



Agriculture and Food Security: A Global Crisis, A Priority for Kazakhstan



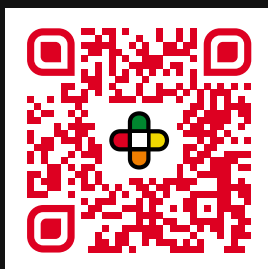
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EDITOR'S NOTE



Dear Readers,

The present *Summer Issue of Investors' Voice* is a very special publication to highlight a topic with implications first and foremost for Kazakhstan, as well as for the entire Central Asia region and for the world at a critical period in its history. AmCham has turned its attention to Kazakhstan's agricultural development many times over the past twenty years through conferences, webinars, working groups, publications, and at the *AmCham-Prime Minister's Council to Improve the Investment Climate*, the AmCham monthly session with the Prime Minister at which recommendations for Kazakhstan's economic development by means of foreign investment and much-needed

economic and legal reform are delivered directly to the Government.

On each occasion, agricultural development has been framed differently, but it has always been prioritized at the top of Kazakhstan's list for economic diversification, agriculture being recognized as the country's second primary resource for self-sustainability and potential export abundance. Unfortunately recognition and prioritization have not led to well-planned development and so this rich resource still awaits the support it needs to sustain Kazakhstan, the surrounding countries, and countries further afield in desperate need of Kazakhstan's abundance.

The current global *Food Security* crisis has become '*Food Insecurity*' for many countries with disturbing results. Rampant global inflation has struck agrifood and basic food supplies particularly hard and, even for relatively affluent countries such as Kazakhstan, reliance on imported food has priced many basic foods of all types out of reach. Large-scale migration from countries where agriculture has become virtually non-existent due to climate change has led to political conflict in countries where migration is particularly intense, but which are unable to accommodate the overwhelming number of migrants and their families in search of a better life. Trade blockages and trade sanctions resulting from the Russian-Ukrainian war have only exacerbated this *Insecurity*.

The present Issue of *Investors' Voice* benefits from a far-ranging collection of experts and commentators from the International Financial Institutions with a global and regional perspective (the *World Bank*, *OECD*, *EBRD*, *ADB*), from the diplomatic community (*Canada* and the *United Kingdom*) with perspectives on both their own countries and Kazakhstan, and corporate CEOs with deep experience from Kazakhstan's agricultural sector. Most of these articles are expanded presentations delivered to the Prime Minister and Cabinet at the April 2023 Council session - presentations that captured the Ministers' attention, sharing our concerns about *Food Security* and the urgent need to develop Kazakhstan's second major natural resource after the oil industry.

At this time when the world seems wrought with crises, *Food Security* should be tackled and resolved to ensure Kazakhstan's population can meet its own needs in the future and contribute to alleviating acute global needs. Kazakhstan's agriculture and agrifood industry have been waiting to be fully developed for decades. Now is the time to meet this challenge without further delay.

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



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COVER ARTWORK:

Michael Schultheis

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Edith Laget

Zeinulla Kakimzhanov

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Kevin Meusch

Andrei Mikhnev

Hüseyin Özhan

Tiago Carneiro dos Santos

Dinara Tanasheva

PUBLISHER:

**American Chamber
of Commerce in Kazakhstan**

Tel.: +7 (727) 330 92 50

Fax: +7 (727) 330 92 51

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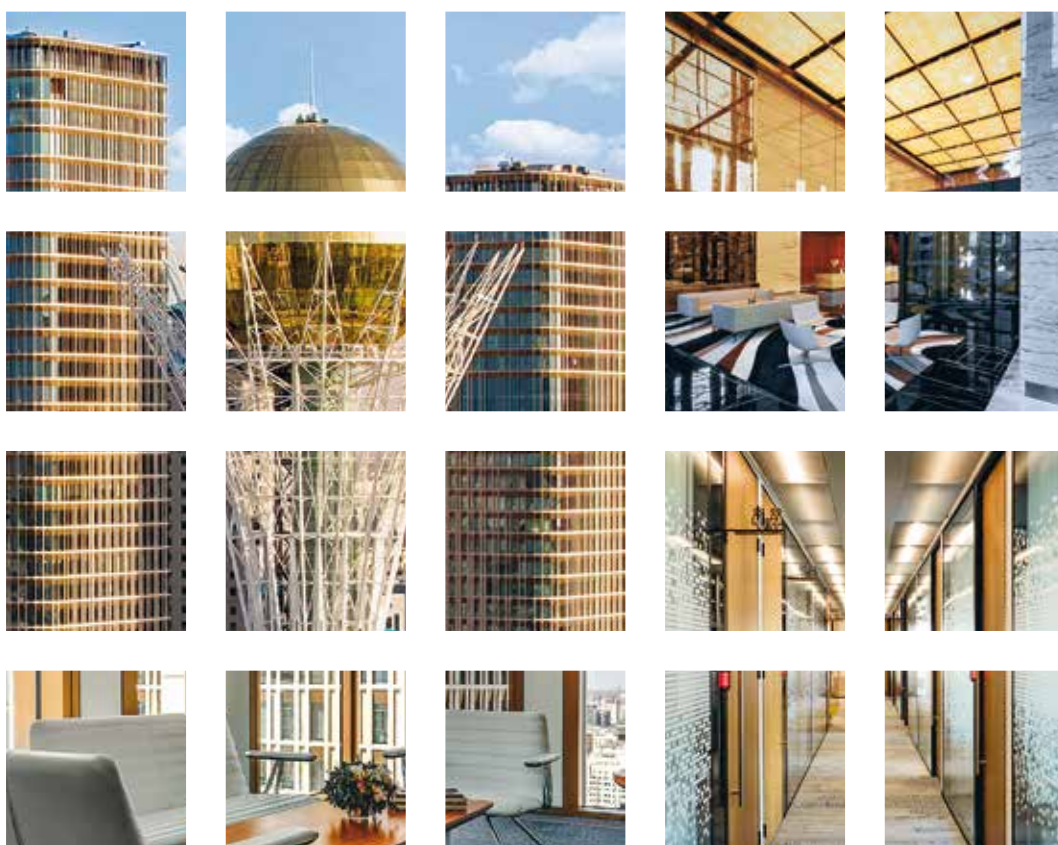


Saule Zhakayeva
Chairperson
Citibank Kazakhstan

For information about the AmCham, please email info@amcham.kz

For information about Investors' Voice and the Chamber's website,
please email info@amcham.kz

To enquire about financial issues, please contact Aliya Abenova
at Aliya.Abenova@amcham.kz



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CONTRIBUTORS

Ambassadors / Embassies



Alan Hamson, Ambassador of Canada to Kazakhstan

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

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

Alan Hamson holds a BA Hons in Political Science, McGill University (2004), an LLM in International Law, University of London (2012), and an MPA, Royal Military College (2014). He is a graduate of the National Security Program at Canadian Forces College.



Kathy Leach, U.K. Ambassador to Kazakhstan

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

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

International Financial Institutions

Asian Development Bank (ADB)



Nariman Mannapbekov, Head of Mission in Kazakhstan, Asian Development Bank (ADB)

Nariman Mannapbekov joined the Asian Development Bank in May 2006 as an Economist. He was promoted to Senior Economist in February 2010 and in September 2010 to Head, Project Administration Unit (Energy Division) at ADB Headquarters in Manila. In April 2016 he was appointed ADB's Head of Mission at the Azerbaijan Resident Mission in Baku, and in 2020 became ADB Head of Mission in Kazakhstan.

Nariman Mannapbekov has thirty-five years of broad experience in investment banking and government at the World Bank, and now with ADB. He has led numerous ADB missions, including to Kazakhstan, and has a deep knowledge of the country and region.

European Bank for Reconstruction and Development (EBRD)



Hüseyin Özhan, Kazakhstan Country Director, Head of the European Bank for Reconstruction and Development (EBRD)

Hüseyin Özhan took up his position as Director, Head of the EBRD Kazakhstan in September 2021. Prior to joining EBRD, he worked as Head of Corporate Banking and Structured Finance at Eurobank Tekfen. He joined EBRD in January 2011 as Principal Banker in Istanbul before becoming Head of the Ankara Resident Office in 2015 and Deputy Head of EBRD Turkey in 2017. Hüseyin Özhan then moved to London in 2019 as Advisor to the EBRD Global VP Banking.

Hüseyin Özhan holds a B.A. with Honours in Economics and Mathematics from Macalester College, Minnesota, an M.A. in Finance, and is a Ph.D. candidate at Yeditepe University, Istanbul.

OECD



Dr. Lee Ann Jackson, Head of Agro-Food Trade and Markets Division, Trade and Agriculture Directorate, OECD

Dr. Jackson is the Head of the Agro-Food Trade and Markets Division in the Trade and Agriculture Directorate (TAD) at the OECD. She manages a team that develops evidence-based advice for governments with the aim of helping them improve the domestic and international performance of their policies for agro-food trade and markets.

Dr. Jackson has over 20 years of experience in agriculture, multilateral trade, and management. She joined the OECD in 2020 after 16 years at the World Trade Organization (WTO) where she served as Secretary to the WTO Committee on Agriculture in the Agriculture and Commodities Division and supported multilateral agriculture negotiations.

Dr. Jackson holds joint Master's degrees in public and private management and environmental studies from Yale University and completed her Ph.D. in Applied Economics at the University of Minnesota.



Edith Laget, Agricultural Policy Analyst, OECD

Edith Laget is an Agricultural Policy Analyst at the OECD. She is one of the main authors of the Trends and Prospects chapter of the OECD-FAO *Agricultural Outlook*, as well as contributing to the work on agricultural trade on topics related to digitalisation and SPS systems.

Before joining the OECD, she worked at the World Bank on Regional Integration and Trade Facilitation projects. She studied economics in France and Germany and holds a PhD in Economics from the University of Maryland.

World Bank



Andrei Mikhnev, Country Manager for Kazakhstan and Turkmenistan, World Bank

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

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

Corporate Presentations

Danone



Tiago Carneiro dos Santos, General Manager, Kazakhstan and Belarus, Danone Kazakhstan

Tiago Carneiro dos Santos worked in several leading international Fast Moving Consumer Goods companies (Procter & Gamble, PepsiCo) before joining Danone 15 years ago. At Danone he has been Marketing Director in Finland, Ukraine, and Poland followed by two executive positions at Danone Global Headquarters in Paris: Global Marketing Vice-President for Children's Brands and Chief Growth Officer for Africa. In March 2020 he was appointed General Manager for Kazakhstan and Belarus.

Tiago dos Santos holds an Economics degree from the University of Coimbra (Portugal).

Eurasia Group



Sergey Glokke, General Manager, Eurasia Group Kazakhstan

Sergey Glokke joined Eurasia Group in 2001 and was appointed the company's General Manager in Kazakhstan in 2007. He also serves on the Eurasia Group Management Board at company headquarters in Switzerland. Eurasia Group is the official distributor of agricultural equipment for John Deere, Lindsay Irrigation, Grimme, and JCB in Kazakhstan and Kyrgyzstan.

Sergey Glokke graduated from the Kyrgyz-Russian University in 2000 with a Master's degree in International Relations. He is an active member of Kazakhstan's Grain and Meat Unions. His native language is Russian and he is fluent in English and German.

Raimbek Holding



Raimbek Batalov, Owner and Chairman of the Board of Directors, Raimbek Group

Raimbek Batalov is the owner and chairman of the *Raimbek Group Holding*, which includes *Raimbek Agro*, *Raimbek-Alco*, *Raimbek Group Plus*, *City Fair Trade*, *Raimbek-Grain*, *Raimbek*. He has long been a prominent public advocate on behalf of Kazakhstan's agricultural sector, actively promoting the country's need to develop its agricultural potential to achieve food security and self-sustainability, as well as to establish a strong agricultural export market abroad.

Raimbek Batalov is also Chairman of the Committee for the Development of Small and Medium-Sized Businesses of the Presidium of the Atameken National Chamber of Entrepreneurs, Chairman of the Council of the Forum of Entrepreneurs of Kazakhstan, member of the Council for Entrepreneurship under the President of Kazakhstan, Chairman of the SCO Business Council, member of the Public Chamber under the Majilis of Kazakhstan, member of the Board of Trustees of Almaty Management University, Vice-President of the Kazakhstan Cycling Federation, and Chairman of the Board of Directors of Enactus Kazakhstan.

Valmont



Kevin Meusch, General Manager, CIS and China, Valmont Industries

Kevin Meusch joined Valmont Industries in June 2019. A Nebraska native, he has nearly forty years of experience in the irrigation industry that spans the globe. He specializes in building factory teams, developing customer solutions, and delivering cutting-edge technology.

Since 2009, Kevin Meusch has worked internationally, starting first with manufacturing operations in Saudi Arabia. He then moved to China in 2015, joined Valmont, and recently relocated to Kazakhstan where he continues as an irrigation manufacturing innovator. When not engaged in manufacturing, he travels extensively to meet with clients, learn about their needs, and help them develop solutions that work in their fields.

Arba Wine



Zeinulla Kakimzhanov, Founder, Arba Wine

Zeinulla Kakimzhanov is a former Minister of Finance of Kazakhstan (2002-2003) and has served as Chief Executive Officer of Halyk Bank (1994-1997) and the Kazakhstan Investment Fund (2003-2008). He has also served at the Ministry of State Revenue (1999-2002). Mr. Kakimzhanov created the Arba Wine project in 2006 and continues to lead this organic vineyard, winery, and wine boutiques in Kazakhstan.

Zeinulla Kakimzhanov holds a Bachelor's Degree in Economics and Cybernetics from Moscow State University (1985) and a PhD in Economics (1990).

EY



Erlan Dosymbekov, EY Managing Partner for the Caucasus and Central Asia

Erlan Dosymbekov is the EY Managing Partner with over 25 years of professional experience in domestic and international taxation, tax efficiency, tax controversy and tax risk management.

In 2020, he was awarded the Presidential Order of Honor, the foremost civilian decoration, for his substantial contribution to Kazakhstan's economic development and investment growth. He is committed to enhancing the investment climate in Central Asia through his personal engagement in business and professional associations, as well as EY's corporate projects.

He is a part of the EY Emerging Markets global network. As a member of the AmCham Council for Improvement of the Investment Climate chaired by the Prime Minister, he regularly speaks on investment issues in Kazakhstan.



Dinara Tanasheva, Partner, Tax & Law Leader, EY Kazakhstan and Central Asia

Dinara Tanasheva is a Partner heading the EY Tax and Law practice in Central Asia. In more than 20 years, She has developed the legal work handled by EY Central Asia from establishing companies and handling their day-to-day operations to representing clients in multimillion-dollar tax and customs cases.

Dinara Tanasheva is an Honorary member of the HR Committee and Co-Chair of the Digital Committee of the European Business Association of Kazakhstan. She is a Board member of the British Chamber of Commerce, a member of the Supreme Court Council (Personnel Reserve Committee) and an active member of the Foreign Investors' Council and Kazakhstan Bar Association.

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FOOD SECURITY: KAZAKHSTAN'S VITAL ROLE IN THE REGION

by Huseyin Ozhan
Kazakhstan Country Director
Eurasian Bank for Reconstruction and Development
(EBRD)

The last several years of uncertainty marked by the pandemic, climate change, and disruptive human-caused events have demonstrated new approaches to address crucial issues like food security are needed. Supply chain disruptions caused initially by COVID-19 and continued with last year's conflict in Ukraine caused food prices to soar. It triggered a global crisis driving millions more people into extreme poverty, especially in the most vulnerable African countries. This crisis increases the importance of transforming our food systems to improve their resilience to climate impacts, promote climate intelligence, and deal with current weaknesses.



In early 2023, the global agricultural commodities situation has stabilised, but food prices remain at a relatively high level. Russia, Kazakhstan, Serbia, and Ukraine are among the largest net exporters of grain and oilseeds in the world while other countries in Central Asia and the Western Balkans are net importers. However, there has been a significant increase in domestic food price inflation among both exporters and importers in the region. This increase is due to the transmission of elevated international prices to domestic markets, as well as the effects of the war in Ukraine, climate change, and government policies in Central Asia. Government interventions in the market via the growing number of food trade restrictions have also contributed negatively and worsened the global food crisis.

- There are more notable trade restrictions in the Central Asia region compared to other parts of the world. Trade disruptions in grain, oilseeds, and



sugar, as well as high food and agricultural input prices, have worsened food security in Central Asia. For example, in 2022 after Russia imposed a ban on grain supplies to the EAEU countries in early March, the cost of wheat in Kazakhstan rose sharply.

Attempting to protect its market and limit increased purchases from the Central Asian states, Kazakhstan imposed export quotas on wheat and flour. These quotas operated from April 1 to July 1. During this time, the price of wheat in Kazakhstan's domestic market rose by 50% from 120k KZT/ton to 180k KZT/ton. After removal of export restrictions both in Kazakhstan and in Russia, and at the start of harvesting, prices returned to their previous values.

