other diseases, pricing support comes from companies either withdrawing from treatments or delaying the launch of less-profitable treatments, even after ANDA approval is received.

To be sure, not all pricing pressures have been eliminated. Branded players are responding with heavy rebating and patent protection strategies that could pare opportunities in the biosimilar space for generics competitors. Their relationships with pharmacy benefits managers also can block generics competitors, while some branded players have also introduced their own generic versions. Meanwhile, several major hospital systems in the US have combined to create a non-profit company to produce a stable supply of generic drugs.

Pressure from the legislative landscape is also high-priority during this U.S. election year. Drug pricing is likely to be a high-profile topic as issues such as "pay for delay" have put a stigma on the industry in the past.

Still, the average operating margin for the top 15 US generics manufacturers is expected to increase between 20% to 23% by 2023, up from 17% in 2018, according to an EY analysis. This could give manufacturers more firepower to make acquisitions. Additional factors supporting consolidation are that many companies have worked to reduce debt incurred in the last round of industry consolidation, while firms are also seeking to fend off excess capacity by pruning less profitable commoditized products.

Aiming for strategic position for impending consolidation

The deal announced in July 2019 for *Pfizer* to combine and spin its *Upjohn* off-patent drug business with generics manufacturer *Mylan* set the stage for more consolidation. More recently, *Akorn* announced it is exploring a sale that is expected to address its capital structure and litigation-related issues with a new owner that seeks to invest in the future growth of the business.

Disruption and consolidation opportunities are ripe across the value chain, from oral solids to ophthalmics to injectables. In 2019, *Aceto* asked for bankruptcy court permission to sell its generics business to *Shore Suven Pharma Inc.* In October of the same year, *Zentiva* agreed to acquire *Alvogen's* Central and Eastern European business as Alvogen's private equity owners consider options.

The generics manufacturing market still remains highly fragmented, with the top four companies supplying only 28% of total prescriptions, while three primary buyers held 90% of prescriptions.The key for pharma industry CEOs, CFOs, and their boards is to determine the best strategy and act while opportunities still exist. One or more of several options may be beneficial.

1. Increase scale in higher-margin biologics

As mentioned, several well-known blockbuster biologic treatments for rheumatoid arthritis, cancer and other diseases are close to coming off patent. This may present an opportunity for some generics manufacturers to shift production into these higher-margin, harder-to-manufacture treatments if they can receive FDA approval. To make this shift, though, companies need to free up capital to invest in this capital-intensive manufacturing. One way is for generics manufacturers to sell lower-margin businesses. The funds from the sale of the *Alvogen* European business, for example, were used to invest in biosimilars.

The list of potential buyers includes both private equity investors and overseas investors that may want to build up manufacturing in the US market to mitigate against potential tariff threats and regulatory roadblocks, as well as a preventive measure against disruption by future pandemic-like situations. Companies will need to build in optionality and may be seeking assets to build out localized supply chains in the US and other markets.

2. Focus on scale for first-to-file (FTF) and first-to-market (FTM) lower-cost products

FTF and FTM products can still be very profitable, with FTF offering a six-month window of market exclusivity. The number of companies with necessary capabilities such as navigating the PIV filing and litigation processes is still limited, though it is growing as certain Indian companies have added these skills. According to studies, the first generics entrant into a market has an 80% market share advantage over the second entrant and a 225% market share advantage over the third entrant.

The generic drug market is less influenced by consumer choices than by buying habits of wholesalers and pharmacies that get the drugs from manufacturers to consumers. These buying habits and reluctance to switch manufacturers confer a major first-mover advantage and make speed to market a key determinant of how well a generic drug will perform in the marketplace.



3. Focus on innovation through 505(b)(2) approvals

Approvals for 505(b)(2)s, which build upon and provide differentiation from previously approved products, has risen in recent years. In fact, the FDA approved more than 300 such products from 2013 to 2018 — comprising 50% of all ANDA approvals. For many generic drug companies, the 505(b)(2) pathway for a new product is an attractive business model as it takes much less time, cost and risk to get a product in the market compared to innovator drugs. These drugs are generally more expensive than the generic version of the innovator drug.

Key factors for a successful launch strategy through the 505(b)(2) pathway include: (i) the extent of modification to dosage form, new route of administration, etc.; (ii) careful analysis of reference studies; and (iii) a strong selling arrangement. Companies with the right product selection, strong R&D and cost advantages should benefit from the current wave of loss of exclusivity. Beginning in 2019 and running through 2024, drugs representing more than $200 billion in sales will go off patent, including some of the biggest blockbuster drugs like *Humira, Enbrel* and *Revlimid*. This creates the need to innovate quickly to take advantage of the opportunity.

4. Leverage digital transformation

Generics players have lagged in terms of their digital efforts, in comparison to their innovator counterparts. However, there are opportunities to use digital tools and data analytics for managing data, developing treatments, interacting with patients and medical professionals, and improving the supply chain.

Summary

The recent market condition and business cycle offer a unique window of opportunity for generics manufacturers to reshape their business by optimizing their portfolios, building scale, and improving firepower to accelerate growth over the next several years. Those companies moving quickly will have their pick of acquisition targets (both products and businesses). They also have participated in a stronger deal market to divest treatments now considered less strategic or no longer desirable. When the market normalizes, this can provide funds to invest in complex high-margin products, such as biosimilars.

PFIZER: IMPROVING HEALTHCARE/ TACKLING COVID-19

by Dmitry Kozenkov
Country Manager, CauCAR Region
Pfizer

The year 2020 changed our lives dramatically when the world not only adapted to the new "norm", but also began to combat the virus that takes lives. In these unprecedented times the importance of food and pharma security and safety for everyone's well-being cannot be overemphasized. Of course, everyone wants to return to the life they knew before the pandemic, before quarantines and lockdowns. We are very much looking forward to the appearance of a COVID-19 vaccine and treatment that will hopefully make this possible.



Measures to combat the pandemic continue across the world, including Kazakhstan. Preparations are underway for the 'Second Wave', which has already begun worldwide. The challenges faced this spring and summer should not only serve as a lesson, but also serve as an impetus for even more productive cooperation to ensure the safety and well-being of Kazakhstan' population.

Kazakhstan's New Public Health Code

Concerning patient safety, the New Public Health Code and Kazakhstan's healthcare system introduced a number of advanced regulations to improve public health. Of particular interest were the new rules on tobacco control that have long been suggested given that tobacco-related diseases place a significant burden on the healthcare system. The new Code will no doubt reduce the prevalence of tobacco smoking.

However, these restrictive measures may not be sufficient to meet the goals set by the *State Healthcare Development Program for 2020-2025* in reducing smoking prevalence in Kazakhstan from 22% to 19.3%. According to the *Global Adult Tobacco Survey* in 2014, there were 2.8 million smokers in Kazakhstan, most of whom - 64% - want to quit smoking. These smokers need attention and are in dire need of systemic support because only 1-5% of smokers can quit smoking on their own.

This, in turn, means that the vast majority of patients who suffer from nicotine addiction and are at risk of developing chronic obstructive pulmonary disease, cardiovascular diseases, various types of cancer and other diseases need support in protecting their health. This support is stipulated in article 14 of the *WHO Framework Convention on Tobacco Control*, which was ratified by Kazakhstan but has yet to be implemented.

Another issue during discussion around the New Code is the updated regulation concerning vaccination, which sets out measures to ensure higher coverage for vaccines in Kazakhstan. However, adult vaccination leaves a lot of room for improvement. Compared with international coverage for people living with HIV+, cancer patients, patients with chronic diseases and the elderly, Kazakhstan's coverage is significantly different from European practice. More than 50 countries have already introduced vaccination for people over 65 years of age.

It is also important to raise public awareness of vaccination issues as adult vaccination still raises many questions. Adult vaccination processes are not yet well-established, and lack of coverage is not covered in the *Mandatory Health Insurance* system, which raises questions. Why shouldn't vaccination be covered for elderly patients, patients with chronic lung diseases, cardiovascular diseases, and oncologies? After all, the goal of the Mandatory Health Insurance system is to improve the quality of healthcare and reduce the burden of disease.

To fine-tune the adult vaccination process, a public-private partnership approach enabling private health centers to provide services for timely, high-quality coverage of the population could be used. The importance of this issue has also been stressed by WHO, which emphasizes the importance of vaccination against influenza and pneumococcal infection during the COVID-19 pandemic, while stressing the risk of developing severe forms of COVID-19 that doubles for smokers. Both smoking cessation and vaccination against respiratory pathogens reduce the incidence of infectious lung diseases, while being cost-effective technologies.

Overcoming Obstacles

Pfizer has done everything possible to support patients in need of treatment and to ensure a smooth medical supply chain despite the many obstacles associated with the COVID-19 outbreak that began in March this year. Difficulties were associated with lockdowns across the EU, which restricted operation of production sites and warehouses. Pfizer did everything to meet its obligations on time, even while working with a production site in Italy, where rigorous restrictions were imposed due to high levels of COVID-19 prevalence.

During this time Pfizer also faced a sharp increase in the demand for its products. This increase had led to a global shortage, but nonetheless Pfizer was able to deliver its medicines to Kazakhstan in timely fashion and in the required quantity. Pfizer made every effort to fulfill its obligations not only by cargo, but also by charter flights. In total, since March 2020, Pfizer delivered more than 100 shipments of 250,000 packages of medicines.

No Country Was Prepared for an Outbreak of this Magnitude: Lessons Learned from the 'First Wave'

In the fight against the coronavirus pandemic, it is critically important to have well-established processes to quickly deliver the necessary treatment to patients. This refers not only to logistics, but also to regulatory issues. Current price registration rules do not allow patients to receive innovative therapies that can save their lives or to at least delay risks to their lives. Price registration, inclusion in the *Kazakhstan National Formulary*, and in Ministry of Health orders on the *State-Guaranteed Basic Medical Package* and *Mandatory Healthcare Insurance* systems can take up to 2 years, thus improving the regulatory framework is necessary.

Long-term agreements between the unified distributor and pharmaceutical companies with commitments on volume would effectively contribute to improving planning and reserving the necessary stock, and therefore would help to ensure timely and uninterrupted patient treatment.

Increased transparency is also necessary because transparency and accountability are our common responsibility to patients whose health we are fighting to maintain and protect. In recent years the transparency of the *Formulary Committee* has increased significantly with Committee meetings broadcast live, but the transparency of the agenda-setting process and the meetings schedule can be improved further.

Pfizer continues to direct efforts towards combating COVID-19 and improving healthcare, both globally and in Kazakhstan where we work in close collaboration with the Ministry of Healthcare, healthcare professionals, patient organizations and other partners. We firmly believe that in this fight against the pandemic **science will win.**



SANOFI: ENSURING MEDICAL ACCESS AND SUPPLY

by Vitaly Bystryukov
Chairman, Sanofi Kazakhstan
Head, Central Asia and Belarus

Today the world is grappling with a pandemic. People across the globe fear the impact on the health of individuals and communities, and the global economy is shaking. The coronavirus pandemic is bringing into clear focus the interdependencies created by a globalized world. Once we have addressed the current crisis, we will have a window of opportunity to collectively draw lessons for the future of our planet.

The urgent priority now is to contain the pandemic as quickly as possible. Every individual action counts to help slow the spread of the virus, flatten the curve of new infections, and support the healthcare professionals who are mobilized around the world to treat those who need medical help.

As COVID-19 continues to spread, it is our job in the healthcare industry to do our part, which includes not only developing vaccines and treatments, but also keeping the public informed about the work underway. Equally important, we must ensure that the lessons learned during this pandemic help spark positive, lasting change. Like other pharma companies, Sanofi takes this responsibility seriously.

Sanofi's utmost priority is to do whatever is possible to ensure continuous access to medicines essential to patient needs. Sanofi is monitoring the situation very closely and putting specific actions in place to enable business continuity and the supply and distribution of our important medicines.

Sanofi is a key actor in public health worldwide and the continuity of manufacturing and supply is crucial. The company's Industrial Affairs operations are focused on ensuring that medicines are produced for the patients that need them. During Kazakhstan's Covid-19 lockdown, we continued to provide all the products, including medicines, to patients with chronic diseases such as diabetes, cardiovascular diseases, and rare orphan diseases. As of today, the Sanofi global logistics network is continuing to operate and has adapted to changes in the distribution system (border restrictions, a significant reduction in flight frequencies, new requirements for transportation conditions, and so forth).

Today, Sanofi's high priority in Kazakhstan is to ensure that patients have access to innovative products as early as possible, along with the pioneer markets. Unfortunately, there are serious obstacles in Kazakhstan's legislation and procurement system that increase "time to market" and decrease the incentive to supply the country with innovative products. There are many innovative models for providing medicines (innovative contracting, risk sharing) that could help overcome these barriers and improve access.

Sanofi pursues innovation to bring life-changing treatments to people with unmet healthcare challenges, embracing strategic partnerships and collaborations that align science, technology and talent. The Sanofi goal is to build lasting alliances that advance medicine and create value for global health.



SANOFI

Sanofi is dedicated to supporting people through their health challenges. We are a global biopharmaceutical company focused on human health. We prevent illness with vaccines, provide innovative treatments to fight pain and ease suffering. We stand by the few who suffer from rare diseases and the millions with long-term chronic conditions.

With more than 100,000 people in 100 countries, Sanofi is transforming scientific innovation into healthcare solutions around the globe.

Sanofi is a long-term healthcare partner in Kazakhstan since 1997.

Sanofi, Empowering Life

www.sanofi.kz

THE FIGHT AGAINST COVID-19: GSK SUPPORTS PHARMACEUTICAL SECURITY

by Oleg Kryuchkov
Country Manager
GSK Kazakhstan

The COVID-19 pandemic is a global crisis that makes unprecedented demands of global organisations. We are proud to have been able to support global efforts to tackle the virus and ensure pharmaceutical security internationally and locally. GSK is actively leveraging its scientific expertise to support patients and healthcare professionals in the challenging fight against COVID-19.

GSK is pleased to share several very important initiatives that will help healthcare experts defeat the coronavirus in Kazakhstan and around the world. It is well-known that GSK has consolidated efforts with Sanofi to create an adjuvanted candidate vaccine to prevent COVID-19. We expect a candidate vaccine to go through clinical trials and, if successful and subject to regulatory considerations, the aim is to complete the development required for availability by the second half of 2021.



In addition to Sanofi, GSK is also collaborating with the *University of Queensland, Medicago, Clover Biopharmaceuticals* and *Xiamen Innovax Biotech.* More than one vaccine will be needed and we hope there will be a number of successful vaccines developed with the GSK pandemic adjuvant technology.

In addition to vaccines, GSK is also supporting screening and research into potential medicines for COVID-19. For example, we are collaborating with *Vir Biotechnology* to use Vir's monoclonal antibody platform technology to accelerate and identify new anti-viral antibodies that could be used as therapeutic or preventative options for COVID-19.

Supporting those on the frontline of this crisis is a high priority for GSK, which has provided substantial financial support to The *Global COVID-19 Solidarity Response Fund,* created by the *UN Foundation* and *WHO*. GSK also works closely with the Kazakhstan authorities to identify and meet the country's key needs. We are pleased to announce that, as part of the support for Kazakhstan's Ministry of Health, in August GSK was able to allocate funds for personal protective equipment - reusable protective suits, which will protect medical workers from the virus and protect their health.

The pandemic has necessitated public safety measures such as border closures and movement restrictions. Despite these restrictions, the *Interdepartmental Commission on Combating COVID-19* and the Ministry of Health took a number of effective measures to ensure uninterrupted medical supplies for the country: permits were issued to travel through checkpoints for freight vehicles carrying medicines, and pharmaceutical company employees and warehouses continued to operate. In Kazakhstan, GSK has done everything possible to prevent delays in the supply chain of medicines and vaccines to the public health system. Nonetheless, there are always areas for cooperative improvement, two of which we would like to highlight.



First, In the future, if border closures between cities and regions are again required to prevent mass infection, we suggest developing procedures for a more rapid, reliable cross-border transition process for employees of organizations providing medicines and other vital goods, while maintaining all necessary safety precautions.

Inbound logistics were also challenged by cancellation of the 30-day visa-free access regime for foreign citizens (including EU countries), including truck drivers. This required spending an additional week or more to obtain visas and led to supply chain delays. In future a more expedited visa process would speed up the supply chain for critical medical supplies. Our suggestion is to develop a special process for supply chain workers transporting medicines, food, and other essential goods during the acute phase of the pandemic.

We also would like to touch on government regulation of medical pricing in Kazakhstan. As a company, GSK focuses on creating strong pipelines for both patient and payer, maintaining valuable partnerships with the countries where GSK operates. GSK welcomes any initiative to improve access to life-saving medicines, including initiatives to properly control overpricing of medicinal products necessary for the health of Kazakhstan's citizens. However, medical price regulation is a sensitive topic for the pharmaceutical market, the government, business (pharmacies, distributors, manufacturers) and, finally, for patients. This is a process directly affecting continuity of the drug supply chain in the retail and tender segments.

After the President of Kazakhstan's order to reduce the price of COVID medicines, manufacturers faced a compulsory mechanism for price reduction in the form of a complete elimination of the manufacturer's marketing mark-ups and a reduction in wholesale and retail mark-ups for COVID-related medicines. This approach is too harsh and poses significant access risks. Such drastic measures may have the opposite effect: manufacturers and wholesalers may revise supplies to Kazakhstan, which in turn will lead to a shortage of COVID-19 medicines.

GSK urges decision-makers is to consider the pharmaceutical industry's voice and aspirations in their discussions of this issue as the consequences may be extremely negative, an unacceptable outcome during the global COVID-19 pandemic. We sincerely hope for the government's understanding and cooperation in this matter.

GSK would also like to mention the undoubted success of the Ministry of Health in responding immediately to the growing shortage of medicines during the summer months. Local batch release improved to 3 working days during the pandemic based on the Ministry's order, which reduced product supply lead-times to patients. We fully support maintaining this practice on a regular basis. Moreover, the Ministry's decision to create and maintain a two-month minimum stock of drugs will prevent a shortage of drugs during the global pandemic's acute stage.

These and other effective measures by the Ministry of Health, with the support of manufacturers and other market participants, will help avoid disruptions in the supply of medicines and ensure continuity of essential medical supplies both in the fight against COVID-19 and for treatment of all other diseases. GSK will be happy to support the government in this challenging task.

The Covid-19 pandemic has been a harsh test for us all, but I believe we have seen the 'best of us' on display over the past months. Whether this has been the innovation of pharma companies, dedication of government officials, or sense of responsibility of GSK employees, we can be confident that the future will be brighter.



JOHNSON & JOHNSON: APPROACH TO COMBATING COVID-19

by Adilet Nazarbayev
CIS Cluster Lead, Johnson & Johnson (Janssen)

In December 2019, when the novel coronavirus COVID-19 was revealed, Johnson & Johnson mobilized quickly in response to provide support to healthcare workers battling the crisis on the front lines, to hospitals caring for the sick, and to research partners racing to find solutions that could help bring the COVID-19 pandemic to a halt.

As one of the world's largest and most broadly-based healthcare companies, Johnson & Johnson allocated more than 50 million tenge to support the fight against the new coronavirus in Kazakhstan. We supported initiatives of non-profit organizations aimed at overcoming the crisis – from funding projects to supporting doctors fighting on the frontlines of the pandemic, and to producing webinars for patients with increased risk of infection and COVID-19 complications due to an underlying chronic disease such as cancer, HIV or IBD.

In January, Johnson & Johnson launched a multipronged response to the outbreak that included efforts to develop a vaccine candidate and identify existing medicines that might be used to help treat COVID-19. The company also announced plans to scale up its global manufacturing capacity to provide the world with 1 billion doses of a safe and effective vaccine for emergency pandemic use on a not-for-profit basis.

In July, early-stage testing of the vaccine candidate was begun on human volunteers. In September, based on positive interim results from a Phase 1/2a trial and discussions with regulators, a pivotal Phase 3 trial was begun to evaluate the safety and efficacy of a single vaccine dose versus a placebo in preventing COVID-19.

Johnson & Johnson is committed to providing an affordable, non-commercial vaccine for use in emergencies to combat the pandemic. The first shipments of a safe and effective COVID-19 vaccine to receive emergency approval are expected in early 2021. An agreement has been concluded with the EU for 500 million doses of vaccine, and we are open to negotiations with the governments of other interested countries.

Johnson & Johnson priorities in the context of the COVID-19 pandemic remain unchanged: striving to provide new and better medicines focused on patient needs. Driven by the company's shared mission and purpose, and realizing the responsibility we have to our patients, we, as a company, mobilized to move to a new work format in a very short time, while maintaining our employees' health and safety. Our educational programs for healthcare professionals to ensure timely information about Johnson & Johnson medicines and the exchange of medical knowledge, increasing chances for patients to receive optimal treatment even in a pandemic.



В Janssen мы создаем будущее, где заболевания останутся в прошлом. Мы – фармацевтические компании Johnson & Johnson, и мы не жалеем сил, чтобы это будущее стало реальностью для пациентов по всему миру. Мы побеждаем заболевания передовой наукой. Изобретаем, как помочь тем, кто нуждается в помощи. Исцеляем безнадежность человеческим теплом.

Наша компания – больше, чем просто лекарственные средства.
Мы стремимся не только разрабатывать и производить препараты, но также предоставлять комплексные решения, включая научное сотрудничество с экспертами и взаимодействие с государственными организациями.