- In addition to grain, export quotas for sunflower seeds and edible oil were introduced at the end of 2021 until June 1, 2022. The reason for the restrictions was both the low oilseed crop in Kazakhstan in 2021 and the global increase in prices for the entire oilseed group. By restricting exports, the government hoped to contain the rise in prices, but this did not happen - sunflower oil in stores rose in price from 600 to 1,000 KZT/liter. The most recent example of trade restrictions is introduction of an export duty on sunflower seeds in the amount of 100 euros per ton in January 2023.

Food supply distortions caused by the economic consequences of Covid-19 and the conflict in Ukraine have been exacerbated by these trade restrictions. Such measures do not just negatively impact long-term investments in agriculture, but also impede collaboration among the Central Asian nations, which have significant intra-regional trade flows as well as opportunities for expansion that could benefit many countries in the region.

- Developed logistics routes and infrastructure are also vital for food security. In the fall of 2022, Kazakhstan faced the collapse of rail transport, slowing the shipment of grain and flour both in domestic and international traffic. Moreover, if in previous years problems also arose, but to a greater extent due to a shortage of wagons, then this season the problem was highway congestion due to an increase in the transit of goods from China to Europe, as well as lack of locomotive traction at the stations. For example, at the end of November, more than 500 abandoned trains remained on the tracks, although even in the most intense periods of the pandemic their number did not exceed 200.
- The first half of the 2022/ 23 marketing year is taking place against the backdrop of large current stocks and consistently high rates of grain imports. The market is affected by the shortage of railway rolling stock and a significant increase in the cost of transporting grain and its processing products. Uncertainty remains in the timing of rail transport, restrictions on deliveries to China, and increased competitiveness of Russian products in the traditional markets for trade in Kazakh grain. It is assumed that export prices for products from Kazakhstan will continue to adjust.
- A key strategy that EBRD seeks to adopt in its efforts to address food insecurity is to promote increased trade along with providing backing in terms of financing (both debt and equity) for production and producers, facilitating increased trade in food and inputs, and investing in stable food and nutrition security.
- **Kazakhstan may play a vital leading role in the region to ensure regional food safety by:**
 - a. **developing joint food value chains:** there is a lack of modern good quality infrastructure for storage services and food processing which leads to a loss of at least 25% of harvested fruits and vegetables. One way for countries in the region to address these shortcomings is by creating a business-friendly atmosphere that stimulates the private sector's interest in investing in critical food supply-related amenities and services. Governments must prioritize sound strategic production planning and zoning, build public infrastructure, and secure land tenure for primary agriculture and post-harvest processing.



- b. **developing and improving joint food safety systems:** Central Asian countries have food safety management systems that are obsolete, and their sanitary and phytosanitary measures struggle for consistency with international standards. Enhancing local food safety protocols to align with global standards can augment food trade within the region as well as guarantee that food is accessible and economically viable. This can also encourage foreign direct investments into the food industry, which can further enhance the supply of food.
- c. **preventing excessive, ineffective government interventions** in the form of interest rate subsidies, trade restrictions and food price regulation, which create distortions in agricultural and food markets and make planning difficult for farmers and food producers.
- d. **ensuring sustainable food production systems** and implementing resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.
- e. **rehabilitation and improvement of irrigation networks** are important to improve the country's agricultural productivity and realization of the agriculture sector's potential. Thus the modernisation of irrigation and drainage systems needs to be achieved by stimulation of both local and foreign investments into irrigation systems and infrastructure at the government's initiative.

ENSURING FOOD AND NUTRITION SECURITY IN CENTRAL ASIA – NOW AND IN THE FUTURE¹

by Andrei Mikhnev

Country Manager, Kazakhstan and Turkmenistan
World Bank



As the world enters an era of uncertainty, driven by climate change and amplified by geopolitical tensions, food and nutrition security is becoming a top priority. Hence, transforming our food systems to a more climate-resilient and climate-smart trajectory is critical.

Central Asia is home to both large grain and oilseeds net exporters such as Kazakhstan, as well as net importing countries such as the Kyrgyz Republic, Uzbekistan, and Tajikistan. To meet the domestic demand and ensure food and nutrition security, Central Asian countries rely on large shares of imported food and agricultural inputs, with substantial share coming from Russia and from intra-regional trade.

However, the combination of trade disruptions, high food prices, and economic repercussions of COVID-19 and Russia's invasion of Ukraine have significantly aggravated the food and nutrition security situation in Central Asia. These challenges, coupled with potential shocks such as droughts, pose a substantial threat to countries like Kyrgyzstan and Tajikistan, which highly rely on food imports and already face undernourishment.

By virtue of being one of the world's leading grain exporters, Kazakhstan plays a major role in promoting food and nutrition security in the Central Asia region. Kazakhstan supplies almost all cereals imported by Tajikistan; almost half of the total volume of cereals imported by Uzbekistan; and more than half of Uzbekistan's imports of oilseeds. Thus, the pursuit of open trade policies by Kazakhstan plays a key role for food security and nutrition outcomes in the region. Open food trade policies by other Central Asian countries are also important for food security in Central Asia.

The World Bank's *Listening to Central Asia* rapid surveys in 2021 and 2022 revealed that food and nutrition security was the highest concern compared to any other dimensions of poverty. For Kyrgyzstan and Tajikistan, any reduction in food supplies poses a significant threat to food and nutrition security.

This is why the World Bank has recently approved additional financing to the Tajikistan project to support the government's effort in responding to the food and nutrition security emergency. The focus is on the short-term emergency needs in the agriculture sector, in combination with medium-term investments to build the food system resilience.

In the Kyrgyz Republic, the Bank is supporting preparation of a *Resilient Agri-food Clusters Development Project* to increase the competitiveness of high value-added value chains such as horticulture. Also, the World Bank will support the Turkmenistan Government to prepare a horticulture development project aimed to improve the domestic supply of fruits and vegetables, increase exports, and reduce the country's dependence on imported products.

Excessive use of export restrictions by Central Asia countries, more frequently observed in the last years, is another challenge that amplifies food supply distortions. Such measures are detrimental to longer term investments in agriculture. They hamper regional collaboration from which the countries of Central Asia could benefit considering the existing substantial intra-regional trade flows with further growth potential. These restrictions also limit the domestic producers from capitalizing on new market opportunities, impede market access, and disrupt the supply chains.

Central Asia needs to streamline the cross-border trade procedures to promote intra-regional trade and minimize disruptions. This includes simplifying customs processes and reducing *ad hoc* border closures and shipment rejections, which lead to supply disruptions and food waste.

¹This article draws on the report published earlier as "Ensuring Food Security in Europe and Central Asia, Now and in the Future," *Emerging Europe Report on "The Future of Food."* January 2023.

Adaptation to climate change is another important aspect of ensuring food security. *The Country Climate and Development Report for Kazakhstan*, released by the World Bank in 2022, has shown that investments in climate change adaptation could have high payoffs in view of immense projected climate change impacts on people and the economy. Climate-smart agriculture practices such as water-saving technologies, cultivation of water-efficient crops, drought resilient varieties, and restoration of water infrastructure can help improve productivity, build resilience, and reduce greenhouse gas emissions.

Sustainable land management, including the transition to adaptive-landscape systems for animal husbandry and fodder production, is crucial for supporting the resilience of rangelands, as the agro-ecological zones in Kazakhstan are projected to shift as a consequence of climate change. For such measures to take hold and be adapted to local conditions, countries need to invest in modernizing their agriculture extension and research services. A similar *Country Climate and Development Report for Uzbekistan* will be released by the World Bank this year.

There are also significant opportunities to mitigate food and nutrition security risks through improved management of public stocks. Central Asian countries need to focus on improving the management of their public grain reserves to effectively handle price spikes and ensure sufficient food supplies in the face of high and volatile international food prices. It is crucial to maintain public stocks, or food reserves, at adequate levels and consider expanding storage capacity to address short-term food security risks. This can be achieved by investing in storage infrastructure, both in privately owned food processing industries and government-owned facilities.

By adhering to *World Trade Organization (WTO)* rules on public stockholding for food security purposes, Central Asian countries can enhance their food security. A targeted analysis of the current state of the emergency reserves in the net-importing countries might be helpful.

Furthermore, fostering intraregional information sharing and market monitoring, including data on production, trade, and stocks, will enhance transparency and facilitate efficient decision-making. Creation of agro-industrial clusters would foster stronger linkages among stakeholders, leading to improved production and cross-border trade in key sectors. These measures will contribute to a more robust and resilient regional agrifood market.

Additionally, Central Asian countries could prioritize the development of trade routes, particularly the Trans-Caspian route, and invest in infrastructure and logistics to facilitate smooth trade flows. The key entry point for strengthening food and nutrition security in Central Asia is a public-private dialogue. This could be strengthened by involving more agricultural producers, processing companies and exporters through their respective associations to ensure dissemination of timely market information. Access to real-time indicators of supply and demand balances would enable market participants to make informed decisions and avoid *ad hoc* reactions impacting market volatility.



In this regard, for example, the World Bank supports Uzbekistan with linking smallholder producers to markets by supplying highly yielded new varieties of fruit trees (apple, peaches, plums, cherries, apricots, lemon, grapes, etc.) and vegetable seeds (tomatoes, cucumbers, peppers, carrots, cabbages, eggplants, etc.) to enhance market productivity and profitability. These efforts require new technical skills, and so producers are getting the necessary knowledge through seasonal training workshops and study tours to adopt new agronomic practices.

Last but not least, the countries should strive to support the vulnerable and strengthen social protection to enable households to cope with higher food prices. This could include limited-duration cash transfers to vulnerable households proportionate to the increased cost of the basic food basket. Better targeting of social protection and setting up systems to scale up quickly and at low administrative costs requires identifying and tracking the needs and those in need, among other things. The importance of adaptability of social systems to rapid deployment is an important lesson that the countries learned during the COVID-19.

The current food crisis offers a momentum for us to rethink and repurpose our agriculture policies. By getting them right, we can make them more effective to tackle the currently changing global and regional environment as well as guiding towards a more resilient pathway.

NURTURING RESILIENCE WHILE ENSURING FOOD SECURITY FOR CENTRAL ASIA AND GLOBAL AGRICULTURE



by Dr. Lee Ann Jackson
Head of Agro-Food Trade and Markets Division
Edith Laget, Agricultural Policy Analyst

Trade and Agriculture Directorate, OECD

In November 2022, Ministers of Agriculture of OECD countries and partner economies worldwide adopted the *Ministerial Declaration on Transformative Solutions for Sustainable Agriculture and Food Systems*. This Declaration committed them to taking action to ensure food security and nutrition for a growing global population, while addressing environmental challenges and providing better livelihood opportunities for people employed along food supply chains.

In keeping with this commitment, the work undertaken at the OECD aims at raising the awareness and understanding by policymakers of the importance of coherent policies to ensure that the agri-food sector can be part of the solution to global challenges, including food security, sustainable resource use, inclusive growth, climate and other environmental challenges.

The OECD provides a coherent and shared view of the links between policies and outcomes on food and agricultural markets over the short, medium and long term. The following article provides insights on food security with both global and Central Asian perspectives based on the *OECD-FAO Agricultural Outlook* and the *Agricultural Policy Monitoring and Evaluation* report.

Medium term insights from the OECD-FAO Agricultural Outlook 2023-2032¹

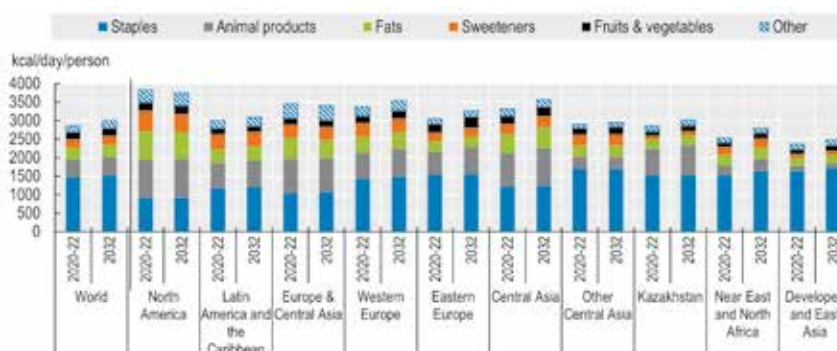
Consumption

Over the next decade 2023-2032, the evolving energy and nutrition requirements of a growing and increasingly affluent global population are expected to remain the key drivers of demand for agricultural commodities. Food is the principal use of agricultural commodities and accounts half of the global demand. Low- and middle- income countries are expected to drive most of the 1.4% annual growth of global food consumption. This is a slower pace than the previous decade due to declines in population and disposable income growth in those regions.

The *Outlook's* projections suggest that convergence in diets composition will be limited across regions. Basic agricultural staple crop commodities will continue to account most of the calories consumed in low-income South and Southeast Asia and Sub-Saharan Africa, while higher value commodities (animal products, fats, sweeteners, fruits and vegetables) will maintain bigger shares in high- and middle-income countries (*Figure 1*).

Nominal GDP per capita in Kazakhstan is projected to grow twice as fast as in the previous decade, leading to one of the fastest growths in overall daily calories consumed per person. The contribution of staples in diet will remain comparable to the average level in the Europe and Central Asia region. In response to the expected rapid income growth, the share of animal products in daily per capita calories intake in Kazakhstan will reach 29% by 2032, similar to North America and above the 25% average share in Europe and Central Asia.

Figure 1. Contribution of food groups to total daily per capita calorie food consumption by region



Note: Estimates are based on historical time series from the FAOSTAT Food Balance Sheets database which are extended with the Outlook database. Staples include cereals, roots and tubers and pulses. Animal products include meat, dairy products (excluding butter), eggs and fish. Fats include butter and vegetable oil. Sweeteners include sugar and HFCS. Other Central Asia includes Armenia, Azerbaijan, Georgia, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

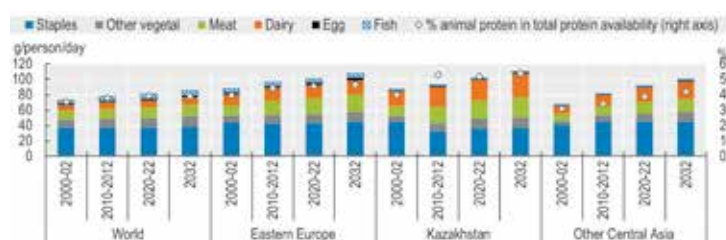
Source: FAO (2023). FAOSTAT Food Balances Database, "OECD-FAO Agricultural Outlook".

Animal products will contribute to more than half of protein consumption in line with their rapid growth in Kazakhstan's overall diet, surpassing by 15% the world average by the end of the next decade, a trend that started since the 2010s (*Figure 2*). Meat and dairy are the principal sources of animal protein in Central Asia due to its geographical location.

¹The annual *OECD-FAO Agricultural Outlook* provides an assessment of the ten-year prospects for agricultural commodity and fish markets at the national, regional and global levels. This publication is an internationally recognised reference for impact assessment, policy planning and information on interlinkages in the global agricultural markets.

Dairy is one of the fastest growing agricultural commodities, with an expected 20% absolute growth of global consumption over the coming decade. Demand will be strong in South and Southeast Asia but also in Central Asia. Protein intake from dairy is projected to grow by 14% over the next ten year in Kazakhstan, which is twice as fast as Eastern Europe or world averages.

Figure 2. Contribution of protein sources to total daily per capita food consumption



Note: Staples include cereals, pulses, and roots and tubers.

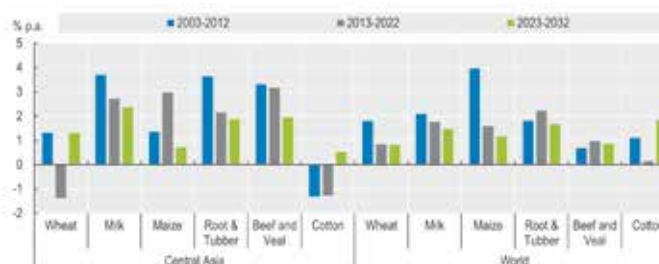
Source: OECD/FAO (2023), "OECD-FAO Agricultural Outlook", OECD Agriculture statistics

Production

To meet the increasing demand, global crop production growth is expected to mainly be driven by increased productivity rather than increased land use. Over the next decade, the global production is expected to grow at a yearly rate of 1.1%, slower than in previous decades. The reduced growth incentives are driven by a weakening of expected gross returns for producers due to slowing demand and increased input costs. However, in Central Asia agricultural production is projected to grow by 1.7% annually with significant output from both crops and livestock products in Kazakhstan accounting for almost a third of the growth.