Деятельность компании сосредоточена на разработке препаратов для лечения и улучшения качества жизни пациентов в тех областях медицины, где мы можем принести больше всего пользы:

- Онкология
- Неврология
- Наркология
- Нефрология
- Гематология
- Психиатрия
- Гастроэнтерология
- Ревматология
- Эндокринология
- Вирусология

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DR REDDY'S LABORATORIES: THE GROWTH OF INDIA'S PHARMACEUTICAL INDUSTRY

by Nitul Kumar
General Director
Dr. Reddy's Laboratories Kazakhstan

The emergence of India's pharmaceutical industry as a major global force has been a subject of interest for many. While most of us use or have used a medicine manufactured in India, not many know how India became a global force in pharmaceuticals. Like many other industries, the emergence of the Indian pharmaceutical industry is a success story due to policy enablement by government, entrepreneurship, demand, patient focus, scale, and free competition.

Prior to 1960s - Struggling Nation and Patients

In order to understand the current scenario, we need to go back more than a century to India of the 1900s. India was then a British colony and availability of medicines was mainly controlled by British manufacturers. The British brought in a patent law in 1911 that recognised both product and process patents and protected British industry. Over 90% of India's market was import-based. Drug prices in India at that time were among the highest in the world.

Overall healthcare was poor, although India had significant knowledge, but its prevalent traditional system of medicines *(Ayurveda, Siddha)*, was not encouraged under the colonial system. During the two World Wars, medicines were diverted to the war zones. India's population in 1940 was ~318 mn and its people suffered on multiple fronts - high prices, low purchasing power, either no availability or very little availability of medicines, and a poor healthcare infrastructure.

1960-1970 - First Steps by Government

India's Prime Minister at that time believed in national economic five-year programs that were centralized and integrated. The second five-year plan focused on development of the "public sector" and "rapid industrialisation". To facilitate an independent supply of pharmaceutical products in the domestic market, the Indian Government created five state-owned pharmaceutical companies. The largest of these – *Indian Drugs & Pharmaceuticals Limited (IDPL)* - was set up with the support of the USSR with which India has historically had good relations.

The *IDPL* mandate was to produce essential drugs such as narrow spectrum *Antibiotics, Tetracyclines, Antifungals, Sulphonamides, Vitamins, Analgesics, Anti-hypertensives, Diuretics, Hypnotics, Antimalarials,and Fluoroquinolones.* The other key mandate was to nurture a nucleus of scientific and technical personnel and develop necessary infrastructure. The founder of Dr.Reddy's Laboratories, Dr.Anji Reddy, began his scientific career in IDPL.

1968 - The Trigger

Unichem (an Indian manufacturer) launched T*olbutamide (sulfonylurea oral hypoglycemic medication). Hoechst* held the IN 58716 Patent for *"Manufacture of new sulphonyl-ureas, salts of those compounds and of anti-diabetic preparation containing such compounds". Hoechst* filed a case asking the court to barUnichem from selling the product. The court ruled in favour of Hoechst citing Section 114 of the *Indian Evidence Act, 1872* that presumes infringement of a process patent in the absence of proof to the contrary.

The Indian diabetic patient pool, which was already facing shortage of medicines, once again lost access to affordable treatment as '*Hoechst's Rastinon*' was way above the reach of the common man. This triggered significant public reaction forcing the government to take urgent action to ensure steady and affordable access to medicines. The Parliamentary Select Committee subsequently recommended many changes, and its report was followed by the *Patent Amendment Bill* passed in Parliament in 1970 and followed by the *Rules Amendment* in 1972.

1970s - Legislative Shift

As per the amendments to the 1970 *Patent Act,* only process patents on Drugs, Foods and Chemicals were allowed. Product patents for these fields were not eligible to be granted.This was historical legislation and it shaped the Indian pharmaceutical industry in years to come. On the one hand, it encouraged local production and development of reverse engineered products, while on the other, it recognised that monopolies are harmful.

This law was criticised as impacting against recognition of innovation, however those who proposed this legislation were clear that law was not intended to discourage innovation, but to remove monopolies, which were not delivering the required outcomes. Section 83 of the *Patents Act 1970* states *"that patents are granted to encourage inventions and to secure that the inventions are developed in India on a commercial scale to the fullest extent, not to enable a monopoly on their importation".*

Post - 1972 – India Emerges as "the World's Pharmacy"

The Golden Era of the Indian pharmaceutical industry began after the above patent legislation. Government policy enabled development of an industry-friendly ecosystem that encouraged entrepreneurs to invest in pharmaceutical production. Between 1970-1990, many new manufacturers launched operations leading to development of production infrastructure and significantly expanded accessibility and affordability. Dr.Reddy's started its operations in 1984.

The ecosystem involved setting up multiple pharmaceutical educational institutions, research laboratories, and regulatory bodies in each state. Growth was also supported by a burgeoning population that by 1970 already stood at 555 million people. The industry champions understood early on that affordability and access were global issues. They knew they could make a difference globally and so scaled up the standards and production to cater to patients across the globe. Dr.Reddy's first export shipment was to Russia in 1995.

Investment in research and alignment with global standards helped the Indian pharmaceutical industry to become a world-class generics industry. This in turn made it possible for manufacturers to quickly adapt to the product patent regime which came into force in India in 2005.

Today India is the largest provider of generic drugs globally. The Indian pharmaceutical industry supplies over 50% of the global demand for various vaccines, 40% of generic demand in the US, and 25% of all medicines in the UK. Currently over 80% of the antiretroviral drugs used globally to combat *AIDS (Acquired Immune Deficiency Syndrome)* are supplied by Indian pharmaceutical firms.

COVID-19 and India's Pharmaceutical Industry

Since March 2020, India's pharmaceutical industry has many times proven its dependability and ensured that required medicines are available globally. Starting from *HCQ (hydroxychloroquine), Remdesivir,* and many other medicines, India's industry is an active partner in the fight against COVID-19. It is a leading partner in searching for and producing the vaccine.

Various Indian manufacturers have partnered with companies across the globe for development, clinical trials, and production of a COVID vaccine. Dr.Reddy's has partnered with the *Russian Direct Investment Fund (RDIF)* to conduct Phase II & III clinical trials of the Russian *Sputnik V* vaccine in India.

Learnings

The patient is at the core of policy – the rise of the Indian pharmaceutical industry underscores the need to formulate and align the policies that serve the patient. Affordability and access are as relevant today as they were in the past. Whether it is in formulating policies or pricing a drug, the question asked should be "will it will help the patient?"

Remove monopolies & barriers - monopolies stiffen competition, discouraging players from registering, producing, and supplying medicines, which in turn leads to shortages and a spike in prices.

Scale - availability of an ecosystem and access to a significant population base helps reduce costs and entails efficiencies that foster industry development. In turn, this leads to investment in innovation, making the pharmaceutical industry globally competitive.

Dr.Reddy's



"The mission is to improve the quality of life and life expectancy itself. This requires good science. But for science to be good, it has to result in affordable medicine."

Dr. K. Anji Reddy
Founder, Dr. Reddy's

Good Health Can't Wait.

MINISTRY OF AGRICULTURE OF KAZAKHSTAN

KEYNOTE SPEECH BY NURBEK DAIRBEKOV
DEPUTY MINISTER OF AGRICULTURE OF KAZAKHSTAN

The coronavirus pandemic has shown that ensuring Kazakhstan's food security, which means the timely and stable provision of food to the country's population, must be a priority now and in the future. During the pandemic and the quarantine that began in March, Kazakhstan was fortunate in being able to maintain food stability in the retail markets, supermarkets, bazars, and small food shops across the country.

Timely measures reduced the impact of the pandemic on the development of the country's agricultural sector. Thus, in the first 9 months of 2020 the volume of gross agricultural output increased by 5 %. The land that could be used for highly profitable crops was increased, taking into consideration crop rotation. Oilseeds and legumes such as flax were increased by 18.2%, soybeans by 10.7%, vegetables and melons by 4.7%, resulting in a 7% increase in crop production.

Increasing the total area of irrigated land continues. The current area of irrigated land is 2.2 million hectares, but by 2030 it is planned to increase the area to 3 million hectares, installing water-conservation technology such as sprinklers and drip irrigation where needed, and thereby multiplying the crop yield. To encourage introduction of modern irrigation systems, farmers are reimbursed 50% of their expenses for infrastructure supply and purchase of irrigation systems.



Despite the pandemic, sowing and harvesting of grain and legumes were carried out in a timely manner. 20.5 million tons of grains were harvested, which is 9% higher in comparison to last year's 18.6 million tons. Meat production has also increased by 3.8%, and milk by 3.1%.

In general, Kazakhstan is increasing its production of cereals, oilseeds, meat, milk and feed crops. The domestic market is constantly monitored for basic food products, and for all major types of food products, the country's security is 100% or more. Only 6 products are signaled for a production increase.

To address this issue, existing production facilities must be modernized and new facilities introduced by 2024. A *Comprehensive Plan* is being developed to fully supply the domestic market with local products in the near future, particularly products that are currently dependent on importation. Investment projects to ensure food supplies of all types are being developed.

In light of the demand from neighboring countries, Kazakhstan aims to further increase its supplies of agricultural and agrifood products. Kazakhstan is ready to offer its produce and livestock to those regional countries requesting it. A positive trend is discernable in the export of processed products. In the first 8 months of 2020, exports of processed products increased by 13% (789 million USD), compared to the same period last year (687 million USD).

With a variety of natural resources and a favorable geographical position, Kazakhstan is a regional food hub, and with its existing potential, it could become a major international food hub and one of the world's largest producers of agrifood products.

Today, Kazakhstan offers new opportunities and huge potential for investments. Our country occupies a strategically important location close to the large markets of neighboring countries and has a favorable business environment that includes protection of investors' rights and investment incentives. Although attracting foreign investment is relevant in any country, countries are taking measures to improve the investment climate and provide the most competitive conditions for doing business – providing numerous benefits, infrastructure, and other necessary conditions.

Investors prefer countries that guarantee a secure business environment – public safety, rule of law, and transparency in their business practices. Due to a number of successful reforms and new approaches to attract foreign investment, Kazakhstan is such a country. Kazakhstan also has a *Foreign Investors' Council* chaired by the President of Kazakhstan, a *Council to Improve the Investment Climate* chaired by the Prime Minister and operated by the American Chamber of Commerce, and a *Coordinating Council to Attract Investment* in which the Prime Minister functions as an Ombudsman.

In accordance with international best practices to attract investment, Kazakhstan has 13 free economic zones and 24 industrial zones that provide developed infrastructure and a wide range of investment preferences. Free economic zones are located throughout Kazakhstan, including in the country's major cities - Nur-Sultan, Almaty and Shymkent.

In addition, creation of a court in the *Astana International Financial Center* and *International Arbitration Center* is an important initiative to ensure the rule of law and protection of investors' rights. The AIFC operates in accordance with international standards and offers English common law for the first time in Eurasia.

After studying Kazakhstan's advantages, we have identified several of the most promising areas in the agricultural **industry** directly related to import substitution and export development of agricultural products. These areas are production of meat and milk, meat and milk processing, production and processing of fruits and vegetables, including greenhouse vegetables, processing of oilseeds and cereal crops, and organic products, which are increasing in popularity each year both in Central Asia and globally.

As a key driver of the agricultural industry, a program for the development of meat livestock has been developed until 2027 with the aim of doubling the number of large and small cattle. This will increase export volumes by meat types over the next 6 years: lamb up to 200 thousand tons per year and beef up to one million tons per year. The availability of pastureland and food resources, favorable epizootic situation, export markets, state support, stable local partners all create an attractive environment for investment in Kazakhstan.

There is also excellent potential for **dairy production**. On average, Kazakhstan annually produces nearly 4 million tons of raw milk, but this is not enough to supply both the domestic market and export markets.

Kazakhstan is a major producer of grain crops and flour (*annual grain production averages 19 to 20 million tons per year, flour 3.8 million tons*) and there is great potential for the deep processing of grain to produce gluten, starch, molasses, all of which are in great demand in foreign markets.

The production and processing of fruits and vegetables also has serious potential both for export and import substitution with local products. There is good land available for fruit orchards. In addition, a promising niche for investment is the creation of greenhouses. Greenhouse vegetables during the off-season are always in demand in domestic foreign markets.



In conclusion, all of the above conditions and government support measures add up to a favorable investment climate for Kazakhstan's agricultural complex.



KAZAKHSTAN'S GOAL OF SELF-SUSTAINABILITY

KEYNOTE ADDRESS BY AMBASSADOR SVEN-OLOV CARLSSON AMBASSADOR FOR THE EUROPEAN UNION DELEGATION

I would like to start by congratulating Kazakhstan on a good harvest this year and note your plans to invest in food security through production and storage. European Union companies are keen to explore opportunities in developing agriculture here. We appreciate your contribution to the global fight against the pandemic by ensuring deliveries and transit of food, as well as Kazakh grain deliveries to your neighbours. More, recently Kazakhstan took decisive measures to combat the outbreak of highly pathogenic avian influenza on its territory.

These are all important contributions to global food security. As many countries enter another wave of the pandemic, we hope that Kazakhstan will resist the temptation of food protectionism. Evidence shows that such measures do not work. The European Union (EU) resisted the calls to close borders and eat national – gastro-protectionism.

We have realised from the experiences of the past ten years – the food price spikes in 2008, the Russian ban in 2014 – that our food security depends on open markets, comparative advantage, and diversification of both sources of supply and markets. In fact, one secret to food security in the European Union is that the EU is the largest importer and exporter of agri-food products and the largest seafood market in the world.

The coronavirus crisis has underlined the importance of a robust and resilient food system that functions in all circumstances and is capable of ensuring access to a sufficient supply of affordable food for citizens. It has also made us aware of the interrelations between our health, ecosystems, supply chains, and consumption patterns.



It is clear that we need to do much more to keep ourselves and the planet healthy. The current pandemic is just one example. The increasing recurrence of droughts, floods, forest fires and new pests are a constant reminder that our food system is under threat and must become more sustainable and resilient. One-fifth of the world's countries are at risk of their ecosystems collapsing because of the destruction of wildlife and their habitats, according to an analysis by the insurance firm Swiss Re.

Reflecting on this, we have made food security a key part of the *European Union Green Deal***.** The European Commission is now drawing up an action plan for implementation of the *Farm to Fork Strategy (F2F)***,** adopted in May this year together with the *Biodiversity Strategy***,** as part of the ***EU Green Deal***. The strategy sets out how the *Green Deal* can be applied to the farming and food sectors, and how to design a healthy, fair and environmentally friendly food system.



The ***F2F*** strategy will demand change of all sectors of society, not just from farmers, but from governments, the research community, the food industry, the transport industry, the big retailers, energy suppliers, the chemical industry, and above all, from consumers. The strategy in particular addresses:

- *50% reduction in pesticide use by 2030 including the more hazardous ones;*
- *reduction of fertiliser use by 20% by 2030;*
- *reduction of sales of antibiotics for farmed animals and aquaculture by 50% by 2030;*
- *increasing organic production to cover at least 25% of agricultural land (it is 8% today);*
- *raising animal welfare standards;*
- *taking 10% of EU farmland out of production for biodiversity restoration.*

The *Farm to Fork Strategy* was created despite the fact that the EU is the only major agricultural region that in the last 30 years has both increased production and reduced greenhouse gas emissions. We do this because a loss of biodiversity needs to be reversed. The funding to EU farmers – the biggest part of the EU budget – will be conditioned on meeting these targets. In fact, 30% of the *Common Agricultural Policy* budget will be ring-fenced for climate and environment.

Europe represents 10% of global emissions and is decreasing this percentage, but we need others to do their fair share. Through green partnerships worldwide, we hope other countries and regions will embrace our approach. We will strive to promote international standards in the relevant international bodies and encourage production of agri-food products with high safety and sustainability standards.

The EU will also boost cooperation to improve nutrition and to alleviate food insecurity by strengthening resilience of food systems and reducing food waste. *F2F* has a number of proposals that would affect imports – provisions that in different ways would require imported products to correspond to EU labelling requirements or to EU environmental, labor and animal welfare standards.



These new provisions will be designed and implemented in a *World Trade Organization*-compatible manner. We will proceed on a step-by-step basis and case-by-case. We will do so in full consultation with our trading partners so that their interests and concerns are reflected, and we can raise standards through partnerships. We will engage our trading partners to raise standards everywhere. We will encourage other countries towards greater sustainability and a food systems approach through building green partnerships and through next year's *UN Food Systems Summit*.

And the European Union will use its development cooperation to help exporting countries meet any higher standards we require – for example on pesticide use or sustainability labelling.

Conclusion

Fortunately, the EU and Kazakhstan have the *Enhanced Partnership and Cooperation Agreement*, which fully entered into force in March this year. This agreement has provisions on matters related to food security and provides the framework for our dialogue and assistance. European food is already a global standard for food that is safe, plentiful, nutritious and of high quality. This is the result of years of EU policymaking to protect human, animal and plant health, and of the efforts of farmers, fishers and aquaculture producers. We hope that European food will become the global standard for sustainability.



KAZAKHSTAN'S AGRICULTURAL POTENTIAL
KEYNOTE SPEECH BY AMBASSADOR ANDRÉ CARSTENS AMBASSADOR OF THE NETHERLANDS

I fully agree with Deputy Minister Dayerbekov that agriculture and food production are key for diversification of Kazakhstan's economy. Diversification is highly recommended to make the country less dependent on the oil and gas sector. Revenues are declining in this sector due to the current low-price level, coinciding with the oil and gas companies' decreased interest in investing in new exploration in Kazakhstan. The pandemic has only served to strengthen this aversion to expanding investment.

Another good reason to focus on agriculture and food production is that Kazakhstan is still highly dependent on food imports from abroad, which is difficult to understand by comparison with the Netherlands, the world's second-largest exporter (after the United States) of agricultural and food products. To complete the picture, the Netherlands is the third largest exporter of horticulture products, ranked at fourth place on the **Global Food Security Index.**

A better and stronger agricultural sector will make Kazakhstan less dependent on food imports from abroad, which is costly and unnecessary. In his annual *Address to the Nation* 1 September 2020**,** President Tokayev set out priorities, among which land issues affect agricultural production. Land, of course, is indispensable for any kind of agricultural activity. Therefore, the President underlined the crucial need to increase the use of land for agricultural purposes by attracting foreign investment in this sector.

Obviously potential investors in agro-business should receive every support. However, many investors in reality are struggling with the limitations of the current moratorium on land (2016-2021), which prohibits farmland access to foreign investors. Even leasing, subleasing, or rental is almost impossible.

Another problem is that foreign investors are unable to make use of government support and other programs meant to enhance the exploitation of farmland. Conditions for loan, for example, are unclear or uninviting. Interest rate levels in Kazakhstan are higher than levels in competing markets.

And so the big question is what mechanisms will be developed to attract more foreign investment in agriculture. The President has tasked the Government and the A*stana International Financial Center (AIFC)* to elaborate a plan to attract foreign investors into the agricultural sector within a few months (before April 2021). We are eager to assist in this matter by sharing our knowledge and experience in order to achieve this goal.

When it comes to the Netherlands as a small - but in terms of agriculture king-size - superpower, one element serves as a cornerstone: in the agri-food sector, we are continuously investing in research and development, education and innovation. At the same time, we are struggling very hard to reduce greenhouse gas emissions, thus imposing extra efforts on farmers to change their production methods and reduce the ecological impact on soil. If Kazakhstan attracts at least some of these farmers to share their experience with their Kazakh colleagues, this would definitely help this beautiful country to diversify its economy, expand its agricultural production, and make it more sustainable.

I would like to offer some examples - first of all: greenhouses. Out of 400 ha industrial greenhouses in Kazakhstan, over 60 hectares are from the Netherlands, most 4th generation state-of-the-art. Another 60 hectares of greenhouses will be built in the coming two years by Dutch suppliers such as *Dalsem*, *Kubo* and *Van der Hoeven* in oblasts such as *Almaty*, *Aktobe*, *Pavlodar*, *Ekibastuz* and in *Shonzha* village.



Another example is the *Dutch Fruit Solutions Project (DFSK)* in Almaty. The Netherlands supports this project involving cooperation between *Kazakh National Agrarian University (KazNAU)* and a group of 14 leading fruit growing companies. The project created a demo-plot with a high-tech fruit orchard in the *Experimental Farm of KazNAU* in *Talgar district, Almaty Oblast.* This demo-plot might even serve as an example to fruit-growers from other countries in the region.

Despite the pandemic, the apples and pears we planted in spring bore fruit in early autumn. I also saw strawberries, red currant, blueberries, cherries, plums, and even asparagus in this promising orchard. We will see more fruit and vegetables come out of this pilot.

The good news for Kazakhstan is that its agriculture sector is growing. However, this is not good enough. Now is the time to speed up growth in order to meet the goal of diversifying the economy. Therefore, more equipment, highe- yield planting materials, sustainable food production, crop protection, and biotechnology are key, not just in the field but also in cooling storages, for horticulture, potato cultivation, dairy and poultry production.

Such know-how will definitely help Kazakhstan expand its agricultural production and diversify its economy. Now is the time to design a plan and create the necessary conditions to realize this plan. Now is the time to facilitate and hasten pending and ongoing pilot projects. These pilots will flourish and serve as flagships for even more projects to come.