Figure 3 shows the top produced commodities in Central Asia and compared their annual growth rates to the global ones. Aligned with global trends, growth will mainly be derived from productivity gains, as the long-term decline in agricultural land-use is expected to persist in the region. However annual growth rate of the production of the selected livestock and crop products are projected to slow down in Central Asia. Investments in raising yields and improved farm management will therefore remain essential for the region to meet increased demand for those products.

Figure 3. Annual change in agricultural production



Source: OECD/FAO (2023), "OECD-FAO Agricultural Outlook", OECD Agriculture statistics

The Outlook projects that global agricultural greenhouse gas (GHG) emissions will increase by 7.5% in the next decade, higher than last year's projection of 6%, due to the increase of agricultural production. While the pace of growth is anticipated to be slower compared to the previous decade, signalling a faster decline in the carbon intensity of agricultural production, Central Asia is poised to become the second-fastest emitter of GHG from agriculture. This can be attributed to the significant role of the livestock sector in the region.

Trade

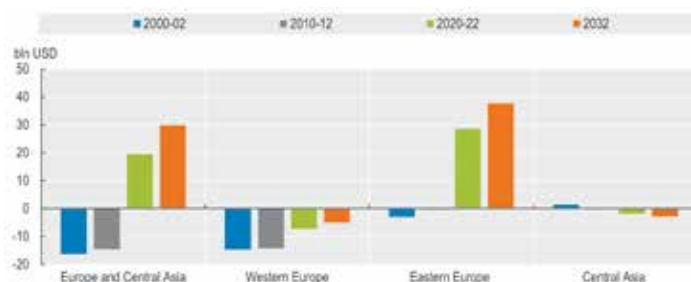
International trade forms the backbone of the global food system, as mutually beneficial trade can improve the availability and affordability of different foods and offer a wider choice for consumers. Globally, about 20% of the agricultural commodities consumed cross borders. Trade is particularly important for resource-constrained countries, which are highly dependent on the import of basic and high-value commodities. Trade is also a driver of economic growth as it creates opportunities for producers, including smallholders, to access additional markets.

Trade in Europe and Central Asia has been amongst the most dynamic, historically a major net importer. The region became a net exporter towards the mid-2010s (Figure 4). This shift is driven by Russia and Ukraine where the privatisation of state- and collectively- owned enterprises (including farms) led to significant productivity gains and boosted agricultural production, and the limited domestic demand combined with a strong economic relationship with booming Asia contributed to the export expansion of Eastern Europe.²

Despite the shift to export orientation, the region also remains a significant importer of many agricultural products and imports from Central Asia are anticipated to increase the fastest (notably for meat, as well as maize and protein meal for use in animal feed).

² The baseline projections presented in the 2023-2032 Agricultural Outlook are based on a short-term assessment of the Russia's war against Ukraine. Ukraine's exports are only expected to recover to 2021 levels by 2031.

Figure 4. Net exports of agriculture and fish products from Europe and Central Asia



Note: Estimates are based on historical time series from the FAOSTAT Trade indices domain which are extended with the Outlook database. Products not covered by the Outlook are extended by trends.

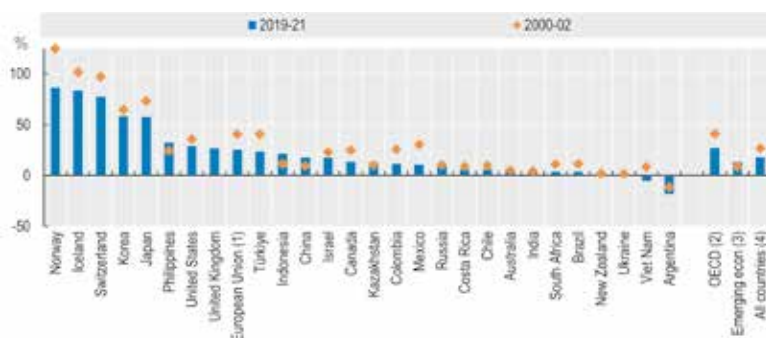
Source: FAO (2023). FAOSTAT Trade Indices Database, OECD/FAO (2023) "OECD-FAO Agricultural Outlook".

Short term insights from the Agricultural Policy Monitoring and Evaluation 2022 report³

The *Agricultural Policy Monitoring and Evaluation* reported in 2022 that the total support towards the agricultural sector reached USD 817 billion per year over 2019-21 for the 54 countries covered by this publication. This represents a 2.4-fold increase from 2000-02 in nominal terms. Total support in all covered countries was equivalent to 18% of the production value generated by agriculture in 2019-21, a decline compared to 27% in 2000-02.

The supports in Kazakhstan relative to the total value of production increased from 10.5% in 2000-02 to 12.8% in 2019-21, which is higher than in Ukraine but significantly lower than in Europe. Of the total support to agriculture in 2019-21, 75% was transferred to individual producers representing 11.8% of gross farm receipts. Producer support estimate in Kazakhstan decreased from 8.5% to 6.4% of gross farm receipts between 2000-02 and 2019-21.

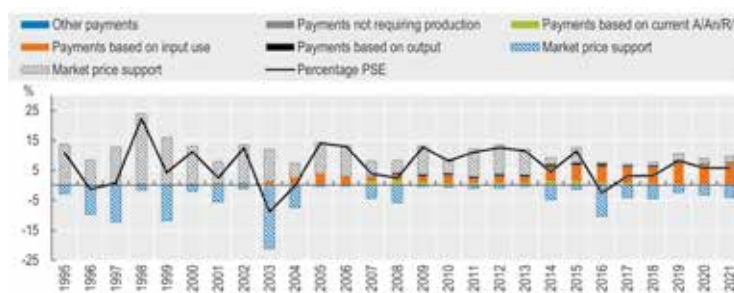
Figure 5. Total Support Estimate by country relative to total value of production 2000-02 and 2019-21



Source: OECD (2022), "Producer and Consumer Support Estimates"

Producer support in Kazakhstan reveals no distinct long-term trend (Figure 6). The percentage producer support estimate fluctuated considerably between 1995 and 2020. In some years, negative support provided through depressed market prices for some products offset budgetary allocations and positive support provided through higher domestic prices for others. However, overall policies are supportive of domestic producers. Net producer support was positive in most years, due also to increasing support related to the use of production inputs, in particular credit, over the past ten years.

Figure 6. Kazakhstan: Producer Support Estimate composition by support categories, as a percentage of gross farm receipts 1995 to 2021



Source: OECD (2022), "Producer and Consumer Support Estimates"

Conclusion: Global Uncertainties and Growth Potential in Central Asia

This year, the *Outlook's* prospective analysis comes at a time of marked economic risks, uncertainty and high energy prices. The *Outlook* estimates high prices for most agricultural commodities to subsist in the medium-term with the rising costs of agriculture inputs (such as fertilisers). This is accentuated by the uncertainty caused by Russia's war in Ukraine regarding energy and input prices. The *Outlook* provides a scenario for fertilisers input costs and its effect on agricultural commodity prices, projecting that for every 1% in fertiliser prices, commodity prices will also increase by 0.2%.

Against this backdrop, higher food prices also mean greater food insecurity in vulnerable regions, where consumers who spend a high share of their household budget on food and

fuel would be particularly impacted. The impact on producers is mixed, as only the most efficient users of fertilisers would benefit from higher product prices and increase their margins. For policy makers, rising costs for agricultural inputs will inevitably translate into higher food prices unless new models of production can be found to make agriculture less dependent on conventional fertilisers.

Agriculture is among the most risk-prone sectors. Adverse weather conditions, pests and diseases, and price volatility pose challenges for farmers and agribusiness firms and can strain government finances. The *Agricultural Policy Monitoring and Evaluation 2022* report welcomes reforms of the crop insurance system that would increase the role of private insurers, reduce farmers' costs, and make the system more transparent.

Kazakhstan could also enhance the resilience of its agriculture sector by adopting a broader, more integrated approach to risk management than the current system of *ex ante* public sector activity associated with crop and livestock disease, and *ad hoc*, *ex post* emergency responses to local disasters.



Agriculture receives noticeable support in Kazakhstan but most producer support is potentially distorting to agricultural production and trade, and likely to exacerbate pressures on natural resources. In particular, the subsidies for inorganic fertilisers and chemical inputs, and for industrial feed should be re-assessed considering their potential environmental impacts. Agricultural support could be done in a more targeted way to support sustainable development and unleash growth potential of the sector, combined with facilitating trade policies this would allow Kazakhstan to play a bigger role in global agricultural markets.



³ The annual Agricultural Policy Monitoring and Evaluation report provides up-to-date insights of agricultural policies across 54 countries from across the world, including the 38 OECD countries and the five non-OECD EU Member States, and eleven emerging and developing economies: Argentina, Brazil, People's Republic of China, India, Indonesia, Kazakhstan, the Philippines, the Russian Federation, South Africa, Ukraine and Viet Nam.

KAZAKHSTAN NEEDS A MORE EFFECTIVE COMMODITY EXCHANGE



by **Nariman Mannapbekov**
Head of Mission in Kazakhstan
Asian Development Bank (ADB)

Despite being one of the world's largest wheat exporters, Kazakhstan is a net importer of agriculture commodities. Over 60% of agriculture exports are in primary commodities for processing, and more than 60% of agriculture imports are in processed commodities. The grain sector continues to be challenged by production inefficiencies, low yields, limited access to financial resources, and outdated infrastructure. A non-competitive market structure, such as asymmetries in grain price, results in further distortions.

Based on lessons learned from other commodity exchanges, the *Asian Development Bank (ADB)* has prepared a set of recommendations for the government's consideration concerning the viability of establishing an *International Commodity Exchange* in Kazakhstan.

First, let us take a look at the current status of commodity exchanges in Kazakhstan. There are fourteen registered commodity exchanges, eight of which are active exchanges. However, all of them are trading on an ad hoc basis. In our view, either internationalizing one of these commodity exchanges or creating a new one with a much larger mandate can provide an opportunity to develop efficient marketing and trading systems. Such an exchange could provide end-to-end service for commodity warehousing, quality control, trading, clearing, and market data dissemination.

International firms with global reach that specialize in the trading of agricultural commodities showed little interest in becoming founding members of the proposed commodity exchange. They noted that the risk exceeds their thresholds despite Kazakhstan's leading position in delivering wheat and linseed to European countries.

A recent ADB-funded study began with the premise that Kazakhstan should first try to attract leading Middle Eastern banks in addition to local banks. Once the commodity exchange is operational and has demonstrated success, it can again attempt to recruit European member firms. This approach is seen to have a higher success rate because *Gulf Cooperation Council* countries, Israel and Turkey, are not self-sufficient in wheat and have national policies of facilitating wheat exports. In addition, the delivery distance from Kazakhstan to major ports in Egypt and

Turkey are shorter and would be less expensive than to most European cities.

The ADB study reveals that if Kazakhstan establishes a reliable supply chain, it should be able to displace some of the wheat shipped over long distances from the Americas and Australia to the Middle East. Among several of our findings, one would be worthwhile mentioning.

Improving the regulatory environment could increase the efficiency of Kazakhstan's commodity exchange operations. Regulation of exchange operations falls under the supervision of multiple Kazakhstan agencies: *the Agency for Regulation and Development of the Financial Market, Ministry of Agriculture, Ministry of Ecology and Natural Resources, the Agency for Protection and Development of Competition, and Ministry of Trade and Integration.*

The optimal business model is one where an exchange is privately owned but serves a public purpose. The founding members should be a mixture of domestic banks and international banks. As international companies will look for a level playing field, where any applicable subsidies or incentives are applied uniformly, Kazakhstan's policymakers can:

- **concentrate regulatory oversight of derivatives in one regulator.** The assigned regulator must be credible and adhere to international standards and practices;
- **amend the legislation to allow Kazakh banks to trade commodities.** It is imperative that Kazakhstan's second-tier banks become members of commodity market exchanges to ensure participation of international firms;
- **allow commodity exchanges to list contracts in currencies other than tenge.** The requirement to list contracts in tenge discourages international firms, both commodity users and liquidity providers, from pursuing trading opportunities related to Kazakhstan.

A lead institution will be needed if it is decided to establish a commodity and derivatives exchange. Strong efforts will be required to coordinate and align a set of actions from the assigned regulator, local banks, and prospective participants of an international commodity exchange to bring this task to fruition. However, the time and effort required will represent a major step forward in the benefits entailed by creating a professional exchange that will lead to efficient marketing and trading systems.

CANADIAN APPROACHES TO FOOD SECURITY

*by Ambassador Alan Hamson
Ambassador of Canada to Kazakhstan*

Agricultural producers in Canada and Kazakhstan are increasingly seeking efficient and sustainable food production methods to meet global demand. According to the *Food Security Index*, global food security continues to be affected by rapid increases in food prices *inter alia*. The COVID-19 pandemic, climate change, significant production costs, high commodity prices and inflation, as well as the impacts of regional conflict, continue to affect food security in Kazakhstan. Canada uses innovative approaches to cope with the food needs of a growing population in this period of uncertainty. In 2022, Kazakhstan ranked 32nd in the *Food Security Index*, improving its position by 5 points, but continuing growth in the population means a higher demand for food and greater pressures on food security.

Climate change: Climate change affects food security dramatically. Achieving carbon neutrality in all economic activity, including the agriculture sector, is a crucial step towards ensuring food security in the future. Kazakhstan understands those challenges as demonstrated by its strategy for achieving carbon neutrality by 2060. Renewable energy, greener and safer technologies can help reduce carbon emissions and slow down the impact of climate change, which would be beneficial for the agriculture sector and food security.

As an adaptation to climate change, Canada created the *Agricultural Climate Solution* (ASC), a multi-stream program supporting the utilization of farming techniques like cover crops to manage soil and water quality and shelterbelts to protect crops from wind. Canadian farmers also developed techniques to use farmland as a carbon sink and reduce greenhouse gas emissions. These on-farm solutions lower greenhouse gas emissions and contribute towards reaching Paris commitments, while also contributing to better production yields.

Canada also fosters adaptation through overwintering crops, a long-standing method of adapting to water shortages whereby crops are planted in the autumn and harvested before the hottest season arrives. Canadian experts are also actively designing crops that use less water by generating fewer leaves and stems.

In addition, Canadian technologies help farmers use less fuel, heat, and power, such as Internet-based applications to better manage barn conditions to be more efficient, and no-till planting techniques that help reduce carbon footprints while improving



production and preventing losses. Canadian farmers also employ precision farming to reduce tractor fuel usage and produce more food with less energy due of improvements in crop and animal genetics.

Inflation: Food security includes considerations of affordability. Rising inflation impacts prices, especially energy and food. Fighting inflation is thus part of maintaining food security.

In Canada, the central bank uses interest rates to control inflation, with a usual target of 2% percent. Canada also controls prices for first necessity goods (such as milk) to guarantee widespread access to those products at a reasonable price. This also helps to stabilize the revenues of farmers, creating incentives for stable, continuing levels of investment in production. Canada also avoids imposing provincial or federal taxes on healthy food products (fruits, vegetables, milk, pasta, and meat) to support affordability.

Increases in costs of energy and other agricultural inputs have also impacted affordability. Canada has implemented a temporary reduction in taxes on fuel to mitigate impacts on production costs and thus to keep lower prices for food. Canada is also investing in R&D to develop equipment and technology requiring less energy and improving agricultural yields, which contributes to maintaining affordability.

Logistics: The COVID pandemic and recent regional conflict have also disrupted supply chains. Provision of goods in a timely manner is particularly important when food perishability and cold chains are a factor. The large territorial extent of countries like Canada and Kazakhstan brings additional challenges, as agricultural production is often far from urban centers and the bulk of consumers.

Canada continues to innovate on its food distribution chain. To replicate the diverse cold chain conditions, government scientists have created scale models to

forecast a variety of storage and transport conditions and foresee potential problems. Canada also funds traceability technology, which monitors how food is moved from production and processing to distribution. Having access to this information empowers farmers and other producers to take better decisions, such as altering production to meet demand, reducing losses, and ensuring food safety.

Efficient storage is also needed to avoid losses and also to answer to just-in-time delivery requirements. Canada has developed several projects that improve on-farm logistics and provide funding to support construction of improved storage capacities.



Production capacity: Given similar climates and geographies, the history of cooperation between Canada and Kazakhstan on improving food security through agricultural innovation goes back to 1950. Bilateral cooperation has continued on crop improvement, food production, genetics, equipment, and more recently on smart farming. For example, in 2022, Canada organized a virtual business event between Kazakh farmers and Canadian companies to exchange best practices and explore Canadian technologies and practices to improve production in Kazakhstan.

Today, Kazakhstan's production capacity is vast, and the country is now a top producer and exporter of wheat and other agricultural products. Nonetheless, yields could be increased by replacing inefficient farming methods and aging agricultural equipment.