SUPPORTING KAZAKHSTAN'S AGRICULTURAL DEVELOPMENT

by Sergiy Zorya
Lead Agriculture Economist
The World Bank Uzbekistan

The entire world today is on a quest for sustainable recovery from the COVID-19 crisis, and Central Asia and Kazakhstan are no exception. That is why this topic was the focus of the recent *IMF-World Bank Annual Meetings* that emphasized the growing need to boost jobs, help the poorest, support low-carbon development, and protect the environment.

Food security is at the heart of sustainable recovery plans in a post-pandemic period everywhere in the world, and in Kazakhstan. What does sustainable recovery mean for agriculture? Global discussions emphasize four objectives:

(i) increasing competitiveness of domestic production and value chains;
(ii) inclusion of small farms and agribusinesses into modern value chains and public programs;
(iii) environmental sustainability; and
(iv) the related One Health approach to address interlinks between humans, animals, and the environment.

Governments have a large role to play in supporting achievement of these objectives through policies and regulations, as well as public investments in agricultural service delivery. The role of the government is also to avoid falling into the trap of food self-sufficiency approach that is costly for the economy, consumers, taxpayers, and the environment. Food security should instead be enhanced through the above sustainable recovery approach.



A good example of *"sustainable recovery"* in agriculture and food security in Kazakhstan is the *Sustainable Livestock Development Program for Results,* approved by the World Bank in early July 2020. This Program is very much about the improved agricultural service delivery discussed at the conference. The World Bank is currently working with the Government of Kazakhstan on the Program's effectiveness and the smooth launch of implementation.



The Program Objective is to support the development of an environmentally sustainable, inclusive, and competitive beef production system in Kazakhstan. The five-year implementation of this Program for Results will be financed through a US$500 million loan, to be disbursed on the achievement of agreed, concrete, and measurable results.

The Livestock Program uses a farmer-centric model, with the focus on competitiveness, inclusion, and environmental sustainability:

a) *Competitiveness,* because the Program focuses on increasing export performance of beef sector by boosting public service delivery in veterinary services *(One Health),* promoting good agricultural practices, and linking farmers with markets.
b) *Inclusion*, by focusing on small and medium farmers, the Program helps direct resources to support those who are not well-covered by government services.
c) *Environmental sustainability*, because the Program design consists of elements that lead to environmental outcomes both at the level of public policies (with commitments related to greenhouse gas (GHG) reduction) and at the level of farmers (with promotion of good agricultural practices).

The *Sustainable Livestock Development Program* will focus on delivering the following Result Areas:

(i) Cattle are registered in the unified information system;
(ii) Small and medium farmers have access to improved, upgraded veterinary services;
(iii) Small and medium farmers are trained and certified in Good Practices;
(iv) The number of small and medium farmers participating in the Sybaga Program and selling cattle to feedlots is increased;
(v) Share of public expenditure in support of green growth and sustainability in the beef sector increases; and
(vi) A commitment for control of GHG emissions and adaptation to climate change in the beef sector.

These results areas are important, as their achievement will trigger disbursement of the Program funds, which in turn will lead to improvements in the quality and quantity of agricultural services. We expect improvements in animal health and veterinary services, agricultural advisory and farmer support services, including linking farmers with markets, and environmental services.

Lessons from designing the *Sustainable Livestock Development Program,* and from the global experience in building sustainable food systems, could be translated into actions for other subsectors of agri-food industry in Kazakhstan to help them build back better in the post-pandemic period. The World Bank advocates enhancing food security by focusing on competitiveness, inclusion, and environmental sustainability. In practical terms, it means several policy directions:

a. Under a constrained fiscal space, *agricultural public spending* should prioritize increasing the share of General Public Services (rural infrastructure, including irrigation, education, agriculture research and extension, sanitary and phytosanitary measures, and other services) in the total agricultural budget, rather than making direct farm payments.

b. While *some direct farm payments are justifiable,* including those to support long-term capital investments and promote on-farm services, their share in total farm support should decline.

   Such payments also should be more conditional on the adoption of climate-smart agriculture practices, as initiated under the Sustainable Livestock Development Program, to support a more resilient and sustainable agriculture and food system. These changes would align the farm support in Kazakhstan with the evolving changes in OECD countries.

c. More attention needs to be given to include *smaller farms* into public programs and modern value chains with the objective of boosting jobs and helping the poorest.

The COVID-19 pandemic has shown the weaknesses of the food systems in Kazakhstan and all over the world. Unless investments are made in stronger, healthier and more resilient food systems, the world will continue facing repeated, increasingly costly crises. A sustainable recovery approach would therefore ensure our better preparation for future challenges.



THE U.N. FOOD AND AGRICULTURE ORGANIZATION (FAO): WORKING TO INCREASE FOOD SECURITY

by Kairat Nazhmidenov
Head of Partnership/ Liaison Office Kazakhstan
U.N. Food and Agriculture Organization (FAO)

Food Security issues are relevant not only to Kazakhstan, but also to the entire world. *World Food Day* was recently celebrated on October 16, the date when the Food and Agriculture Organization (FAO) was established. For 75 years FAO has been pursuing its primary mission to eliminate hunger in the world. Today, FAO has 194 member countries and works in more than 130 countries around the world. FAO helps countries address the most pressing issues of food security, agriculture, rural development and agri-food systems to feed growing populations.



Last year the total number of undernourished people in the world was almost 690 million, but according to the latest FAO forecasts, by the end of 2020 the pandemic could add up to 132 million more hungry people, a staggering number. To tackle with these challenges, the strategy of FAO includes:

- *To help eliminate hunger, food insecurity and malnutrition;*
- *To make agriculture, forestry and fisheries more productive and sustainable;*
- *To reduce rural poverty;*
- *To enable inclusive and efficient agricultural and food systems;*
- *To increase the resilience to disasters and emergencies like pandemic.*

The 17 *Sustainable Development Goals (SDGs)* are well-known. FAO is the custodian UN agency for 21 SDG indicators. In this capacity, FAO is supporting countries' efforts in monitoring the 2030 Agenda. Elimination of hunger and food insecurity corresponds to *SGE 2 "Zero Hunger"* which must be achieved worldwide by 2030, including in Kazakhstan. However, the achievement of *SDG 2* is currently at risk of disruption by the COVID-19 pandemic, which is limiting trade; disrupting value chains; impacting on labor resources, such as decreased labor migration; increasing poverty in urban and rural areas, and causing social instability.

The pandemic poses a threat to food security and nutrition that could have a long-term impact on hundreds of millions of children and adults across the world. The importance of sustainable agriculture development is critical during the COVID-19 crisis because it consists of interconnected economic, social and ecological systems.

The world needs food systems that are more sustainable, resilient and inclusive. The UN initiative *"To leave no one behind",* signals the need for inclusiveness in which particular attention is paid to gender equality and youth.

FAO works in close partnership with other international organizations for a more productive movement towards achieving the SDGs:

- *FAO and the World Bank cooperate in a long-term partnership* agreement that enables almost all of the Bank's food security and agricultural projects in Europe and Central Asia to be implemented with significant FAO involvement and support. The World Bank's Executive Board has recently approved a US$500 million loan to Kazakhstan for the *Sustainable Livestock Development Program* which was developed with FAO.

- *The EBRD and FAO have recently approved a joint COVID-19 response package* to support the agrifood sector in countries where FAO and EBRD operate to cope with pandemic challenges, while also building longer-term food system resilience.

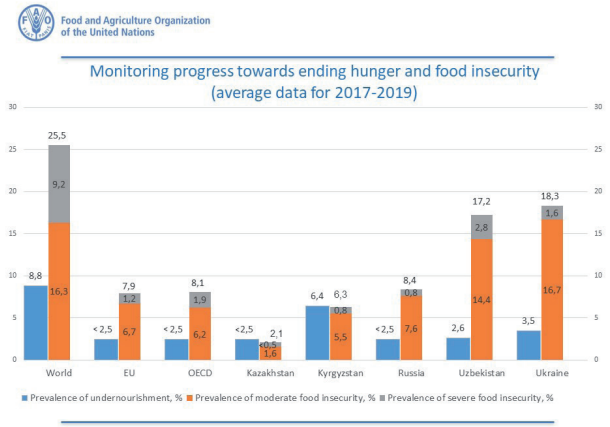
Kazakhstan's Food Access/ Increasing Rural Poverty

The two indicators for Central Asian countries including Kazakhstan and the regional group of countries shows that Kazakhstan is performing quite well. This is due to the physical availability and access to food in Kazakhstan, but certain aspects of food safety and economic access are problematic.

The economic aspect is associated with increasing poverty, which began to rise in 2020 due to the pandemic. The level of rural poverty has increased in recent years in Kazakhstan: in 2018 it rose to 6.7% and now approaches the 10% threshold set by the SDGs for rural settlements.



Food Waste



Another important issue that may prevent the world from achieving the SDG 2 *"Zero Hunger"* is food loss and waste. In general, more than 30 % of our food is lost. Less food loss and waste would lead to more efficient land use and better water resource management with positive impacts on climate change and livelihoods.



Conclusion

FAO works closely with the Government of Kazakhstan on food security, nutrition, and related issues. At the request of the Ministry of Agriculture, FAO is currently engaged in development of the *New State Program/ National Agriculture Project for 2022-2026.*



KAZAKHSTAN'S AGRIFOOD CHALLENGES - INTERNATIONAL BEST PRACTICES

by Anton van Gorp
General Director
METRO Cash & Carry Kazakhstan

In 2018 Investors' Voice published a Metro article on *Sourcing Regional Agriculture Abundance in Central Asia* about agricultural sector development and logistics challenges in Kazakhstan due to the country's vast territory. Although much has remained unchanged since then, the coronavirus pandemic has caused new challenges for the agrarians.

The coronavirus pandemic significantly impacted the agricultural industry and raised the issue of food provision to the Kazakhstan's citizens. Nowadays, keeping goods within the country, not exporting them should be the government's objective. This is necessary to ensure the country's food security to the full extent. However, exporting to Russia and China is a tempting prospect for local producers. Abolishing VAT payments for locally-produced agriculture goods is one way to encourage keeping food within the country.



Owing to its vast territory and variety of climatic conditions, Kazakhstan as a country has a high potential for agricultural sector development that is not being fully utilized. Therefore, additional systematic support of local producers is necessary for the country's agricultural progress. The supporting measures need to cover the following areas: *stimulating cultivation of various crops; provision of subsidies or soft loans for producers; minimizing transport between cities, and gasification of the country's northern regions.* These initiatives can have a positive impact on the development of the agricultural sector, thereby providing the population with the necessary volume of food.

At the same time, the industry needs a transparent and easy way to do business. The eGov electronic government portal is a prime example of how digital solutions can greatly facilitate business. International standards in agribusiness can also have a positive impact. For example, introduction of a quality management system facilitates an increase in the sale of agricultural products and also contributes to sustainable development.

Kazakhstan's logistical challenges and difficulties were mentioned above. Given the huge scale of the country, infrastructure and logistics are not sufficiently developed. Business needs the ability to move goods freely within the country.

International best practices should be adopted in the agricultural sector. Take China as an example, with its enterprises located in villages and provinces. Distribution centers operated by the government collect agricultural products from farmers, and then supply them to trading networks, markets, etc. Thus, farmers are engaged only in the cultivation of vegetables, fruits, livestock, while distribution centers undertake sales. This model has every chance to take root in Kazakhstan. Farmers need to be freed from the headache of selling. It will be much more effective if farmers focus on growing quality products, with distribution centers solving sales issues.

Another problem with the agricultural sector is the level of professional qualification and the quality of education. university education unfortunately does not provide future specialists with the necessary knowledge and experience for successful work. The world's best experts should be engaged in order to raise the level of education in agriculture. Besides theoretical knowledge of how to grow vegetables, specialists should be aware of modern technologies in the sector.

Overall, the development process of the agricultural segment can take about 5-15 years. It is important to implement all the above measures step by step. In this way, Kazakhstan can fully utilize all the country's agricultural potential to ensure food security to its citizens, while also exporting its agricultural products abroad.

In conclusion, food security, as well as sustainability, are among the most important goals of the government and businesses. METRO Cash and Carry also contributes to the fight against hunger. The idea of launching the first Food bank in Kazakhstan within the framework of the *Sustainable Leadership Program,* which is held annually by the head office of METRO AG in Dusseldorf, has been approved.

On October 5 this year, the *Red Crescent Society* in Kazakhstan, which agreed to become the holder of the project, launched a Food Bank in Almaty to provide socially vulnerable segments of the population with food. METRO Kazakhstan became the first partner to donate its food products to the *Almaty Food Bank* and will continue to do so on an ongoing basis.

METRO

FUTURE AGRICULTURAL NEEDS - FUTURE OPPORTUNITIES

by Sergey Glokke
General Director
Eurasia Group Kazakhstan

The world today is living through a very difficult, but interesting time. The current global challenges require serious and creative thought about the future. The business community also faces serious challenges and has been forced to make hard decisions. Some businesses have left the market while others are making every effort to maintain their clients and positions. Business is seeking new ways to operate and must choose the best path for future development. A fresh evaluation of our possibilities to reload and go forward with a sense of renewed energy is required of everyone.

For Eurasia Group, the theme of the Food Security Conference is an important consideration as it resonates with the company's mission: we feed the world, working for the benefit of the mankind, developing agriculture, and supporting farmers with the best technologies for producing agricultural products of the highest quality.

Eurasia Group
We feed the world

As a Swiss company, Eurasia Group has been investing in the agricultural development of Kazakhstan and Kyrgyzstan for more than 20 years. Since 2002 Eurasia Group has been the official distributor of the world's largest agricultural machinery manufacturer, *John Deere (USA)*, as well as serving as the dealer for *Lindsay Irrigation (USA), JCB (Great Britain), Grimme (Germany)* and *Vaderstad (Sweden)* in Kazakhstan.

Over the past 18 years, Eurasia Group has created a network and an active team of representatives providing farmers with unique and complex agricultural solutions: 380 employees among which two-thirds are aftermarket specialists, 14 representative offices, 14 spare parts warehouses for more than $13 mio, and 6 workshops for machinery repair. Tax payments for 2019 were equal to 2.2 billion tenge, and direct investment in Kazakhstan's economy over the entire period of Eurasia Group's activity exceeds $47 mio.

However, Eurasia Group also was struck by the Covid-19 pandemic, quarantine, and national emergency. Circumstances require reloading, and so the company is moving towards a new strategy and re-evaluating its mission to feed the world. To illustrate this, the statistics below showing how the world is fed as a result of the Eurasia Group agricultural network speak for themselves:

- *Eurasia Group today employs 380 staff – this means 380 families or 1500 people*
- *Over the past 18 years, 12,000 machines were delivered tor 1,200 farms employing over 100,000 people – this means 100,000 families or roughly 460,000 people*
- *3.5 mio ha of land in Kazakhstan are seeded with John Deere seeding trains, and more than 6 mio ha are harvested by John Deere combines*
- *The average yield from this area equals 7.2 mio tons of grain*
- *42% of the total yield - 3 mio tons, or $660 mio - goes towards domestic consumption*
- *If this is converted into loaves of bread, it can feed more than 26 mio of Kazakhstan's population for an entire year, leaving 38% of the yield - 2.8 tons of grain, or $770 mio – for export*
- *These figures demonstrate that Eurasia Group feeds 24 mio people across the world*



The world's current population is 7,8 billion people. In 10 years the global population will increase to 8.6 billion, in 20 years the population will stand at 2 billion, and all of them will need food, yet the land under cultivation will not increase, meaning that we must produce food for a rapidly growing population on less land. Given its vast expanses of land, Kazakhstan will have the opportunity to become one of the main contributors to food security.

However, the current problems facing agriculture are complex: *immigration* (1.1 mio since 2010), *lack of qualified personnel* (due to a weak education system), *low labor efficiency* (T2,1 mio vs T32,1 mio in mining), *poor infrastructure* (bad roads, absence of internet, lack of water) and *logistics* (large distances, lack of highways, remote airports), and *regulatory barriers* (utilization fees, VAT, customs fees) prevent Kazakhstan from achieving its full potential in the global food supply chain. This is a difficult situation that needs to be resolved quickly.

One solution that would increase production of quality food is constant renewal of Kazakhstan's fleet with modern highly-tech machinery, use of advanced technology, and excellent service. Then the 'intellectual' machinery can do the job for you!

With new machinery that makes it possible to achieve optimal conditions for seeding, spraying and harvesting, an additional $2 billion can be earned annually, thus increasing agriculture's annual share of the country's GDP to 6-7%. What does a farmer need to buy and how can he use these machines on his farm? The machinery suppliers must provide the farmers with the best equipment and advanced technology at reasonable prices, supported by professional aftermarket service.

Government support plays an important role in this question. To develop their business, farmers need general subsidies of 18-25% and 50% subsidies for priority areas, plus 10% subsidizing of interest rates and leasing terms of 5-10 years. The agricultural business must also be freed of utilization fees, VAT applied to agricultural machinery, and subsidies repartition for so-called local factories.

Farmers face the following choice: 1) *purchasing a cheaper machine* that will finally be more expensive due to increased oil consumption, idle time during mechanical failures, overlaps, mistakes, and the operator's fatigue, or 2) *purchasing 'intellectual machinery'* that costs more at the beginning but pays for itself in the early years of operation due to optimal fuel consumption, timely operations, economy of seeds and fertilizer treatments, and operator productivity.

So let's feed the world together, supplying Kazakhstan with the best global technology for agriculture!



Eurasia Group
We feed the world!

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BASF AGRICULTURAL SOLUTIONS: GLOBAL OFFERS AND SOLUTIONS IN CENTRAL ASIA

by Murat Annayev
Country Manager Turkmenistan and Market Development Manager Central Asia
Alexander Hau
Head of Marketing and Technical Management
BASF Central Asia

BASF Agricultural Solutions has been operating for over twenty-five years in Kazakhstan with the company's Central Asia business guided from the BASF main office in Almaty. The company's Agricultural Solutions objective is to support the agricultural sector in Central Asia and promote its further development.



With a rapidly growing population, the world is increasingly dependent on mankind's ability to develop and maintain sustainable agriculture and healthy environments. Working with farmers, agricultural professionals, pest management experts and others, it is BASF's role to help make this possible. That's why BASF invests in a strong R&D pipeline and broad portfolio, including seeds and traits, chemical and biological crop protection, soil management, plant health, pest control and digital farming.

With expert teams in the lab, field, office and in production, BASF connects innovative thinking and down-to-earth action to create real world ideas that work – for farmers, society and the planet. BASF crop experts are located in all the main agricultural regions of Kazakhstan and Uzbekistan.

BASF Agricultural Solutions offers several solutions that farmers need to grow crops, protect them against diseases and pests, and increase the quality of the harvested commodities. The BASF portfolio includes seeds, seed treatment products, inoculants for legumes, fungicides, herbicides, insecticides, desiccants, and rodenticides.

Modern agriculture cannot be imagined without a variety of machinery used for land cultivation - tractors, loaders, harvesters and many other types of farming machinery. Machinery reliability is of the utmost priority for farmers as it results in cost savings for maintenance, ensures timely sowing and harvesting, and decreases losses caused by machinery downtime.

To ensure reliability, BASF has developed a package of special multi-functional solutions Keropur DP which improves qualities of diesel fuel and ensures cleanliness of diesel engines' intake systems. *Keropur DP* has successfully passed exhaustive laboratory and field tests, has been qualified by leading carmakers and fuel companies and is being used worldwide.

BASF's value proposition comprises more than just fuel additives. There are thousands of successful references worldwide where BASF solutions for oil and gas processing are used. Gas treatment solutions, cracking and reforming catalysts, and various adsorbents are just a tiny part of the BASF oil and gas-oriented portfolio.

In 2019, BASF Agricultural Solutions generated global sales of €7.8 billion.

For more information about BASF solutions or to contact BASF experts, please visit *www.agro.basf.kz* or sign up to our Instagram channel.

BASF
We create chemistry

AMCHAM ADVOCACY UPDATE OCTOBER – DECEMBER 2020

The Council to Improve the Investment Climate – October 2020 (Virtual Platform)

The *Prime Minister's Council to Improve the Investment Climate* resumed meeting in October after a hiatus resulting from the Covid-19 lockdown, subsequent quarantine, and traditional summer break. This was a difficult period as all communities – business, diplomatic, and international organizations - sought to adapt to the challenging conditions of everyday life, yet to continue their operations ensuring Kazakhstan's health and economic recovery.

Prime Minister Mamin requested that AmCham resume Council meetings on a regular monthly schedule in the autumn, and so the October Council session – conducted virtually – was devoted to a discussion of issues that AmCham members, the Council Ambassadors, and the OECD viewed as crucial to a successful economic recovery. The Council topic – *Kazakhstan's Economic Recovery: Impact on Foreign Investment* - was designed to provide input into the strategy, which continued to evolve following President Tokayev's *Address to the Nation* on 1 September.



Several Council presentations were also virtual, given the presence of some speakers outside Kazakhstan. *US Ambassador Moser* sent his video-presentation from Washington, *UK Ambassador Gifford* sent his presentation from London, and *two OECD presentations* were sent from Paris.

Ambassador Moser's presentation spoke about the economic reform needed to benefit Kazakhstan and investors alike: *economic diversification, tax policy, privatization, transparency, and rule of law* - all long-term issues discussed frequently at the Council.