Modern farming techniques like vertical or subterranean farming enable Canada to grow food all year long in Canada, while consuming less water and other resources and safeguarding crops from extreme weather conditions. Some northern communities in Canada are now able to grow food in cold parts of

the country using innovative technologies including controlled environmental agriculture. Technologically advanced agricultural machinery assists Canadian farmers in producing food at a reasonable price to meet the rising need for food.

Canada notes that the introduction of utilization fees in Kazakhstan applied to imports of agricultural machinery results in an increase in their price to local farmers. This barrier to access to modern technology results in missed opportunities to improve the productivity of the agricultural sector and food security in Kazakhstan. Canada is happy to share modern technology, machinery, and equipment but suggests reconsidering the utilization system to make imports of the latest technology more affordable for farmers in Kazakhstan.

Labour: As a labour-intensive sector, worker shortages have had real impacts on food security globally. Kazakhstan is responding well to this reality by committing to increase the training of specialists in agricultural and veterinary specialties.

Canada also faced labour shortages in agriculture. Canada has established a program to recruit and train local and foreign workers. Canada recently committed to invest USD\$14 million in agriculture and agri-food projects to meet labor demand, by identifying skills most in need, providing innovative and targeted training programs and by setting sector-wide standards for recruiting and retention.

Canada through the years has developed education programs to train workers to operate machinery and equipment and learned new techniques to improve agriculture practices. The *Canadian Agricultural Human Resource Council (CAHRC)* initiated the *AGRI Skills Program* that tackles agriculture's most pressing workforce issues through practical, targeted training options for agricultural businesses, employees, associations, and educators.

Innovative technologies can also improve productivity to compensate for labour shortages. For example, grain and livestock farmers near Moosomin, Saskatchewan employ auto-steer, GIS mapping, and air seeders that can run full prescriptions without requiring manual intervention.

Conclusion: Food security is a pressing issue in Kazakhstan, Canada, and around the world. The similarities and long history of cooperation in agriculture between Canada and Kazakhstan make us natural partners in finding solutions to improve yields and productivity, reduce carbon emissions, and ensure food security to our populations and around the world now and into the future.

FULFILLING KAZAKHSTAN'S POTENTIAL AS A GLOBAL FOOD PRODUCER

by Ambassador Kathy Leach
United Kingdom Ambassador to Kazakhstan

Introduction

Kazakhstan has some of the largest area of arable and grazing lands in the world and is already a top 20 wheat producer, exporting much of this vital staple to other countries in Central and South Asia. With the twin challenges of adapting to climate change and modernisation, Kazakhstan's agricultural sector has never been so important for global food security. There are four areas where the sector needs to focus to help meet these challenges:

- Promoting the best available modern technology and farming practices to maximise yields and reduce costs – and a subsidy and taxation regime that supports this.
- The importance of sustainable farming practices, especially conservation and good management of water resources
- Arming Kazakhstani farmers with the best animal and crop science available, through streamlining regulatory requirements and building market access agreements with global partners
- Make the sector as attractive as possible for international investment in major new farming and infrastructure projects

The key asks from prospective investors and UK businesses active in the market are:

- Level playing field on subsidies/taxation to encourage adoption of best available technology to boost the sector's productivity;
- Strategic planning is needed now on sustainable management of water resources to make the sector more resilient to a changing climate;
- Working with your EAEU partners, help to resolve regulatory barriers to imports of world class genetics to boost the breeding stock and crop resilience;
- Work across the KZ government system to streamline approvals of large scale and complex investment projects in the sector.



Commentary and Recommendations

We all understand just how essential the agricultural sector is for Kazakhstan's economic, social and environmental development, with some of the largest grazing and growing lands in the world. Kazakhstan is already in the top twenty, globally, for wheat production, exporting much of this vital staple to other countries in Central and South Asia. Over one-third of Kazakhstan's population depend on the sector for their livelihood.

The Ministry of Agriculture's 2021-2030 agricultural development policy document sets out clearly how far the sector has come since independence, with improvements in attracting investment and increasing outputs over the last two decades. But while the sector has clearly come a long way in the last 20 years, the challenges to future growth are also clear. The Ministry's analysis identifies numerous risks, from lack of digitalization and adoption of modern technology and techniques to climate change, lack of water resources and desertification of some regions; and over-reliance of the sector on state support and poor use of subsidies.

It would be instructive to set out how British investors and businesses active in Kazakhstan's market see the opportunities and challenges in agriculture, and how the government can support the modernisation, growth, and resilience of this critical sector.

The Food and Agricultural Organisation (FAO) reports that agricultural production needs to increase by 60% by 2050 in order to feed the growing global population. We also know that climactic pressure on global food production is increasing, with more extreme weather patterns and droughts resulting from climate change.

Crop yields in Kazakhstan are forecast to decrease between 9-47% by 2030 due to water shortages, posing a significant risk to employment in the sector and to national food security. By 2040 Kazakhstan may only be able to supply 50% of its water requirements, exacerbating the situation further.

And on the local level, financial pressure on farmers to produce crops sustainably with fewer inputs has grown, risking local jobs and enterprise. How to address these huge challenges?

The Agriculture Ministry's report notes that adoption of green technologies and sustainable production methods, as well as modernizing infrastructure and resource management techniques will all be critical in helping Kazakhstan's agricultural sector thrive in a productive and sustainable way. The key point to highlight, which is as true for farming in the UK as it is in Kazakhstan, is that getting the best available technologies into the sector can be absolutely transformational for increasing yields, reducing environmental impact, and creating sustainable profitable farming businesses.



There are three tangible areas where the Government can help Kazakhstan's agricultural sector secure the best available technologies:

- *Support the ambition of livestock farmers to boost their breed stock and genetic qualities, through resolving regulatory barriers to genetic imports to Kazakhstan;*
- *Support foreign investment in water infrastructure to reduce the impact of climate change on the sector;*
- *Support farmers to access the latest advances in machinery technology through simplification of import taxes and fees.*

First, livestock - Bringing in the best of global genetics and breed stock helps enhance animal health, reduce mortality, and increase meat and milk yields.

The UK and Kazakhstan have a number of active partnerships in this area between breed associations such as Aberdeen Angus and Hereford cattle, and we are working to expand partnerships to sheep, goat, and crop associations over the next year, to help bring the latest animal and plant genetics to Kazakh farmers, as well as the training to deploy these new methods effectively.

We are currently in the final stages of negotiating *Export Health Certificates* for a number of products with the EAEU via the *Veterinary Committee of Kazakhstan* and are hoping to finalise this 3-year negotiation by the end of May to allow farmers to secure these technologies in time for the next sowing and breeding seasons.

Secondly, water infrastructure - The huge challenge that climate change poses in Kazakhstan with regard to water resources can only be resolved with strong central coordination from government and significant investment in infrastructure.

There are two examples of businesses that have looked to develop water infrastructure in Kazakhstan over the last 3 years but have encountered difficulties in navigating the system for international investors, and at least one of whom is now exploring projects elsewhere instead. The other, the developer of a large desalination plant in Mangystau region, is unclear on the next steps despite investing time and money into successful feasibility studies.

We know how critical international investment will be in upgrading this vital national infrastructure and the UK wants to support these efforts. **The importance of offering well-scoped bankable projects, transparent tender processes for state-funded projects, and an easily navigable process private investors, is paramount.**

Thirdly, machinery - Arming farmers with the latest advances in machinery technology is crucial to help them minimise inputs and maximise their yields. Current estimated wheat yields for 22/23 in Kazakhstan are an average of 1.28 tonnes/hectare. UK yields for the 2022 harvest were 8.6 tonnes/hectare. Despite cultivating 7 times more land than British farmers, UK's wheat production is 13.6m tonnes across a 5-year average (2017-2021), slightly higher than Kazakhstan's 13.3m tonnes.

So how does the UK manage to achieve such volumes despite its smaller growing regions? The key is in the yield figures and the concept of precision agriculture – optimising planting techniques and specific application of fertiliser and water, with the best available technology and machinery.

One example of such technology is Claydon Drills, which has just finalised arrangements with a local distributor in Kazakhstan. They produce a seeding drill system that minimises disturbance of the soil, reduces erosion, increases moisture retention, and minimises break down of carbon into CO2 emission. Pre-cultivation is not required, saving both time and fuel. Over 2-3 years, the soil health improves and yields increase between 8-20% per hectare.

A further favourite example is from Eurasia Group, which distributes JCB's latest high-tech machinery here. The recent winner of their "Farmer of the Year" competition based on increasing yields and efficiency was not a farmer with 50 years of experience, but an 18-year old student. With the aid of her high-tech tractor and all of its modelling and monitoring capabilities, she increased yields and reduced the amount of fuel, fertiliser, water and time, and input to the crops.

Recent pilots of precision agriculture methods in Kazakhstan have shown it is possible to reduce costs by 20% and increase the yield of cereals up to 12 metric tonnes per hectare - figures that if replicated across the country, would put Kazakhstan in contention for the largest producer of wheat globally if processing capability was increased to match.

Kazakhstan's aging fleet of agricultural machinery is a major barrier to developing precision agriculture – over 90% of machines in service are currently close to the end of their working lives. The sector needs to urgently upgrade and replace these machines with technologically advanced solutions.

To support this aim, the government has introduced large-scale subsidy programs for the purchase of agricultural machinery, and of course are rightly building the capacity of domestic manufacturing to try to meet this demand. Despite great strides in building domestic manufacturing capability, we know that some of the best available technology, like Claydon drills, has to be imported, and this is where the current landscape of taxation and subsidies are working against the ambition to build up a modernised, high-tech sector.

The U.K. has a number of companies with an interest in investing and operating in the Kazakhstan market, but they have raised concerns that the combination of unequal subsidies, utilization fees, customs duties, and VAT combine to add up to 27% additional costs to farmers who wish to buy imported technologies. Domestically produced machinery is not subject to many of these additional fees and taxes, and we are concerned that this machinery is also benefiting from subsidies that are not compliant with WTO rules.

Most of these domestic companies are not directly competing with domestic producers – their offer is completely different and no domestic high-tech solutions are available, so in the end, it is the farmer and the sector overall paying the penalty.

The ask from international business and their Kazakhstani clients here is clear: **Level the playing field on subsidies/taxation to encourage adoption of best available technology to boost the sector's productivity.**



Finally, education - The *Best Available Technologies* need to be paired with education, training, and skills development to ensure technology is used to its best effect. UK companies and educational institutions are actively exploring partnerships with local businesses and communities to support upskilling of local agricultural workers.

Taken together, these measures would have a transformative impact on the prospects for Kazakhstan's agricultural sector. Today, more than ever, unlocking Kazakhstan's potential will give it a global and strategic significance in food production, as well as a key, technology-driven industry to further diversify its economy and provide employment.

ACHIEVING SUSTAINABLE AGRICULTURE: MAXIMIZING YIELDS WITH LIMITED RESOURCES



by Kevin Meusch
Chief Executive Officer
Valmont Industries

In the face of a growing global population and the need to ensure food security, agriculture must find innovative ways to maximize yields while using fewer resources. The goal is to achieve sustainability in food production, meeting the present and future demand without depleting our limited natural resources. This article explores the importance of increasing agricultural productivity, the role of precision technology, and the potential of irrigation in achieving these goals.



The Growing Demand for Food

With the world's population projected to reach 9 billion by 2050, a significant increase in food production is essential. The challenge is immense, as growers will need to produce more food in the next few decades than what was produced over the past 8,000 years combined. To meet this surge in demand, it is crucial to expand irrigation and embrace precision technology.

Economic Forecasts

While the forecast for grain production in South America appears promising, with a projected 7% increase over the previous year, other regions face challenges. Countries like India and China are expecting poor crop seasons, and drought in parts of the United States has led to lower yield forecasts. To counteract such issues, the adoption of irrigation, particularly pivot irrigation, becomes crucial for increasing production and serving as a form of "drought insurance."

The Power of Irrigation

Irrigation plays a vital role in ensuring global food security. Currently, around 20% of the available agricultural land is irrigated, accounting for 40% of total production. The multiplier effect of irrigation is evident in its ability to boost productivity and return on investment for growers, enabling food to reach tables worldwide. However, there is still room for expansion.

According to the *Food and Agriculture Organization (FAO)*, irrigating an additional 16 million hectares of land would provide sustenance for an additional 100 million people globally. Precision irrigation technologies allow for efficient water usage, ensuring that crops receive the optimal amount of water at the right time. For instance, pivot irrigation has been shown to increase wheat production by two-thirds and corn yield by over three times.

Sustainable Growth

Investing in pivot irrigation not only increases global production but also has a positive environmental impact. Traditional flood irrigation methods result in approximately 50% water loss due to evaporation, runoff, and other factors. In contrast, center pivot irrigation can improve water absorption rates to 85-90%, conserving over 4 trillion gallons of water annually. Furthermore, this method helps prevent the loss of fertilizers and crop protectants, minimizing environmental contamination.

Valley Agriculture, a company dedicated to global food security, is at the forefront of innovating irrigation technologies. By enabling growers to achieve higher yields on the same land with reduced water and energy usage, Valley Irrigation contributes to sustainable agricultural practices.

Food Security and Production

Ensuring food security goes beyond meeting the basic demand for food. It also encompasses the provision of nutritious food and the implementation of sustainable production processes. The concept of food security originated during the First World War in Europe, emphasizing the importance of responsible food production and supply.

The United Nations, through organizations like the *FAO*, endorses food security as a fundamental human right. By maintaining sufficient food production, nations can guarantee food availability in the global market, reducing hunger and scarcity as distant threats.

External Factors Affecting Food Security

Global conflicts, such as the ongoing crisis in Ukraine, can disrupt food production and distribution, leading to increased prices and supply chain disruptions. Reductions in fertilizer exports and rising oil prices pose additional challenges to global food production. These events highlight the delicate position of global food security and the need for diversified production and strong agricultural infrastructure.

Cultivating crops in steppe ecosystems

The steppe ecosystems of Kazakhstan are not just beautiful and ecologically important—they are also critical to the country's economy and food security. While the steppe ecosystems of Kazakhstan are often associated with livestock grazing, they also provide a vital environment for cultivating crops. In fact, agriculture is one of the largest sectors of the country's economy, and the steppe ecosystems are a crucial part of this industry.

The steppe ecosystems of Kazakhstan are characterised by their continental climate, which

features hot summers and cold winters. Despite the harsh conditions, farmers in the region developed a range of agricultural practices that allowed them to grow crops such as wheat, barley, and sunflowers.

The open terrain allows for large-scale mechanised farming, reducing labour costs and increasing efficiency. The use of modern technology, such as precision irrigation and agriculture techniques, as well as, GPS-guided machinery, are tools which can help to improve yields and reduce waste.

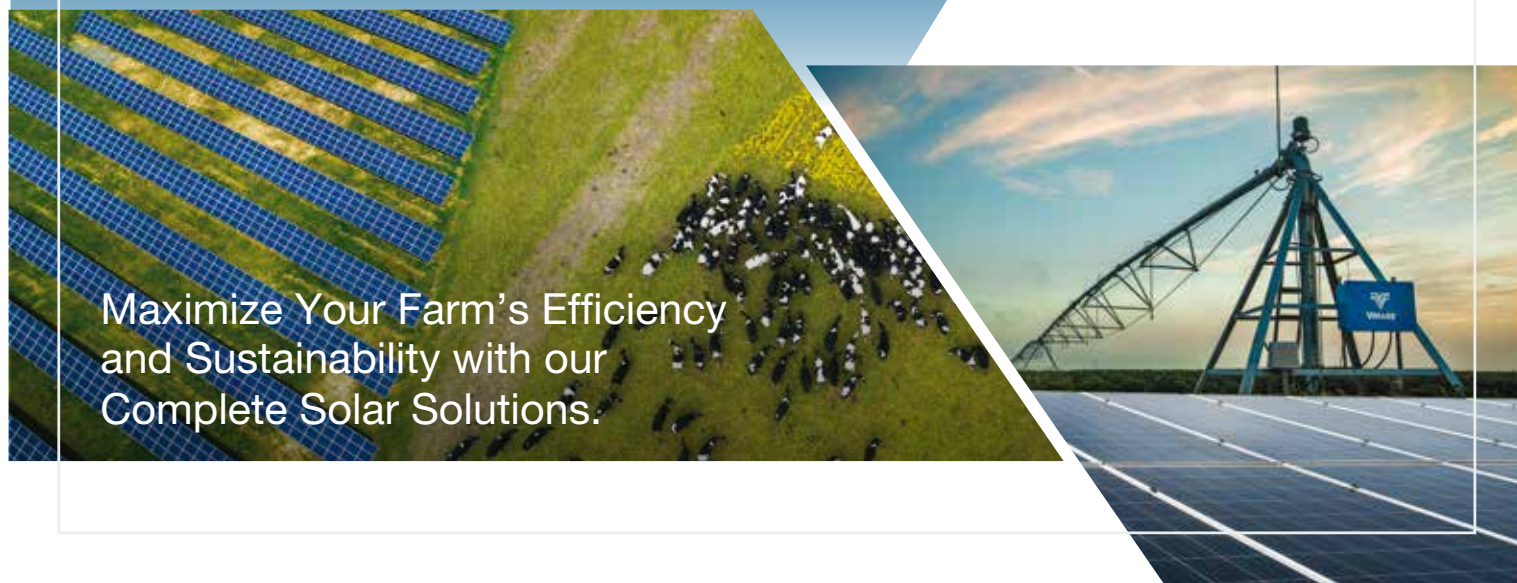
Conclusion

To meet the ever-increasing demand for food while safeguarding the environment, agriculture must prioritize sustainable practices. Maximizing yields with limited resources requires the expansion of irrigation, particularly through precision technologies like pivot irrigation. As governments and individuals recognize the importance of efficient land use and climate change adaptation, investments in these technologies will continue to rise. By embracing sustainable agricultural practices, we can achieve global food security and ensure a prosperous future for generations to come.

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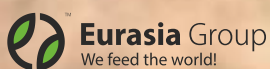
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TO FEED THE WORLD THROUGH INNOVATION AND EDUCATION

by **Sergey Glokke**
General Director
Eurasia Group Kazakhstan

Agriculture is one of the most important branches of Kazakhstan economy. However, despite its importance, there are still problems affecting agricultural development and decreasing agricultural business profitability.

The *Global Food Security Index* for 2022 shows that the global food environment is deteriorating. The reasons underlying this deterioration are inflation of food costs generated by the Covid-19 pandemic, high commodity prices, constantly increasing manufacturing expenses, and the difficult geopolitical situation associated with war on Ukraine.



Although in accordance with the last *Global Food Security Index* that evaluates countries according to financial inclusion, food quality and security, and sustainable development, Kazakhstan rose to 32nd place from 41st place among 113 countries. The Kazakhstan market analytics shows that only 80% of food security is produced within the country, while 20% of the necessary food is imported from abroad.

With its huge arable areas of land, if proper knowledge and advanced technologies are used, Kazakhstan is able to provide its own population with food at affordable prices (and this is very important as food basket inflation in 2023 increased by 21,3%), and to realize its immense export potential. The crucial ideas here are knowledge and technology.

Unfortunately, agricultural professions are not very popular in Kazakhstan. The immense increase in urbanization, poor infrastructure in rural areas, outdated education, lack of facilities and resources in agricultural universities and colleges, and low wages limit the number of young people choosing agriculture as their future profession.



At the other end of the spectrum, the elder generation working in fields today are not ready to change their mindset towards 100% utilization of advanced technologies, digital solutions and artificial intelligence that are typical of modern machinery. Without up-to-date technology, agriculture becomes stagnant, restricting overall production, detracting from food quality, and cannot reduce expenses, thus increasing the final price.

But a lack of qualified personnel is hardly the only factor slowing Kazakhstan's agriculture development. Government barriers such as customs duties (up to 5%), VAT (12%), disposal fee (up to 12%) and reduced subsidies for western agricultural machinery (4-6% in fact instead of 15% declared) curtail a free choice of machinery for our farmers, who often have to choose less efficient technological machinery due to its lower price.

It is also possible that in the future current subsidies, interest rate subsidies and government funding for western machinery will be cancelled altogether – this possibility is being discussed now. However, if the financial savings entailed by use of intellectual machinery is calculated, it becomes clear, that all the artificial barriers described above will be easily covered by profit received during the first years of the machinery's operation.

Let's review a case with combines. For example, we have a field of 1000 hectare. To harvest the yield on this field a farmer may need two "locally" manufactured combines and four operators working in turns or one John Deere combine and two operators. The price of a John Deere combine is slightly higher than the price of those two «locally» manufactured combines, but the additional expenses caused by the above taxes and fees unfortunately make it more expensive by 80 million tenge (approximately \$180.000).

New Technologies

AG Digitalization

- From 10% – lower prime costs
- From 5% – higher yields = more profit
- Lower demand of labor force
- From 20% labor efficiency boost
- High quality AG products
- Contribution to environmental health

SOURCE

On the positive side, this difference in costs will be compensated by fuel economy, difference in operators' wages, a shorter harvesting period due to high productivity of the John Deere combine, and the machine's longer lifecycle. Moreover, John Deere combines are equipped with a whole range of i-Solutions that essentially reduce operation costs and help to produce higher quality food.

Last but not least, environment and changing climate impact must also be taken into consideration. Approximately 2% of the total negative environmental impact will accrue to agriculture, but by using intellectual machinery and advanced technologies this percentage can be reduced.

Returning to shortage of professionals – young people prefer to operate modern machinery, implementing the most innovative technologies for agriculture development. In our company, *Eurasia Group* has established a business unit – *Eurasia Education* – where we share our knowledge and experience, conduct theoretical and practical trainings for current and future specialists, and help motivate young people to choose agriculture as their way of life. The most talented students visit John Deere factories in Europe to understand that agricultural professions can be interesting and ambitious when intellectual and contemporary approaches are in use.

Our company, *Eurasia Group*, knows that innovation and education can solve one of the most crucial challenges in Kazakhstan and the whole world – to provide food security!





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KAZAKHSTAN'S DAIRY INDUSTRY: CHALLENGES AND OPPORTUNITIES



by Tiago Carneiro dos Santos
Regional General Manager
Danone Kazakhstan

Kazakhstan's dairy industry is an important sector of the country's agricultural economy with a focus on increasing production efficiency, improving quality, and exploring export opportunities. Continued investments, technological advancements, and supportive policies have contributed to the industry's growth in past years. However, the dairy industry faces a number of challenges that hinder its growth and development.



Kazakhstan's Dairy Industry: Current Situation and Challenges

The Kazakhstan dairy industry produced approximately 4 mln tons of commercial milk in 2022 and this milk goes to 92 dairy processing plants across Kazakhstan. The plants produce a wide range of dairy products, including milk, butter, yogurt, sour cream, condensed milk, and various other value-added products.

While Kazakhstan primarily focuses on meeting domestic demand, it also has the potential to become a dairy exporter for the entire region.

The country's favorable geographical location and proximity to neighboring markets present opportunities for export growth. However, there are distinct challenges that hinder its potential. One of the main challenges is a shortage of quality milk and this leads to several consequences:

Insufficient Quality Raw Milk

The shortage of quality raw milk has resulted in a significant deficit, hindering the operations of dairy and milk factories. The average factory in Kazakhstan is not operating at full capacity.

Compliance with Technical Specifications

With impending implementation of the *Eurasian Economic Union Technical Specification* for milk in 2025, a significant quantity of raw milk may fail to meet the requirements. This non-compliance poses serious economic and social consequences for Kazakhstan.

High Prices and Vulnerability

The deficit of quality milk has led to elevated prices for consumers, making the industry susceptible to external side-effects.

Limited Product Diversity

The scarcity of high-quality raw milk hampers the production of value-added dairy products, such as various types of cheese and yogurt, further limiting the industry's potential for growth and innovation.

Health and Safety Risks

Low-quality milk poses risks to public health and safety, necessitating stricter quality control measures and adherence to safety standards.

Reasons Underlying the Dairy Industry's Challenges

The main factor contributing to the challenges faced by Kazakhstan's milk industry is the low number of organized farms. The main source of raw milk in Kazakhstan is personal subsidiary farms. The limited number of organized farms can be attributed to various factors:

Lack of Qualified Specialists

A shortage of professionals, including managers, agronomists, and technical specialists in agriculture, hinders the establishment and effective operation of organized farms.

Fodder Quality and Supply

There is a shortage of quality fodder in the market, which impacts negatively on the industry's overall productivity and sustainability.

Delayed Return on Investment

The extended period required to recoup investments in launching organized farms is typically 12-15 years in Kazakhstan compared to 8 years in the United States. This lengthy waiting period deters investors.

Deficit of scientific infrastructure

The absence of sufficient agriculture laboratories impedes the selection of optimal feeding plans for cows, hindering improvement of milk quality and overall productivity.

The Dairy Industry: On the Right Path to the Future

To address the challenges facing Kazakhstan's milk industry and unlock its full potential, a comprehensive approach involving farmers, milk producers, the government, and experts is essential. The government is working on this process.

The Ministry of Agriculture has announced allocation of 100 billion tenge for creation of 65 organized farms with a production capacity of 373 thousand tons of milk a year. This project can lead to positive changes for Kazakhstan's entire dairy infrastructure.

However, steps should be taken not only by the Government, but also by business. For example, Danone Kazakhstan is also active in supporting farmers in various ways. This year Danone launched a "milk university" program for farmers committed to supplying high quality milk. This program will include sharing Danone's expertise with farmers to teach them how to treat and feed cows to attain a high level of quality milk.



Kazakhstan is able to establish itself as a leading regional player in the milk industry. The current landscape presents a prime opportunity to implement strategic initiatives that drive progress, economic growth, and sustainability in the sector. Through collaboration and targeted interventions, Kazakhstan can overcome its current obstacles and create a thriving and robust milk industry. This is important for not only Kazakhstan, but for the entire region and for global food security that can benefit from the development of Kazakhstan's dairy industry.



KAZAKHSTAN'S ASSA VALLEY - AN EMERGING ORGANIC WINE REGION

By Zeinulla Kakimzhanov
Founder, Arba Wine

The earliest evidence of wine on the territory of modern Kazakhstan dates back to III-VII BC at the Skiff burials, where an amphora with wine sediment was found by archeologists in 1959. There is no doubt that the Hun, Saka and Scythian warriors that conquered foreign lands were familiar with wine. With the later development of the Silk Road that facilitated cultural trade in Central Asia, the cultivation of grapes spread from the Caucasus to the Silk Road network, reaching the Semirechie region on the territory of modern Kazakhstan.

From the 1950s onwards, Soviet agronomists actively conducted research on the most suitable varieties of grapes for cultivation in Kazakhstan. Between the 1970s- 1990s, 26,000 hectares of vineyards were planted in southern and eastern Kazakhstan, mainly in the Zailiyskiy Alatau foothills. Soviet viticulture, an historical method involving vine pruning as well as ungrafted original vine roots, produced high quality grapes.



Today, Kazakhstan is undergoing a winemaking renaissance represented by Arba Wine, which produces wines combining the best classical approach and a modern knowledge of winemaking technology developed by the world's leading wine experts. The Arba vineyards are located in Assa Valley near Karakemer village, 1000 meters above sea level, the world's largest location for historical wine growing. This method of viticulture is very rare and there are few vineyards anywhere in the world grown in shrub form without grafting. It is noteworthy that the amphora with wine sediment mentioned above was found in the same area where Arba Wine vineyards are located today.



ARBA Vineyard

Although the vineyards were abandoned twenty-five years ago, after much effort they display exceptional vitality today. Between 2008 and 2010, over 52 hectares of the best vine-clones from France were planted, including: *Riesling, Chardonnay, Gewürztraminer, Auxerrois, Cabernet Franc, Merlot, Malbec, Shiraz* and *Pinot Noir*. This choice of vines has been given a new life in Kazakhstan.

Lofty, glacier-topped mountains, refreshing breezes wafting through the vineyards, cool air masses sweeping down into the valley on hot summer days, countering excessive humidity after the rain, and soil consisting of a granite-sand-clay mix with a fertile upper layer protect the vineyards from diseases that affect other winemaking regions. As a result, Arba Wine is able to achieve the most natural, biologically clean grapes without any chemical treatments. Natural bio-supplements are sometimes used, though very rarely.

The authenticity of Arba Wine production is recognized internationally. In fact, the company has already won two *Médailles d'Or* at the *Concours International Des Vins Montagne* in November 2014 for Riesling 2012 and Cabernet Franc 2012. At the same time, Riesling 2012 has also won a *Médaille d'Or* at the *Riesling Du Monde* 2015 competition in Strasbourg. Moreover, the *International Wine Challenge* 2015 has awarded Arba wines with one Silver and 5 Bronze medals.

A critical factor in the success of Arba wine production is collaboration with leaders of traditional European viticulture and winemaking, as well as with *Enosis Meraviglia, Greenhas Italy, Bucher Vaslin, Gortani, Gattio&Gatti, Robino&Galandrino, Alfatec, Garbelotto, Amorin* and the *Vin Plan Producers' Association of France*.

The demand for wine in Kazakhstan has grown over the last 3-5 years with the opening of wine boutiques and galleries. Wine consumption is very common in the 21-35 year-old age group, and a culture of wine consumption is developing steadily. Arba Wine shows consumers the real quality of natural wine from their native land, wine with a bouquet equal to signature wines of the world. Before Arba Wine, Kazakhstan's wine market consisted mainly of inexpensive imported wines resold at high margins. Arba Wine is transforming the market and raising consumer standards of wine consumption.

Because the company adheres to bio-balance in its production standards, all field work is performed manually. The population of Almaty and the surrounding areas are invited to participate in this process, which they do enthusiastically. This also provides employment to the inhabitants of Karakemer and other nearby villages.

Today's performance of Arba Wine, despite the impression that Kazakhstan is unable to go 'green', proves the potential of the land to produce high-standard organic wine. This is truly an emerging wine region on the global map.

Another example of Kazakhstan's fertility and the feasibility of organic production is the *Arba Eco Auy* project run by Arba Wine. This pilot project was launched in 2015 with the idea of involving families to work the fields of Karakemer village and brainstorm on the best selection of fruit and vegetables. Families are invited to weed the fields and plant and harvest the crops so that they understand this is a complex, but manageable process. Another important objective is to shrink the supply chain to two parties: producer and end-consumer.



At the moment the project is non-commercial, with the main focus on the population's understanding of how important agriculture is for Kazakhstan. As a rule, organic fruit and vegetables are 2-3 times more expensive than non-organic produce, however *Arba Eco Auy* is able to maintain prices at ordinary levels.

Chemical treatment to protect the plants are prohibited in this project, in keeping with organic principles. This means there are abundant weeds in the fields that could be eliminated with chemicals, but the goal is to produce absolutely clean products. The fieldwork is performed only partly with machinery. Insecticides are made from vegetal extracts that are more expensive and less effective, but they also act as fertilizers. As for fertilizers, they are also natural and are produced from dung, not minerals. As a result, fruit and vegetable consumption does not lead to an accumulation of toxic substances in the human body.

Arba Wine and *Eco Auy* are examples that require long-term planning. If managed properly and patiently, one of Kazakhstan's most valuable assets throughout history - land – will serve as its golden heritage for centuries to come.



Kazakhstan's Assa Valley

FOOD SECURITY, A GLOBAL PROBLEM: KAZAKHSTAN'S LEADERSHIP



by Raimbek Batalov
President and Chief Executive Officer
Raimbek Holding

Global challenges for business associated with a prolonged pandemic, and disruption of supply chains amid geopolitical conflicts have given the issue of food security a special status. Today's global trend suggests that the main factor is no longer the price, but the physical availability of food. This is likely to be the most important trend in coming years.

Kazakhstan will therefore need to approach agricultural development as effectively as possible. This will ensure the country's food security and expand the geography of profitable exports of agricultural products.

According to Eurasian Development Bank estimates, the Eurasian region, with an average annual growth rate of 1.5-2.5%, can expect to feed 600 million people by 2035. Currently, Kazakhstan ranks 2nd in the global food market in safflower, 3rd in flax seeds, 6th in buckwheat, 8th in sunflower oil, 10th in lentils, and so forth. At the same time, there is potential for import substitution.

Agricultural policy should be considered from the point of view of a country's strengths. Kazakhstan has its advantages and specializations, giving the country all the prerequisites to become a "Food Factory" for the whole of Central Asia and the East.

One such example is organic agriculture, which is receiving special attention in Kazakhstan. An *ORGANIC Project Office* has been created on the basis of the NCE, within the framework of which systemic and operational problems of organic production are being resolved. In general, today the area of organic fields is more than 200 thousand hectares. In 2022, organic products worth 35 million US dollars were exported (by comparison, in 2021 – 32 million US\$, in 2020 – 10 million US\$, in 2019 – 15 million US\$). The geography of organic exports is mainly EU countries (Germany, the Netherlands, Poland, the Czech Republic, Lithuania, Norway, etc.).

There are huge prospects for the organization of organic livestock products. For example, *Enbek* plans to produce Kazakhstan's first organic milk in the Akmola region. Another of Kazakhstan's strengths is animal husbandry. The trend in recent years shows that sheep breeding has the greatest prospects for development in animal husbandry.

These prospects are primarily facilitated by demand in foreign markets, low production costs, availability of available pastures, and natural immunity not susceptible to various diseases, unlike cattle, which are more susceptible.