Ambassadors Michael Gifford (U.K.) and *Nicholas Brousseau (Canada)* emphasized the need to support SMEs and large businesses alike as they struggle through the pandemic economic challenges. They stressed this would be an opportunity for Kazakhstan to create a clean and sustainable post-Covid economy. Ambassador Brousseau returned to the subject of *WTO reform* that was a focus at the Council last autumn as Kazakhstan prepared to host the *WTO Ministerials in June 2020* (cancelled due to the pandemic). Appointment of a new WTO Head is still pending.



European Union Ambassador Sven-Olov Carlsson stressed Kazakhstan's trade and investment potential with the European Union in a number of sectors: *health, agriculture, energy, environment, and the extractive sector*, while also highlighting obstacles deterring EU companies from investment.

William Tompson, Director of the OECD Eurasia Unit, delivered an intensive economic analysis of the global post-pandemic economy, the challenges facing the global community, and recommendations for Kazakhstan's recovery. In conclusion, he stated the following for Kazakhstan:

"The crisis underlines Kazakhstan's principal, long-term structural challenge, which is to diversify production, employment and exports, to reduce its reliance on commodity exports. This will require more ambitious reforms and more consistent implementation to improve the investment and business environment – SOE (state-owned enterprise) governance, further privatization, integrity, and fair competition."

Sabine Zigelski, OECD Senior Competition Expert, took up the fair competition theme in Bill Thomson's presentation and focused on *Kazakhstan's competition law and policy,* which the OECD had reviewed in 2016 and found seriously lacking. Three basic elements for a healthy and competitive investment climate were stressed in the follow-up report:

- *The need for **institutional independence** of the competition authority;*
- *Strengthening the competition authority's function to safeguard the state's **competitive neutrality;***
- *The need for a **properly applied merger regime***

Although the OECD made a series of recommendations and designed a *Fair Competition Project* at the Prime Minister's request, the Government did not act upon the recommendations or project. However, with the recent creation of a new and independent *Competition Protection Agency,* the OECD offered the project to the new Agency. Negotiations are currently underway for an expanded version of the project.

Agris Preimanis, EBRD Kazakhstan Country Director, stressed the need to actively implement the reforms outlined in the President's *September Address. Sir Suma Chakrabarti,* who headed the EBRD for 8 years and is now Senior Advisor on Economic Reform to President Tokayev, will work closely with *Kairat Kelimbetov, Head of the Agency for Strategic Planning and Reforms.* It was stressed that the Agency should work closely with the international investment community and international financial institutions to design the best possible structural reforms.

Erlan Dosymbekov, EY Managing Partner, listed a number of industry sectors and projects that could significantly increase employment and fuel long-term economic growth. He stressed *infrastructure projects with social significance: hospitals, schools, renewable energy, digital networks, water, and power transmission.*

Many such projects could be executed quickly and would bring immediate social and economic benefits. However, it currently takes too long for new infrastructure projects to come to market. Lessons learned from BAKAD along with PPP reforms are essential to enhance the credibility of infrastructure projects to foreign investors.

Anthony Mahon, Deloitte Cross-Border Tax, Energy, & Resources Partner, stressed *'the need to strike an appropriate fiscal policy balance between Kazakhstan's revenue generation and attraction of investment',* ie not to rely on taxes, penalties, and quick revenue generation from foreign investors if the country wishes to encourage increased foreign investment. An improved investment climate is key to attracting further investment for long-term investment expansion. Many other countries are offering abundant incentives to attract investors. If Kazakhstan hopes to win new investment it must be competitive and fair in its taxation policy.

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MEMBER NEWS

The UN Migration Agency in Kazakhstan (IOM) Assists the Migration Process and Return Migration in Central Asia

Established in 1951, the International Organization for Migration (IOM) is the leading intergovernmental organization in the field of migration and is committed to the principle that humane and orderly migration benefits migrants and society. IOM is part of the United Nations system, as a related organization. The Organization is guided by the principles enshrined in the Charter of the United Nations, including upholding human rights for all. Respect for the rights, dignity, and well-being of migrants remains paramount.

The global economic downturn pushes people to return home, as host communities are unable to provide migrants with adequate social and economic security. It's been more than 6 months since IOM has conducted its first mass voluntary return movement of Tajikistani citizens, and it keeps receiving requests for assistance every day. To date, IOM has assisted 3,000 migrants to return home to Tajikistan. Requests for assistance are also received from stranded migrants wishing to return to Moldova, Kyrgyzstan, and even to Russia due to closed borders, restricted travel conditions, and job loss in Kazakhstan.

"It's a relief to be going home", says Murod, one of the migrants left without a source of income in Karaganda. "Since the beginning of the crisis, business activity has dropped, markets are closed, construction sites and services offer little work. I was hoping for a sustainable source of income in Kazakhstan but haven't been able to make ends meet."

Some migrants have spent almost 30 hours on their way to Shymkent from Karaganda, Pavlodar, Petropavlovsk, and Kostanay traveling an additional 1,400 km to get to the border. The establishment of non-contact ground corridors is essential to ensure that returnees are able to transit international territories in a timely and dignified manner.

Since the beginning of the COVID-19 crisis, IOM has been continuously developing and implementing new and effective strategic response mechanisms on global, regional, and national levels to support migrants in vulnerable situations across the world. Some of these measures include cross-border coordination, capacity-building for government staff in the era of COVID-19, monitoring, and mapping of people's movements within and across borders.

IOM Kazakhstan implements several activities to provide populations with better context-specific assistance. One project is *DTM – Displacement Tracking Matrix,* which gathers and analyses data to disseminate critical multi-layered information on mobility, vulnerabilities, and needs of displaced and mobile populations in the country.

IOM Kazakhstan is also conducting research on remittances in Central Asia to improve understanding of the money transfer system and financial services for migrants, as well as digitalization of remittance systems in Central Asia and Russia. DTM looks at the policies and practices for addressing financial literacy and managing remittances, as well as the practices of Central Asian migrants for sending and receiving remittances.

IOM has also recently issued a pioneering training manual for future and current civil servants on *Return Migration in Central Asia.* The online course on Return Migration has already been attended by over 100 civil servants from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, and Russia.

The *Almaty Process,* the key consultative process on international migration and refugee protection, also plants its seeds in the cross-border cooperation arrangements. As the *Almaty Process Secretariat*, IOM continues to build bridges across Central Asia, as well as across Azerbaijan, Turkey and Afghanistan in the main six areas of cooperation: *readmission, labor migration, migration Data, vulnerable migrants, victims of trafficking, travel bans, and reintegration.*

Overall, the IOM Mission in Kazakhstan and the broader Central Asian region strives to cooperate with Governments on a policy level, addressing human trafficking, migration health, migration and environment and climate change, border management, diaspora engagement, pre-departure training of migrants, voluntary return and reintegration. All these aspects are reflected in the *IOM Central Asia Strategy for 2020-2024.*



unicef
әрбір бала үшін
for every child
для каждого ребенка

UNICEF, the *United Nations' Children's Fund*, has been operating in Kazakhstan since 1994, working closely with Government, civil society and the other United Nations agencies towards a happy, healthy and fulfilling childhood for every child. In the nearly 30 years since Independence, Kazakhstan has made great progress for children. Children growing up today have better chances to survive, grow up healthy and access a full course of education.

But challenges remain and some categories of children are at risk of being left behind, particularly children with disabilities, children living in remote rural areas, children in institutions, and migrant children. In addition, the COVID-19 pandemic has affected children in multiple ways. Access to health services has been compromised, education has been disrupted, child poverty has increased, there has been a surge in violence against children, and children have increasingly needed psycho-social support. Existing inequalities have deepened, with children who already faced disadvantages feeling the impact of COVID-19 more acutely.

A new country program

To address these challenges old and new, UNICEF has agreed a new five-year country program with the Government of Kazakhstan, starting in 2021. The vision for this program is to ensure that all boys and girls, including the most vulnerable, grow up healthy and resilient, have the skills and knowledge to prepare them for adult life as citizens in 21st-century Kazakhstan, and are protected from violence, abuse, neglect and abject poverty.

The new program has three components. Under the **health, well-being and safety** component, UNICEF will address residual issues in mother and child healthcare, such as avoidable infant deaths and gaps in immunization coverage. We will work to improve breastfeeding practices, increase children's access to a diverse and nutritious diet, and counter the increasing trend of children being overweight. In addition, UNICEF aims to make children's environment safer, for example by boosting road safety, and addressing pollution.

The **learning** component of the new program will aim to enhance access and quality of education for all children, from early childhood to adolescence. This work will have a special emphasis on inclusivity, to ensure that children with disabilities and special learning needs can benefit from a full course of good quality education. UNICEF will also work on skills- building for adolescents, to boost employability.

The **protection** component of the country program will look at strengthening social protection measures, to ensure that children and their families do not fall into abject poverty. UNICEF will also address violence against children, which remains widespread in Kazakhstan. And we will continue our work to ensure that fewer children live in institutions and grow and thrive in a family environment instead. Across the program, we will continue to support the fight against COVID-19 and its impact on children and families

Throughout, our focus will be on the most disadvantaged children – if progress is achieved for them, all children will benefit.

A new direction – working with business to achieve results for children

We intend to work increasingly with businesses to improve children's lives in Kazakhstan. Our work with Government and Civil Society by itself will not achieve the rate of progress that we want to see for children. And we know that businesses are increasingly driven by social purpose. Therefore, UNICEF is actively seeking new partnerships with businesses in Kazakhstan, in the following ways:

- *Businesses have an impact on children's lives,* often positive and sometimes negative. We can partner with businesses to help them understand their impact on children more clearly, with the objective to mitigate negative effects and boost the positive ones.
- When it comes to *critical goods and services for children*, our insights in the situation of children allow us to partner with businesses to seek ways to improve the relevance, quality, safety or affordability of these goods and services. We can also partner to drive innovation for children.
- Businesses employ millions, and most employees are current or future parents. *Employee engagement* is therefore another promising area of partnership. Examples include programs to strengthen *employees' understanding of parenting,* or engaging employees as change makers.
- Businesses bring strong technical expertise and often have considerable influence with decision makers. This provides another area for partnership: in areas of mutual interest, *UNICEF can partner with business to conduct analysis and engage in policy advocacy*

In the course of 2021, UNICEF will be reaching out proactively to the business community to explore partnerships for children. In the meantime, if this article has sparked your interest, please visit our internet page https://www.unicef.org/kazakhstan/en and follow our social media channels: Facebook, Twitter, Instagram, You may also write to us at nur-sultan@unicef.org .

MEMBER NEWS



S1LK, a Comprehensive Payment Ecosystem

S1LK is a comprehensive payment ecosystem providing alternative payment solutions for individuals and businesses. The company combines all necessary payment solutions in a unique manner:

- *processing services: issuance of all types of card products and acquiring solutions;*
- *client scoring with adaptation for any sphere and type of business activity;*
- *a full-fledged solution that enables installments for B2C customers integrated with existing software for goods and services;*
- *a card-sharing digital platform providing services for cashless payments and transfers.*

The S1LK solution enables clients to instantly share money with their relatives and colleagues, as well as making it possible to systematize and streamline the relationship between customers and performers, regardless of their location.