Over the past 5 years, the export of small cattle meat has increased 3.4 times and amounted to 10.4 thousand tons in the amount of 41.3 million US\$. The main markets are Uzbekistan and the Persian Gulf countries. Promising markets are China, Sudan, Iran, Uzbekistan, Algeria, Turkey, Oman, Tajikistan, Yemen, and Azerbaijan.

The implementation of new business initiatives caused by the global market situation requires efforts not only from businesses but also timely support from the state. At the same time, we believe the state needs to reconsider the methods of saturating the domestic market with food products using state incentive measures.

Agriculture is one of the most promising sectors of Kazakhstan's economy, the proper development of which would increase the share of GDP from 5% to 10% in the near future. In order to improve the favorable investment climate and "points of growth", it is necessary to determine the competitive advantages of the regions and to select industry priorities based on the potential to include them in the regional development plan of industry master plans at the district level.

The development of such master plans should be carried out with the participation of NCE Atameken, based on the registers of sectoral investment projects in each region. The tools for development of such master plans can be registries of industry investment projects in the region, interactive maps and dashboards which allow effectively, up to the level of a separate business entity, to plan, monitor and control implementation of both the master plan as a whole and investment projects individually.

Monitoring implementation of investment projects should be conducted on a single digital platform. Taking into account the availability of regional infrastructure and direct interaction with business, the National Chamber can conduct the functions of the operator of such a platform.

Thus, in light of the above prospects, Kazakhstan has every chance in the short term to become one of the key players in the supply of food products to China, Central Asia, and Europe.

INVESTMENT ATTRACTIVENESS IN KAZAKHSTAN AND CENTRAL ASIA

by **Erlan Dosymbekov**
Managing Partner, Caucasus and Central Asia, EY

Dinara Tanasheva
Partner, Tax and Law Leader, Kazakhstan and Central Asia, EY

In this article, EY explores the investment attractiveness of Central Asia, with a focus on Kazakhstan.

By examining FDI data as well as key factors and trends, we aim to provide valuable insights to foreign companies considering investment opportunities in the region.

Central Asia FDI

Central Asia, with its promising economic potential and strategic location, has emerged as an attractive destination for foreign direct investment (FDI)¹. In the three years to 2021, Central Asia attracted 192 projects, bringing in nearly \$18b, and creating close to 38,000 jobs in the process.

According to EY's *Investment Attractiveness Survey* conducted in 2022, the United States emerged as the largest job creator and contributor of capital in Kazakhstan. Similarly, Turkey secured its position as the largest investor in Uzbekistan, while Germany led the way in Kyrgyzstan.

Between 2019 and 2021, services recorded the highest FDI project numbers, followed by industry. Historically, Central Asia as a resource-rich region has attracted significant foreign investment in the mining and hydrocarbon sectors. However, in recent years, FDI has been shifting away from these extractive industries and into "new-age" services sectors such as consumer and financial services as the region diversifies its economy and moves up the value chain.

Investors remain conservative but still positive

A rising focus on sustainability around the world, along with stringent government targets to reduce carbon emissions, has seen the share of extractive-

FDI by industry segment (2019–2021)

Year	Projects	Jobs created (thousands)	Capital investment (US\$b)(*)	Weighted FDI score
Services	103	22.6	5.5	37.6
Industry	76	13.9	7.8	28.1
Extractives	13	1.2	4.7	5.4
Total	192	37.7	18.0	71.1

Source: FDI Markets (Financial Times), EY analysis

industry FDI projects fall to 6.7% between 2019 and 2021. Through the same period, services accounted for 54% of total FDI projects, generating US\$5.5b in capital and creating more jobs than any other segment. However, industry still raised more capital (43% of the total, reaching US\$7.8b) due to the capital-intensive nature of industrial projects.

FDI in industry is dominated by advanced manufacturing, especially in the chemicals and industrial equipment sectors and renewables.

While remaining optimistic, businesses are conscious of several short- and long-term risks to Central Asia's attractiveness. The conflict in Ukraine has undoubtedly played a role as a pressing risk to the region, even though, thus far, investors have not made significant withdrawals in their investment plans. Apart from that, frequent political unrest in the Central Asia region is another common risk cited by 45% of survey respondents; when it comes to the regulatory framework, 48% of investors rank the legislation for digital services and markets as the greatest risk to Central Asia's attractiveness. More specifically, the digital regulations and data protection laws are quite nascent in these countries, and foreign investors are skeptical about their effectiveness to protect users from misinformation, cyber threats, and market dominance. Uncertainty in tariff policies is also mentioned by foreign investors as having an impact on the overall investment attractiveness.

Although businesses remain conservative in their current investment plans, they are still positive regarding the medium-term prospects for investment in Central Asia. According to our survey, 56% of survey respondents believe the region's attractiveness will improve over the next three years.

¹ The evaluation of FDI in Central Asia is based on FDI Market Intelligence's proprietary database. This database tracks the FDI projects that have resulted in new facilities and new jobs. By excluding portfolio investments and M&A, it shows actual investment in manufacturing and services by foreign companies into the region. An investment in a company is normally included in FDI data if the foreign investor acquires more than 10% of the company's equity and takes a role in its management. FDI includes equity capital, reinvested earnings, and intracompany loans.

Why Central Asia and Kazakhstan in particular?

In which of the following countries does your company have the largest established operations by revenue?



Source: EY Attractiveness Survey Central Asia 2022

Kazakhstan and Uzbekistan are the two most favorable investment destinations in the region, given their stable macroeconomic environment, significant business opportunities, and strategic market location between Europe and Asia. An abundance of natural resources, rising urbanization and modernization, as well as the availability of a young workforce make these countries attractive to investors.

Among the countries in the region, Kazakhstan stands out as a top investment hotspot². Given its geographical location, Kazakhstan serves as a bridge between major economies. It provides investors with access to a vast consumer market spanning Europe, Asia, and the Middle East. In addition, the country's membership in the *Eurasian Economic Union (EAEU)* facilitates trade and offers preferential access to a market of over 180 million people.

Furthermore, Kazakhstan's position as the largest economy in Central Asia makes it an appealing investment destination. As mentioned above, the country's vast reserves and favorable investment conditions have attracted significant investment in the energy and mining sectors. Kazakhstan's commitment to diversifying its economy also presents opportunities for investment in sectors such as agriculture, manufacturing, and consumer development.

With a population of over 19 million and a growing middle class, the country offers a significant consumer market. On top of that, Kazakhstan's

regional dominance, coupled with its membership in various regional and international organizations, provides businesses with access to broader trade opportunities.

Important factors when selecting an investment destination

Our survey findings emphasize the importance of financial market stability and the availability of capital as key criteria for investment decisions. Other factors that play a role for foreign investors include the country's progress in digital transformation and the level of transparency in its regulatory environment, fostering favorable conditions for all stakeholders.

Looking ahead to the next three years in Kazakhstan, investors highlight factors that can be categorized into five key areas that hold significant importance for governments, companies, and consumers when making investment decisions. These categories encompass digital technologies, the labor market, taxation and the regulatory framework, and sustainable development.

For instance, if we look at technological factors, more than 50% of respondents place great importance on a workforce equipped with technological skills, along with access to venture capital and other forms of financing. 46% of executives consider a workforce with innovative or technological skills as the primary HR consideration.

Attractiveness looks positive but requires ongoing reforms across the legislative, tax and capital markets environments

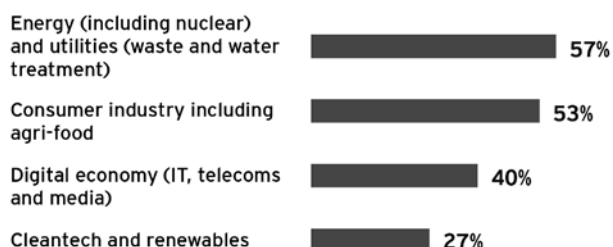
In terms of tax-related factors, 40% of respondents regard the pragmatism and flexibility of the tax authorities as key considerations. Businesses prefer a streamlined tax compliance process and expect the tax authorities to be pragmatic and flexible when dealing with complex issues. Investors also seek fairness and reasonableness when it comes to tax deductions.

Within the realm of environmental, social, and governance (ESG) considerations, businesses consider the regulatory approach toward climate change and sustainable development to be a vital factor.

² We define the attractiveness of a location as a combination of image, investor confidence, and the perceptions of a country's or area's ability to provide the most competitive benefits for FDI. Field research was conducted by Euromoney in August 2022 via online interviews, with the participation of 119 international investors. The views of the third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

Top business sectors in Central Asia over the next three years

In your opinion, which business sectors will attract the most foreign investment projects in Central Asia over the next three years?



Source: EY Attractiveness Survey Central Asia 2022

Many survey participants believe that the energy industry will receive the largest share of foreign investment in the region by 2025. Another sector experiencing significant growth in Central Asia is consumer products, including retail and agri-food, which is on par with the energy industry in terms of driving economic expansion.

However, and as was mentioned at the beginning of this article, there is a notable shift toward cleaner energy sources as local authorities strive to diversify their energy mix and reduce reliance on carbon-based fuels. Cleantech and renewable energies have seen a considerable increase in investment, capitalizing on the region's potential for wind and solar energy. Over a quarter of respondents perceive this sector as attractive to foreign investors. While the digital economy has not been a prominent driver of regional growth thus far, it is anticipated to change as the economy diversifies and governments take proactive

measures to improve connectivity, enhance access to digital services, and develop digital skills. This shift is expected to unlock new opportunities and attract investment in the digital sector.

Conclusion and recommendations

The countries in Central Asia are still at very different stages of developing their economy, policy consistency, investment incentives, and sustainability. To build on Central Asia's attractiveness, policymakers need to continue working on the following:

- *Create a fair, certain, and transparent legal system supported by policy reforms*
- *Invest in technology, innovation, and digital skills to raise regional competitiveness*
- *Build skills and invest in human capital for economic diversification*
- *Facilitate a fair and transparent approach to taxation using digitalization as an enabler*

Meanwhile, investors looking to capitalize on the potential of Central Asia should consider the numerous opportunities that the region offers. By leveraging its strengths and implementing favorable policies, those countries are shifting gears to continue attracting foreign direct investment and further propel their economic growth in the years to come.

Access the *EY Investment Attractiveness 2022* report to acquire valuable insights and make well-informed investment decisions: *"With the global economy at a crossroads, which way will Central Asia go?"*



AMCHAM MAY BUSINESS ROUNDTABLE LUNCHEON

SPEAKER: NATIONAL BANK GOVERNOR GALYMZHAN PIRMATOV

On May 18, AmCham was honored to welcome Governor of the National Bank of Kazakhstan Galymzhan Pirmatov as our Guest Speaker. The Business Roundtable Luncheon was held in the Belvedere Restaurant at the top of Almaty's InterContinental Hotel. The Luncheon attendance filled the Restaurant as guests arrived to hear the Governor's report for 2022 and forecast for the Bank's monetary policy in 2023.

Governor Pirmatov has had a diverse and fascinating professional path that has ideally equipped him for his current position as Governor of the National Bank. He has divided his professional positions between the private and public sectors, heading prestigious companies abroad and in Kazakhstan, as well as leading crucially important Kazakhstan Government institutions. He has served at Halyk Bank as Director of the Investment Banking Department, then moving on to become Minister of Economy and Budget Planning.

Galymzhan Pirmatov was an AmCham member for several years when he served as President of Cameco, a leading Canadian uranium mining company that has operated in Kazakhstan for many years. His business leadership position preceded his next position as Vice-President, then Chairman of the Board at Kazatomprom. In February 2022 he was appointed Governor of the National Bank, where he has navigated difficult economic times for the Government.

Governor Pirmatov delivered an excellent and informative speech to AmCham members and guests at the Business Roundtable Luncheon, responding to any and all questions from the audience.

The following is a summary of the Governor's overview of the National Bank's planning and policy since his appointment in early 2022 with an anticipatory look ahead for 2023.

Governor Pirmatov's National Bank Commentary at the May 18 AmCham Luncheon:

The main objective of the National Bank of Kazakhstan's monetary policy is to ensure price stability in Kazakhstan.

Inflation, which was already on the rise following the pandemic, soared due to the deteriorating global geopolitical environment. Last year when the geopolitical crisis occurred, the National Bank took decisive steps to curb inflation beginning on February 24. At that point the National Bank immediately raised its interest rate and announced its support for tenge



deposits. The National Bank increased the base rate overall by 7p.p. in 2022 up to 16.75%. We were able to ensure public trust in tenge assets. It was clearly shown by an increase of tenge assets and 15-year lows in dollarization of household deposits.

The National Bank has been very transparent on exchange rate policy. Exchange rate fluctuations occur in both directions. The National Bank publicly announces its intentions with regard to how much the National Bank will sell (from the National fund) and buy every month (for the UNPF). The National Bank's open and transparent communication has had a positive effect in terms of stabilization of Kazakhstan's markets.

The series of measures that the NBK took ensured gradual easing of inflation in Kazakhstan. In July 2023 inflation decreased to 14% from the peak of 21.3% in February 2023. Nonetheless, inflation expectations are volatile and remain high. The National Bank committed to anchor inflation expectations at a low and stable level in order to stabilize inflation in the medium term near its target level.

According to our latest estimations, we forecast 9-12% inflation in 2023. This range is a bit wider than usual as a result of uncertainty on the fiscal side and the Government's price reform. Although this allows for increased inflation in the short term, we need to move towards market prices in the long run.

To date the Government has increased gasoline prices by 11%, diesel prices by 20%, and further price increases are expected for utilities (heat, water, gas, and electricity). This will also affect our inflation forecasts. The National Bank's next forecasting round will be finalized this month and our next decisions will be announced on a regular basis.

THE AMCHAM AWARDS GALA – A 15-YEAR HISTORY OF CORPORATE AND COMMUNITY SERVICE

The *AmCham Awards Gala*, which has now become an annual AmCham tradition, was held for the first time fifteen years ago in Almaty at the InterContinental Hotel. In the following years, the Gala moved between various high-profile locations in Almaty before a decision was made to alternate between Almaty and Astana. Each city has a unique environment and a slightly different attendance. Astana attracts a ministerial and ambassadorial crowd together with AmCham CEOs. When the Galas are held in Almaty, the attendance tends to be more focused on the business community. Each year's Gala has acquired a distinctive theme for corporate anniversaries and for the leadership and accomplishments of Cabinet Ministers and Prime Ministers.

In time, the list of Annual Awards grew to 13, beginning with two Honorary Awards: the *U.S. Ambassador's Award for Best Contribution to U.S.-Kazakhstan Relations*, chosen by the U.S. Embassy and presented by the U.S. Ambassador, and the *AmCham Public Service Award*, chosen by AmCham and presented by a prominent public figure. The two Honorary Awards were presented over the years to a long list of public figures, among whom were *Prime Ministers Sagintayev and Massimov, Deputy Prime Minister Yerbol Orenbayev, Environment Minister Nurlan Kapparov, National Bank Governors Marchenko, Jandosov, Dossayev, Pirmatov*, and other notable government figures who have served Kazakhstan in their official capacities.

Following the Honorary Awards, are the Adjudicated Awards chosen from among the Nominations by an arms-length *AmCham Selection Committee* are presented. Nominations may be submitted only by and for AmCham members. Nominations for all 13 Awards have increased exponentially over the years – 75 or more Nominations are now received each year, creating a highly competitive process for each year's winners. First among the Adjudicated Awards is the *Executive of the Year Award*, presented to across all industry sectors.

The Gala Guest List is a high-profile list composed of Ambassadors and Government Leaders, the latter attending each Gala to receive their Awards and to spend the evening with AmCham guests. To be an invited guest for the Gala is considered an honor in itself. The Ambassadors each have an Award to present at the podium, the Awards being carefully matched to the special interests of the Ambassadors.



A special feature of the Gala is that no one knows the Winners before their names are announced at the podium. The evening buzzes with excitement as the guests wait in anticipation for the Winner's name, after which the Winner is invited to the podium for a short speech about the achievement for which he/ she or their company has won the Award. The Awards are engraved bronze plaques bearing the winner's name or company to be displayed in the company's office.

During the past 15 years approximately 150 individuals and companies have received Awards in categories representing diverse industry sectors, achievements, gender, and geographic location. No one is forgotten – everyone, every company, and every industry sector have won Awards, demonstrating the breadth of accomplishments by the AmCham community over many years.

AmCham member companies work hard at all times on both traditional and innovative projects, and often companies haven't stopped to reflect on the importance of their accomplishments to Kazakhstan and to their industry sectors. In many instances, the rest of the AmCham or local community may not even be aware of the time, effort, and expense that goes into much-needed contributions to Kazakhstan's economic development and the country's social needs. The AmCham Awards therefore create an awareness of these valuable contributions in which the community as a whole can take pride.

The following list of the 2023 Awards highlights this year's Winners and their achievements.

2023 AWARD WINNERS

HONORARY SERVICE AWARDS (2)

- **AmCham Public Service Award**

Winner: Galymzhan Pirmatov, Governor of the National Bank of Kazakhstan

- *National Bank Governor Pirmatov has divided his professional life between the private and public sectors, heading prestigious companies abroad and in Kazakhstan, as well as leading crucially important Kazakhstan government institutions. In February 2022 he was appointed Governor of the National Bank, where he has navigated Kazakhstan through difficult economic times.*



- **U.S. Ambassador's Award - Best Contribution to U.S.-Kazakhstan Relations**

Winner: Sayasat Nurbek, Minister of Science and Higher Education

Under Minister Nurbek's leadership, the *Ministry of Science and Higher Education* has expanded Kazakh universities' international partnerships to facilitate student mobility. This will enable other universities to model similar partnerships. Several U.S. universities are already in partnership discussions or have signed agreements.



ADJUDICATED CORPORATE AWARDS (12)

- **Executive of the Year Award (nominated by UNICEF)**

Winner: Yevgeniy Nastradin, Chief Executive Officer, Beeline Kazakhstan

Beeline is among the most socially responsible teams in Kazakhstan. As a member of the *UNICEF Business Advisory Council*, Yevgeniy Nastradin promotes the well-being of children in Kazakhstan, in particular child online safety. Beeline also has the highest number of clients in Kazakhstan, an indicator of competent management.

- **Women's Leadership Award**

Winner: Yuliya Sultanova, Vaccines Category Lead, Pfizer Kazakhstan

Yuliya Sultanova runs Pfizer's vaccine business across Central Asia, the Caucasus, and Mongolia, making an outstanding contribution to fighting COVID-19 during the pandemic. She also leads the international pharma localization initiative, shaping the legislative environment to bring innovative therapies to Kazakhstan's citizens.

- **Entrepreneurship Award**

Winner: Kevin Freake, Founder and Director, Kazanada

Over the past 20 years, Kevin Freake has founded 5 SMEs in Kazakhstan employing 200 Kazakhstani citizens in the healthcare sector: *Kazanada, KazMedConsult, FIRSTResponse, Xpress Fitness, La Canadienne*. His contribution to Kazakhstan's healthcare system has been significant.

- **Environmental and Safety Award**

Winner: European Bank for Reconstruction and Development (EBRD)

Working with *Almaty Power Plants*, a power-generating company that operates 3 Combined Heat and Power plants and 2 hydro power plants in the Almaty region, EBRD is currently implementing its *Coal Phase Out* project for a total phase-out of coal use, an ambitious energy transition undertaking. The project is a major part of Kazakhstan's decarbonization strategy under the *Paris Agreement*.



- **Health Protection Award**

Winner: Danone-Berkut Kazakhstan

Danone created a '*Healthy Eating from A to Z*' project launched in 250 schools in the fall of 2022. It aims to teach children, with their teachers and parents, to choose healthy foods and develop healthy eating habits in childhood. The project is currently implemented in schools in Almaty and Astana, and will soon be extended to other cities.

- **Excellence in Innovation Award**

Winner: Borusan Kazakhstan

Borusan Kazakhstan has created a *Component Rebuild Center* in Karaganda in order to prolong the life of Caterpillar equipment distributed by Borusan to the mining industry across Kazakhstan. Working with the U.S. manufacturer '*Ground Force*', Borusan increases Caterpillar safety features in difficult environmental conditions.

- **Community Service Award (1 – large Company)**

Winner: Beeline Kazakhstan

Beeline Kazakhstan contributed 2 billion KZT to the *Kazakhstan Khalkyna Foundation* to develop rural schools providing children with access to high-quality education. The Education Ministry provided a list of 17 schools, 8 of which were refurbished with new classrooms and educational equipment – 280 classrooms were renovated and 4,500 children received new educational opportunities.

- **Community Service Award (3 – NGOs)**

Winner: Eurasia Foundation of Central Asia – Chevron

The Eurasia Foundation of Central Asia, a long-standing and respected NGO in Kazakhstan, worked in partnership with Chevron to deliver the *JasSpace* Program serving 4500 teenagers and youth with 130 educators in Atyrau oblast. *JasSpace* collaborates with local and regional NGOs to deliver interactive STEAM professional classes in rural and underdeveloped urban schools.



- **Community Service Award (2 – large Company)**

Winner: Beiersdorf Kazakhstan

Working with the Red Crescent Kazakhstan, Beiersdorf created a *Training Centre for the Visually-Impaired* to train disadvantaged children and youth with skills that will enable them to secure employment, to be self-supporting, to socialize, and to live a normal life. Hundreds of visually-impaired young people have been trained under this program that will be expanded to other CIS countries.

- **Most Innovative Education and Training Award**

Winner: Eurasia Group Kazakhstan

Eurasia Group Kazakhstan is a long-established distributor of leading international agricultural equipment beginning with John Deere. Eurasia Group has always been committed to training farmers in the fields to use their equipment and has consistently funded agronomy courses and diplomas at specialized agricultural colleges. The company has now launched a new educational program, *Eurasia Education*, to ensure the best training for farmers and agricultural specialists.



- **AmCham Service Award**

Winner: Adilet Nazarbayev, CIS Director, Johnson & Johnson (Janssen)

Adilet Nazarbayev serves as Chair of the *AmCham Intellectual Property Rights (IP) Inter-Ministerial Working Group* that meets regularly with the Healthcare Ministry on a variety of healthcare issues. The Group has also been active on other IP issues, but the current focus is ensuring the legitimacy of pharmaceutical patents. Dr. Nazarbayev's commitment to the pharma industry is a valuable service not only to AmCham, but to the healthcare industry and the population of Kazakhstan.

- **Support for Kazakh Culture Award**

Winner: Americana Restaurants (KFC)

Americana Restaurants delivered an innovative project to promote Kazakh culture in the future, rather than reviving Kazakhstan's historical culture. Working with a popular young Kazakh rap singer, *Yenlik*, Americana Group (KFC) produced a music video as a platform to promote both the art form and the singer through a Kazakh rap song written by Yenlik.



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APRIL ARBA WINE SUNDOWNER – THE FIRST DAYS OF SPRING

On Friday evening, 27 April, AmCham members with their friends and guests gathered to welcome spring at the Arba Vinoteka to sample the well-known Arba biological wines produced in Kazakhstan. A light dinner was also available to accompany the variety of wines from the recreated Arba vineyard in Assa Valley outside Almaty that had been abandoned in the early 90's.

The story of the revived vineyard was told by the Vinoteka staff as they introduced each of the biological wines. The owner, Zeinulla Kakimzhanov, who had fulfilled his vision of creating a biological winery, worked together with his Italian partners – and who better than Italian wine experts could help create outstanding wines in Kazakhstan?

The Arba Vinoteka in downtown Almaty provided a cozy, rustic setting in which to sample the full range of Arba wines on an early spring evening.

The Spring Sundowner was sponsored by AmCham, where biological products of all types are supported and encouraged in Kazakhstan.

For those interested in a more detailed description of the Arba Vineyard revival, see article on page 34.



MEMBER NEWS



ExxonMobil Kazakhstan Announces Appointment of New Managing Director – Cécile Rauline

Effective June 1, 2023, Cécile Rauline became Managing Director of ExxonMobil Kazakhstan, succeeding Dinesh Sivasamboo.

Cécile Rauline began her career with ExxonMobil's French affiliate in 2002, and since then has held various commercial, supervisory, and managerial positions in Refining & Supply, Global Gas Logistics, Upstream Commercial and Business Development in France, Belgium, USA, and the UK. She worked as Managing Director for ExxonMobil Exploration and Production Vietnam, and Managing Director for Esso Exploration and Production Chad.

Cécile Rauline graduated from École de Sciences Politiques (France) with a degree in political and social sciences in 1998 and from ESSEC Business School (France) in 2002.

ExxonMobil started its business in Kazakhstan in 1993. The company owns a 25% interest in the Tengizchevroil joint venture, which operates the giant Tengiz field, 16.81% in the North Caspian Production Sharing Agreement that includes the world-class Kashagan field, and a 7.5% interest in the Caspian Pipeline Consortium.



Frode Ljones Appointed TotalEnergies Kazakhstan Country Chair and Managing Director of TotalEnergies EP Kazakhstan

Frode Ljones was appointed TotalEnergies Country Chair in Kazakhstan and Managing Director of TotalEnergies EP Kazakhstan on August 1 2022. He began his career at Total E&P Norge AS (2004-2009) based in Stavanger as a business analyst and budget coordinator. Between 2009-2016 he held various positions at Total E&P (Paris) and Total Gabon (Port-Gentil). Between 2016-2019 he served as Financial Director of Total E&P Norge AS, and in June 2019 he was appointed Deputy Vice-President of Group Budget and Financial Control.

Frode Ljones graduated from the Université des Sciences Sociales Toulouse 1 with a degree in Economics and Finance in 2004.

Total began operating in Kazakhstan in 1992 and has a 16.81% interest in the giant Kashagan field, part of the Total stake in the NCSPSA consortium. Total also operates the Dunga field in the Mangystau region and is engaged in construction of two solar farms through cooperation with the Total affiliate Total Eren.



MEMBER NEWS



Tatiana Proskuryakova is Appointed World Bank Regional Director for Central Asia

Tatiana Proskuryakova is the World Bank's Regional Director for Central Asia: Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. Prior to this appointment, she served as the Country Manager for Romania and Hungary during 2017-2021, Country Manager in Bosnia / Herzegovina, and in Montenegro, Country Manager in North Macedonia during 2013-14, and Country Operations Adviser for Argentina, Paraguay and Uruguay during 2010-13.

Tatiana Proskuryakova joined the World Bank in 1992 and has held positions both in headquarters and in field offices, including in operations, portfolio management and corporate strategy. From 2003-2007, Ms. Proskuryakova was Senior Advisor representing the Russian Federation at the World Bank's Board of Executive Directors.

Tatiana Proskuryakova holds an M.Sc. in Economics/ Political Economy from Moscow State University and an M. Phil. in Economics from Oxford University.



Andrei Mikhnev is Appointed Country Manager of World Bank Kazakhstan

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

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

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





**Enrique Jimenez Figueroa is Appointed
Managing Director for Kazakhstan and
Central Asia, Philip Morris International**

Enrique Jimenez joined Philip Morris International in 1997 as a sales management trainee in the European Union region, followed by a number of sales positions in the organization. In 2004 he was appointed Marketing Director in Philip Morris Portugal. In 2006-2010 he served as General Manager of the Canary Islands and Andorra followed by an appointment in 2011 as Managing Director for Philip Morris in the Baltic States.

Since then, his career as Managing Director has included leadership positions in Portugal, Turkey and the Iberia region (Spain & Portugal). He has also served in Board positions for the Investors' Forum and Baltic Management Institute (Lithuania), the American Turkish Council (Turkey) and *Fundacion Seres* (Spain).

Enrique Jimenez was appointed Managing Director for Philip Morris Kazakhstan and Central Asia as of August 2023.

Enrique Jimenez graduated in Law with a Diploma from the Faculty of Business Administration at the *Universidad Pontificia Comillas*. In 1996, he received an MBA from the *International Business School*. He also holds an *Advanced Management Diploma* from *IESE*.



**Ertan Kurt is Appointed General Manager
of Efes Kazakhstan**

Ertan Kurt began his professional career in 1994 in the Sales Department of Procter & Gamble Türkiye, where he served in various positions until 2000. Between 2001 and 2005; he worked at Reckitt Benckiser Türkiye as Trade Marketing Manager, Central Region Manager, Senior Trade and Shopper Marketing Manager, respectively. Between 2005 and 2009 he served as Country Manager at Reckitt Benckiser Slovenia and then as Global Trade and Shopper Marketing Director at Reckitt Benckiser Global HQ UK until 2012.

Having worked as Sales Director in Nestlé Waters Türkiye between 2012 and 2016, Ertan Kurt served as International Markets Director at Brisa Bridgestone Sabancı between 2016 and 2017, after which he was promoted to Vice President of Sales and Marketing at Şişecam between 2018 and 2020.

Ertan Kurt joined Anadolu as Efes Georgia General Manager from 2020 till 2023, after which he was appointed Efes Kazakhstan General Manager in March 2023.

Ertan Kurt graduated from Istanbul University in Economics in 1994 and completed his MBA at Istanbul University in 1997.

MEMBER NEWS



Artur Nigmatyanov is Appointed President of the Central Asia Board of Honeywell

Prior to joining Honeywell, Artur Nigmatyanov worked for 3 years at OZNA Holding (Schlumberger) in Russia, where he served as Business Development Director. He joined Honeywell in September 2014 as a Sales Manager in Russia. In this role, he was responsible for the portfolio of Honeywell Industrial Automation solutions and services.

In September 2019, he was assigned responsibility for sales of Honeywell Industrial Automation in Kazakhstan, Kirgystan, and Tajikistan in the role of Sales Director, based in Almaty.

In April 2023, he was promoted to President of Honeywell Central Asia.

Artur Nigmatyanov graduated from Ufa Petroleum University with a degree in economics and management in the oil refining and petrochemical industries. He completed internships and advanced training at universities in the United States (University of Delaware) and in the UK.



Aman Shakenov is Appointed General Director of Borusan CAT Kazakhstan

Aman Shakenov was appointed Borusan CAT Kazakhstan General Director in December 2022. He is responsible for the further sustainable development of Borusan CAT business in Kazakhstan. Borusan CAT Kazakhstan provides solutions for customers in Mining, Construction, Energy and Transportation industries by continues improvement approach on proactive customer service and digitalization.

Aman Shakenov began his carrier at Maersk Oil (2001-2004) in West Kazakhstan as production operator. In 2004 he joined Borusan CAT and held various positions in the Mining and Construction Divisions. Prior to his current position, Aman Shakenov served as General Director of Borusan CAT Kyrgyzstan and led the development of the Caterpillar dealership in Kyrgyzstan implementing various training and excellence programs to develop the customer support capabilities of his teams.

Aman Shakenov holds Undergraduate and Master's degrees in Mechanical Engineering from the Satbayev University.



ADVOCACY UPDATE MARCH-JULY 2023

FOOD SECURITY: A GLOBAL CRISIS, A PRIORITY FOR KAZAKHSTAN

AmCham advocacy does not always address only concerns and crises for the foreign investors and local Kazakhstani investors that comprise our membership. In many instances, the concerns that AmCham chooses to discuss at the monthly meetings of the *AmCham-Prime Minister's Council to Improve the Investment Climate* target not only investment. Instead, topics address a broad swathe of the country's economic and social preoccupations. These topics that have arisen over the past fifteen years serve both sides of the spectrum and it is to everyone's benefit to recommend and to resolve thorny issues in Kazakhstan and regionally in Central Asia. This has been particularly true in recent years as regional and global crises proliferate, challenges that require common solutions.

As a case in point, the *Agriculture/ Food Security* topic for the 28 April Council session with the Prime Minister has been a frequent topic for discussion over many years from different perspectives with different speakers and different Prime Ministers. Each discussion has taken as its point of departure Kazakhstan's enormous agricultural potential that has not yet been realized, but each time this important topic is revisited, the scene changes. The latest discussion in April was placed within the complex geopolitical context that has changed so much in our lives, encompassing the global *Food Security* crisis, the invasion of Ukraine (a global leader in food security) and Kazakhstan's need to prioritize its agricultural development to ensure its own agricultural self-sustainability.

In order to cover even a small part of the current complexity and breadth of the Food Security crisis, the *Summer Investors' Voice* contains all of the presentations by the Speakers at the April 2023 Council with additional articles from the *World Bank*, the *OECD*, the *Food and Agriculture Organization (FAO)*, *Asian Development Bank*, and *EBRD*. Ambassadors and agricultural companies also contributed their perspectives.

Food Security has become a major global problem entailing food shortages and inflationary prices beginning with the Covid-19 pandemic and suffering increasing shocks with the rapid onslaught of climate change and a series of social and geopolitical crises. Kazakhstan's own demonstrations began with domestic economic protests that turned violent in January 2022 followed by the Russian invasion of Ukraine in February 2022. *Global Food Insecurity* has also led to uncontrolled migration with tragic consequences as desperate families from agriculturally insecure countries follow dangerous routes to countries where they hope to find stable and affluent futures.



Kazakhstan has tended for many years to rely on imported food supplies with inflationary consequences even though its agricultural potential could make the country totally self-sufficient and able to export its agricultural bounty to parts of the world that suffer most from lack of food.

The April Council had a very attentive and articulate panel of Ministers on the Government side. The Ministers listened carefully and took notes from the AmCham speakers. Prime Minister *Alikhan Smailov* delivered his own thoughtful response followed by the Agriculture Minister (*Erbol Karashukeev*), the Minister of Ecology and Natural Resources (*Nurlan Kurmalaev*), and the Deputy Minister of Trade and Integration (*Kairat Balykbayev*).