S1LK is the first company in the region to receive affiliated membership in the *Mastercard MEA* as a non-bank institution. This membership gives the company the right to issue payment cards and provide small and medium-size businesses with tools for accepting cashless payments. S1LK is also a full-fledged payment process that can provide processing services to both banks and non-bank organizations. S1LK is one of only two fully-fledged payment processes currently operating in Kazakhstan.

S1LK is ready to provide services to those organizations and banks for which their own processing services entails overhead in terms of personnel, financial resources, products and time. Moreover, by providing S1LK products and solutions, we help our customers and partners sell their products and services in a more targeted manner and deliver them at a lower price. The availability of processing enables rapid implementation of new products and solutions for the end customer.

With its innovative solutions, S1LK aims to provide additional options for transferring cash and offline transactions in Kazakhstan and the CIS region into the traditional channel without changing how business is done.

In partnership with *Technodom*, Kazakhstan's and the region's leader of Internet sales, S1LK launched a project to provide an installment product, using its own solution that allows you to conduct a scoring audit of the client. This service was successfully and quickly implemented in a joint partnership and is rightfully considered an innovation for goods and services in electronic commerce.

In addition to its own innovative solutions, S1LK also works with global third-party solution providers implementing the latest available technologies in the payment industry, such as *Compass Plus* (software recognized by an international software provider in electronic payments and retail banking), *MPS Mastercard* (leading international payment system), *TransWare AG* (an American company with unique information technology products and solutions), and many other partners with whom S1LK activities are closely related.

S1LK fully complies with international standards - *PCI DSS 3.2, PCI 3DS,* thus guaranteeing security at the international level of the banking sector and payment organizations.

The S1LK team has more than 15 years of experience in the banking, financial, and information technology sphere to solve one of the problems faced by CIS non-bank and near-bank enterprises and population – making convenient and affordable cashless payments. The S1LK Company was created as a private company on the territory of the *AIFC (Astana International Financial Center)*. S1LK also has an AIFC license - *Providing Money Services and Providing Credit* - to provide financial services.

The S1LK founder and sole shareholder is Gani Uzbekov. With more than seventeen years of experience in finance and international business, Gani Uzbekov serves as a vivid example of a new generation of regional leaders that flourished in the first decades of Kazakhstan's independence. He was a recipient of two prestigious and consecutive grants from the *London School of Economics and Political Science (LSE)* in 2000 and the *Kennedy School of Public Administration of Harvard University* in 2003.

As President of Capital Bank, under Gani Uzbekov's leadership, the Bank significantly increased its assets, expanded its profile in Kazakhstan, and created and launched the Bank's concept and innovative services. B1NK used alternative media to attract customers, and Mr. Uzbekov was the first to launch full-featured messenger banking in the CIS region. B1NK received numerous awards in the fintech industry.

In 2015, Gani Uzbekov was elected to serve on the Board of Directors of the *American Chamber of Commerce (AmCham) in Kazakhstan.* The following year, he won the *AmCham Executive of the Year Award.*

AMCHAM WORKING GROUP UPDATES SEPTEMBER – NOVEMBER 2020

Almaty Healthcare Reform Working Group
14 September 2020

On September 24, the Almaty Healthcare Reform Working Group met, chaired by *Andrei Yorsh, Baker & McKenzie Partner and Intellectual Property Expert.* The Chairman delivered an overview of price regulation for medicines, then moved on to discuss Kazakhstan's New Health Code signed by the President on July 7, 2020. The updated Code allows import of medicines and medical devices not registered in Kazakhstan if they are intended for: humanitarian aid, and the prevention or elimination of consequences from emergency situations, as well as the prevention (vaccines) and treatment (antidotes) for exposure to radioactive, biological and chemical substances.

This clause stimulated discussion that led to the decision to send a Working Group letter to the Healthcare Minister advocating measures to regulate the import of registered and unregistered medicines under one-time permits. Wholesale importers often purchase defective or out-of-date medicines from foreign suppliers for which local holders of registration certificates are held responsible even though they cannot control the quality and safety of these medicines. The solution proposed was to post the data of each permit for each import on the website of the *National Center for Expertise of Medicines and Medical Devices".*

Joint Foreign Investment Working Group
30 September 2020

On September 30, the joint Almaty/Nur-Sultan Foreign Investment Working Group met, chaired by *Juan Carlos Escobar, Managing Director for PMI in Kazakhstan & Central Asia. Zhazira Bazhenova, Counsel at PMI Kazakhstan, and Adam Fotheringham, Senior PMI Counsel Digital and Privacy Law,* were invited speakers, addressing *Data Privacy in Kazakhstan: Providing consent for collection and processing of personal data.* Kazakhstan personal data regulations provides four methods to obtain consent for data collection by database owners and operators:

- *in writing*
- *electronically (verified by EDS, complex process)*
- *other security measures (not defined)*
- *personal data safety protection service*

Obtaining consent as specified under the *Personal Data Protection Law* faces challenges, in particular for ecommerce and digital activities, and should be improved to facilitate consent. The speakers clarified how personal data is protected in the European Union, where affirmative consent must be "*freely given, specific, informed and unambiguous*" to be compliant. The customer must actively confirm consent by checking a box (pre-checked boxes are not valid under GDPR).

WG members were most interested in consent regulations in Kazakhstan, ensuring that consent was given by the proper person, and they wanted to know more about personal data storage in cloud resources. The Group drafted the following proposals for the government:

- *In line with data consent standards in the EU and Russia, consider obtaining user consent by ticking the box. This should not be a pre-ticked box. In addition, entities collecting personal data must be able to prove that consent was obtained*

- *Consider obtaining user consent through a one-time SMS code.*

Joint Trade and Customs Working Group
1 October 2020

On 1 October, a joint meeting of the Trade and Customs Working Groups was held on a Zoom virtual platform. *Globalink Logistics President Siddique Khan* chaired the meeting. The invited speaker was *Sholpan Dossymkhanova*, *Customs Manager at Deloitte*, who spoke about *Determining Customs Value (Method 1): Conditions, Discounts, License Fees (Royalties). World Customs Organization Case Analysis.* The Speaker focused on imported goods.

According to paragraph 1 of article 39 of the *EAEU Customs Code,* there are 4 conditions that all have to be met to apply Method 1 to determine customs value. Additional charges in Method 1 include licensing fees and similar payments for *intellectual property, including royalties, payments for patents, trademarks, copyrights.* The positions of customs authorities and the company (buyer) differ regarding licensing fees applied to the overall price, while the company views the licensing fee as included in the price of the equipment.

Ambiguous interpretations and contradictory instructions by the customs officers often lead to significant additional charges of customs duties and taxes, thus giving rise to customs disputes.

Joint CSR Working Group
8 October 2020

On October 8, a joint meeting of the Almaty/Atyrau CSR Working Group met online on a Microsoft Teams virtual platform. *Beiersdorf Eurasia General Director Thomas Jose* chaired the meeting. The invited Speaker was *Assel Akhmetova, Manager of External Affairs at Philip Morris (PMI) Kazakhstan*, who spoke about PMI Kazakhstan's *Sustainability Report: Objectives, Content, Deliverables.*

The Speaker stressed the importance of the U*N Sustainable Development Goals (SDGs)* that align with PMI's goals and outlined the Report's four main sections: s*ustainability development strategy, environmental protection, human rights, and charitable programs.* Since 2016 PMK has published four *Sustainability Reports* focused on PMK's top SDG priorities: *charities, labor rights, youth, accident prevention, and recycling.* PMK relies on four main pillars:

- *Transforming business: switching from classic cigarettes to smoke-free products;*
- *Driving operational excellence;*
- *Managing social impact;*
- *Reducing the environmental footprint.*

During the COVID-19 pandemic, PMK rapidly took measures to protect its staff with personal protective equipment, working from home, health monitoring, and limiting fieldwork while maintaining full employment and salaries. PMK has also responded to social needs, providing in-kind and financial donations, as well as humanitarian support to assist vulnerable segments of Kazakhstan's population.

Joint Tax Working Group – 16 October 2020

A joint meeting of the Combined Tax Working Group was held on October 16 on Zoom. The meeting was chaired by *Anthony Mahon, Tax and Legal Partner at Deloitte.* The first Speaker, *Rinata Zhulayeva, Senior Associate, Tax and Legal Department at Deloitte,* delivered an overview of *Online dispute resolution: process and highlights.* She described the process of online litigation and the major advantages and disadvantages of an online court format. Benefits include cheaper litigation (no travel costs), timesaving, connection from any location, and optimizing the court workload. Online litigation challenges are connection problems, lack of openness, and incomplete court materials.

Sholpan Dossymkhanova, Deloitte Customs Manager, continued with a presentation on *Key points for implementing waybills". Aidana Abdaliyeva, Deloitte Tax Department Director,* delivered an update on the *Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting (MLI).* MLI entered into force on 1 July 2018 after ratification by five countries. In Kazakhstan, MLI was signed in February 2020 and entered into force on 1 October 2020. In relation to Withholding Taxes MLI will be effective as of 1 January 2021, in relation to other taxes as of 1 February 2021.

The last topic was a brief on amendments regarding criminal liability for tax offences presented by *Dariga Tokpayeva Senior Legal Manager at Deloitte*, who explained the *Order of the Acting General Prosecutor of Kazakhstan No. 8* dated 15 January 2020 and the *Normative Resolution No. 3 of the Kazakhstan Supreme Court.*

Joint Human Resources Working Group 6 November 2020

On November 6 the Human Resources Working Groups in four cities - Almaty/ Nur-Sultan/ Atyrau/ Aktau - met, chaired by *Fircroft General Director Maxim Gubashev.* Invited Speakers were from *PricewaterhouseCoopers: Aliya Ismukhamedova, Kamilya Kassimova (People and Organisation, HR Compliance Services)* and *Assel Dussumova, Viktoriya Karabassova (People and Organisation, Immigration Services).*

The speakers' first topic was *Mandatory Registration of Employment Contracts: Recent Changes.* Aliya Ismukhamedova and Kamilya Kassimova explained the process for entering information into the *Employment Contracts Enbek.kz* unified accounting system, and how to handle the conclusion and termination of an employment contract with amendments and additions. This registration process is necessary as of September 18, 2020.

The speakers continued the meeting with a discussion of *Hiring Foreign Staff and Restrictions Governing their Entry into Kazakhstan: Key Changes in Immigration Legislation.* The entry of foreign staff into Kazakhstan, as well as visa support and issuance, is possible only with permission from the Interdepartmental Commission. The presenters explained the process of obtaining this entry permit.

Recent key changes in immigration legislation included extension of the deadline for submitting applications under the annual quota to October 1.




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