The AmCham Ambassadors raised a broad range of global issues, among them climate change as it affects agriculture. In addition, the Ambassadors highlighted unresolved economic and social issues for Kazakhstan.

The *EBRD* and *Asian Development Bank* took a more regional Central Asian viewpoint – the disadvantages of the other CAR countries compared to the relative affluence and food security of Kazakhstan, but also the trade restrictions, export quotas, and trade blockages that prevent the sharing of grain critically needed by the world's neediest countries.

Last, but not least, the agricultural companies reported on the obstacles preventing them from realizing Kazakhstan's vast agricultural potential that could go a long way towards alleviating the global crisis. However, changes in the country's legislation – uncompetitive practices, poorly planned and justified subsidies – require rethinking and serious planning to benefit the industry as a whole.

The Council thus placed Kazakhstan in a more global context than in the past, not only in terms of the need for Kazakhstan's own agricultural development, but from a broader global perspective. This was an in-depth enquiry into Kazakhstan's future and the future of a world in turmoil in which *Food Security* is a central factor.

WORKING GROUPS UPDATE

MARCH – JULY 2023

CORPORATE SOCIAL RESPONSIBILITY (CSR) WORKING GROUP

March 14, 2023

On March 14, a joint meeting of the Almaty/Atyrau CSR Working Group was conducted by Thomas Jose, Eurasia General Director at Beiersdorf. The speakers were from *PwC Kazakhstan*: Yuliya Yerlykina, Marketing and Communications Manager and Karina Seifullina, Senior Marketing Specialist.

The Agenda was devoted to the *PwC Development of a Dialogue between Business, NGOs, and the Government to foster employment of people with disabilities*. Working closely with the *Almaty Committee of Labor and Social Protection*, the project aims to create a barrier-free working environment in the corporate community and to foster inclusivity.

The project delivers online lectures for people with disabilities – how to be employed in Kazakhstan, job opportunities, CV creation, resources for finding jobs, programs, and special labor conditions. The speakers discussed the labor and tax aspects of hiring people with disabilities and creating trust between an employer and employee with disabilities, opening up equal professional opportunities and a comfortable working environment.



INTELLECTUAL PROPERTY RIGHTS INTER-MINISTERIAL WORKING GROUP

March 28, 2023

The *Intellectual Property Rights (Pharmaceuticals) Inter-Ministerial Working Group* met on 28 March 2023 chaired by Adilet Nazarbayev, CIS Cluster Lead, Johnson & Johnson, with Group Advisor Donald Townsend, U.S. Embassy Senior Commercial Officer.

Government participants were from the Justice and Health Ministries to discuss two topics:

- *International Patent Linkage*
- *Proposals for examination, registration, and purchase of drugs/ medical devices*

AMCHAM TECHNOLOGY AND INNOVATION WORKING GROUP

April 4, 2023

On April 4, the AmCham Technology and Innovation Working Group met online chaired by *Sergey Leschenko, Microsoft Country Manager*. The Guest speaker was *Diana Ryan, Hewlett-Packard (HP) Director, Government Affairs & Public Policy*. The agenda topic was *Digital Equity*.

In 2022, the Aspen Institute collaborated with HP to create the *Digital Equity Accelerator*—an initiative that supports nonprofits working to meet the needs of under-served communities affected by the digital divide. Hosting weeklong tech camps and annual conferences, the organization supports women and girls aged 8–18 to pursue careers in STEM fields.

HP aims to enable better learning outcomes for 100 million people by 2025 and to accelerate digital equity for 150 million people by 2030.

AMCHAM TAX WORKING GROUP

April 24, 2023

The joint meeting of the Combined AmCham Tax Working Group, chaired by *Anthony Mahon, Partner and Tax & Legal Lead at Deloitte*, was held on April 24 in Deloitte's Almaty office. The Group discussed key issues regarding the Government's Tax Code update.

- *Issues around the Pyramid where taxpayers are held responsible for the actions of subcontractors if they do not pay taxes.*
- *Recent developments affecting deductibility of expenses paid to a non-resident related party.*
- *Update on recent developments for dividends taxation per Article 667.*

Yeldos Syzdykov, Director, Deloitte Tax and Legal Department, delivered an overview of current tax issues, primarily taxation of dividends. According to the new law, income for resident individuals in the form of dividends from sources in Kazakhstan will be subject to personal income tax of 10%.

Fiscal policy is Government's the main tool stimulate business and increase investment in the economy. However, tax administration decreases Kazakhstan's attractiveness to investors and creates barriers to investment and new technologies.

AMCHAM CORPORATE SOCIAL RESPONSIBILITY WORKING GROUP

May 11, 2023

On May 11, a joint meeting of the Almaty/Atyrau CSR Working Group met online chaired by *Thomas Jose, Eurasia General Director at Beiersdorf*, with *Beiersdorf Brand and Marketing Manager Nelli Kaunash*. The Agenda was *CSR For The Visually Challenged*.

The speaker described the *Education Center* for the *Blind* project and Beiersdorf's CSR activities in Kazakhstan and Azerbaijan. 160,000 visually impaired and blind people live in Kazakhstan, with 12,000 in Almaty alone. The Beiersdorf project aims to help them integrate socially. The purpose of the CSR project is to train the visually impaired to work on computers and smartphones in order to live a normal life.

INTELLECTUAL PROPERTY RIGHTS INTER-MINISTERIAL WORKING GROUP

May 16, 2023

The IP Rights (Pharmaceuticals) Inter-Ministerial Working Group met on on-line 16 May 2023 chaired by *Adilet Nazarbayev, CIS Cluster Lead, Johnson & Johnson*, with *Group Advisor Donald Townsend, U.S. Embassy Senior Commercial Officer*. The Agenda focused on patent linkages and patent infringements.

Results of the March meeting with Deputy Justice Minister Botagaz Zhakseleikova and Deputy Health Minister Zhandos Burkitbayev covering international experience of patent linkage were discussed. If patent infringements occur, sales permits should not be issued until the infringement is settled. Generic drugs often receive the regulator's permission to begin sales without patents, leading to lawsuits.

The Working Group members agreed to raise the IP protection issue at the AmCham-Prime Minister's Council to resolve the patent issue.



AMCHAM TECHNOLOGY AND INNOVATION WORKING GROUP

May 30, 2023

On May 30, the AmCham Technology and Innovation Working Group members met online on a Microsoft Teams virtual platform. *Sergey Leschenko, Microsoft Country Manager*, chaired the meeting. The Guest speakers were *Dinara Tanasheva, Partner, EY Tax & Law Services Leader for Kazakhstan and Central Asia*, and *Senior Associate Nargiz Suleimenova*. The Agenda was *Cloud First Policy: Challenges and Opportunities* with a focus on cloud services, regulatory requirements, and key provisions.

Cloud services can include granting of servers, storage capacity, databases, networks of software, analytics, or data mining. There are 3 deployment models: *Public, Private, and Hybrid Clouds*. Kazakhstan legislation covers requirements for cloud services. These requirements are applicable to both public sector and personal data.

The presentation focused on cloud computing used by the government, financial services, the oil industry, and the electricity market. Other industry sectors include healthcare, telecommunications, and education.

INTELLECTUAL PROPERTY RIGHTS INTER-MINISTERIAL WORKING GROUP

June 1, 2023

The IP Rights (Pharmaceuticals) Inter-Ministerial Working Group met on 1 June 2023 chaired by *Adilet Nazarbayev, CIS Cluster Lead, Johnson & Johnson*, with *Group Advisor Donald Townsend, U.S. Embassy Senior Commercial Officer*. Participants from the Justice and Health Ministries attended. The Agenda focused on patent rights protection for medicines and medical devices.

The Health Ministry's *Medical and Pharmaceutical Control Committee* stressed that norms for protecting patent rights were initiated by Kazakhstan during marketing authorization by the *Eurasian Economic Union (EEU)*. The Health Ministry's *Department of Drug Policy* proposed to include Procurement rules as requirements for potential suppliers.

WELCOME ADDITIONS TO THE CHAMBER



GOOGLE

CORPORATE A

Olga Skorokhodova
Government Affairs
(based in Dubai)

Email: oskorokhodova@google.com
Website: google.com

Founded in 1998, Google's mission is to organize the world's information and make it universally accessible and useful. Google has rapidly grown to offer a multitude of products and services beyond *Google Search*, many of which hold dominant market positions. *Google* and *YouTube* are the two most visited websites worldwide followed by *Facebook* and *Twitter*. Google is a subsidiary of *Alphabet Inc.*

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

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

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



L'ORÉAL

CORPORATE A

Nadezhda Gornostaieva
General Director

Park View Business Center
77 Kunayev Street, 2nd Floor
Almaty 050000 Kazakhstan

Email: Nadezhda.Gornostaleva@loreal.com
Website: www.loreal.com

Founded in France in 1909, L'Oréal is the world leader in cosmetics: make-up, beauty, hair care products and perfumes. For over a century L'Oréal has been dedicated to one sole vocation: creating beauty.

L'Oréal got its start in the hair-color business, but the company soon branched out into other cleansing and beauty products. L'Oréal currently markets over 500 brands and thousands of individual products in all sectors of the beauty business: hair color, permanents, hair styling, body and skincare, cleansers, makeup, and fragrance. The company's products are found in a wide variety of distribution channels, from hair salons and perfumeries to supermarkets, health/beauty outlets, pharmacies, and direct mail. It employs 88,000 staff worldwide.

L'Oréal's global flotilla of brands is organized as 4 complementary Divisions, with each one developing a specific vision of beauty for its respective market: *Consumer Products*, *Dermatological Beauty*, *L'Oréal Luxe*, and *Professional Products*.



RE/MAX KAZAKHSTAN

CORPORATE A

Batyr Bazar
Regional Director

77/2 Al-Farabi Avenue
Almaty 050040 Kazakhstan

Email: bkharchin@remax.net
Website: www.remaxfranchise.kz
www.remax.com

RE/MAX is one of the largest real estate brokerage firms in the world, consistently ranked as one of the top real estate franchises in Franchise 500 rankings. The company operates in over 115 countries and territories, with a network of more than 140,000 agents. RE/MAX was founded in 1973 with an innovative, entrepreneurial culture affording our franchisees and their agents the flexibility to operate their businesses with great independence.

The RE/MAX Regional Office was opened in February 2022 in Kazakhstan and is now fully operational promoting RE/MAX franchises across the country. The Regional Office plans to expand to over 100 real estate offices with over 1000 agents within the next 5 years, becoming the #1 real estate network in Kazakhstan by professionalizing the unregulated market.

For any AMCHAM member who is searching for an efficient, streamlined way to give and receive property referrals on a worldwide scale, RE/MAX is offering its new world-wide *RE/MAX Global Referrals Platform*.



VALMONT INDUSTRIES

CORPORATE A

Stephen Kaniewski
Global President and CEO

Kevin Meusch
General Manager, Kazakhstan

Baikanur Business Center
42 Abay Avenue
Almaty Kazakhstan

Email: InvestorRelations@valmont.com
Website: www.valmont.com

Valmont Industries is an agricultural company founded in 1946 in Omaha, Nebraska, where its corporate office and main plant continue to be based today. It is a large, publicly held manufacturer of irrigation equipment, windmill support structures, lighting and traffic poles and steel utility poles. Valmont's worldwide locations include Europe, China and India with an office and operations in Kazakhstan.

Valmont is a publicly traded company on the New York Stock Exchange (NYSE) under the symbol VMI. It is a component of the S&P 400 and employs 9,800 staff.

In April 2010, the Valmont charitable foundation committed \$50 million to the University of Nebraska to establish the *Global Water for Food Institute*. The Institute's multi-campus center for research, education and policy analysis facilitates solutions to the challenges of hunger, poverty, farm productivity and water management.

Mon'delēz Kazakhstan

CORPORATE A

Oleh Savchuk
Country Director

101 Tole bi Street
Almaty Kazakhstan

Email: margarita.popova@mdlz.com
Website: www.mondelezinternational.com

Mondelez International, is a multinational confectionery, food, holding and beverage and snack food company based in Chicago. The company has its origins as Kraft Foods, founded in Chicago in 1923. The present enterprise was established in 2012 when Kraft Foods was renamed Mondelez and retained its snack food business, while its grocery business was spun off to a new company called Kraft Foods Group.

The Mondelez International company manufactures chocolate, cookies, biscuits, gum, confectionery, and powdered beverages. In 2014, the company announced a merger of its coffee business with the Dutch firm Douwe Egberts.

Mondelez has an annual revenue of about \$26 billion and operates in approximately 160 countries. It ranked No. 108 in the 2021 Fortune 500 list of the largest United States corporations by total revenue. Global employees number 79,000 as of December 2021.

Americana Group

CORPORATE A

Alok Pandey
General Manager

34 Abish Kekilbayuly Street
Almaty Kazakhstan

Email: kzhr@americana-food.com
Website: www.americana-group.com

Americana Group is one of the largest and most successful food companies in the Middle East & North Africa (MENA). Americana group with its two divisions - *Americana Restaurants* and *Americana Foods* - has capabilities spanning restaurant operations, manufacturing and distribution.

For over 50 years, the Group has managed a wide portfolio of well-respected brands across both divisions, creating direct jobs for over 55,000 people. Today, Americana Restaurants operates across 12 markets offering the safest, most reliable, and best quality food.

The Kazakhstani branch of Americana Group began to operate in Kazakhstan in 2007, pioneering in the QSR segment by bringing *KFC*, *Hardee's* & *Pizza Hut* brands, and UK's *Costa Coffee* to the heart of Central Asia.

The Americana Group won the AmCham 2023 *Support for Kazakh Culture Award*.

WELCOME ADDITIONS TO THE CHAMBER



KUZET SECURITY SERVICES CORPORATE B

Zhislan Iglikov
President

74A Mamyr – 4 Microdistrict
Almaty Kazakhstan

Email: aokuzet@aokuzet.kz
Website: www.aokuzet.kz

Founded in 1952, KUZET is a private security service employed by the private sector, the Government of Kazakhstan, corporate and business entities. It has a staff of 3000 in 19 branches in all regions of Kazakhstan.

KUZET services are contracted to the oil and gas industry, energy industry, industry facilities, transport and logistics operations, financial institutions, and shopping malls.

In addition it offers personal security services, VIP protection, monitoring services, cybersecurity, and insurance guarantees up to US \$1 million.

KUZET clients include *KazPochta*, *Samruk Kazyna*, *KazZinc*, *Kazakhstan Temir Zholy*, and *Eurasian Bank*.



TAITRA - TAIWAN TRADE CENTER

Not-for-Profit

Monica Peng
Director

Nurly Tau Business Center
5 Al-Farabi Avenue
Building 2A, Office 203
Almaty 050059 Kazakhstan

Email: almaty@taitra.org.tw
Website: almaty.taiwantrade.com,
www.taitra.org.tw,
www.taiwantrade.com

The Representative Office of Taiwan Trade Center in Almaty plays a crucial role in fostering trade relations between Taiwan and Central Asia, including key countries like Kazakhstan. As part of TAITRA, Taiwan's leading nonprofit trade promotion organization since 1970, the office facilitates seamless business connections and collaborations between enterprises from both regions. With a global presence of 62 branches and 1,300 specialists, TAITRA actively supports Taiwanese businesses in expanding their global reach.

The office in Almaty offers comprehensive services, including customized sourcing, procurement meetings, Taiwan International Trade Shows, and expert business consultation, all aimed at nurturing mutually beneficial collaborations. It prioritizes establishing positive connections with Central Asian governments, associations, and enterprises to promote trade cooperation and mutual prosperity.



BULAT UTEMURATOV FOUNDATION

Not-for-Profit

Marat Aitmagambetov
Director

VIP Building, Pine Office Park
155 Tazhibayev Street
Almaty 050060 Kazakhstan

Email: office@utemuratovfund.org
Website: www.utemuratovfund.org

Established in 2014, the Bulat Utemuratov Foundation is a multi-project organization supporting social projects in healthcare, culture, education, and other priority areas. Its mission is to bring people, ideas, and resources together to create valuable and sustainable solutions that move society forward.

The Foundation implements a wide range of projects including development of support systems for children with autism spectrum disorders, leadership skills training for school students, providing assistance and housing for those affected by natural and man-made disasters. It is also engaged in urban projects such as reconstruction of the Botanical Garden in Almaty, construction of a new airport terminal in Kyzylorda, and building a school and a community center in Kosshy, Akmol Region.

The Foundation prioritizes transparency and resource efficiency, continuously striving to develop and apply innovative approaches to its projects.



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Almaty

Samal Towers
97 Zholdasbekov Street
Almaty 050051 Kazakhstan
Tel: +7 727 330 05 00
almaty@bakermckenzie.com