

# U.S. Country Commercial Guides



## Kazakhstan 2019

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## Doing Business in Kazakhstan

### Market Overview

Kazakhstan is the leading market in Central Asia and has emerged as a major transport and logistics hub in the region. The country links the large and fast-growing markets of China and South Asia and those of Russia and Western Europe by road, rail, and a port on the Caspian Sea. Kazakhstan has an abundance of natural resources, including oil & gas, coal and mineral deposits and its economy continues to be fueled by extractive industries. In addition, Kazakhstan boasts significant agricultural potential for both grain and livestock production and U.S. companies are well positioned to help Kazakhstan diversify across this segment of the economy. With a growing middle class and economic growth poised to reach 4 percent in 2019, Kazakhstan provides trade and investment prospects for U.S. firms seeking new opportunities in one of the most dynamic of the emerging markets.

Since gaining independence in 1991, Kazakhstan has steadily worked to improve its business and investment climate. The government of Kazakhstan realizes the need to implement transformative economic reforms to boost productivity and growth. Challenges remain in addressing problems related to the country's competitiveness and economic diversification, its over-reliance on the extractive sector, continued corruption, inefficient bureaucracy, and arbitrary law enforcement, especially at the regional and municipal levels.

Kazakhstan is currently the United States' 79<sup>th</sup> largest goods trading partner. Two-way U.S.-Kazakhstan bilateral trade is about USD2.11 billion, up over 60-percent from 2017 (which was USD1.3 billion). Kazakhstan imported about USD730 million in U.S. goods, including nearly USD288 million in various types of machinery, nearly USD120 million in aerospace products, USD54 million in meat products, USD35 million in medical equipment and pharmaceuticals, and a wide range of metallurgical goods. Kazakhstan exported nearly USD1.4 billion to the United States, including over USD970 million in petroleum products, over USD210 million in iron, steel and related products, and a wide variety of metallurgical and mineral products. The U.S. balance of trade with Kazakhstan is approximately negative USD655 million.

Economic highlights include:

- Kazakhstan is ranked 28 among 190 economies in ease of doing business, according to the latest World Bank annual ratings;
- The level of foreign direct investment is among the highest in the former Soviet Union. The United States is one of the largest investors in the market along with the Netherlands and China.
- Raw mineral extraction continues to dominate Kazakhstan's economy, making it overly dependent on world market prices for natural resources;
- Kazakhstan has a healthy appetite for imported goods and in some, not all, cases is willing to pay more for higher quality and innovative technologies and services. U.S. branded products and services are well received in the market and recognized for their high quality and value;

- Kazakhstan acceded to the World Trade Organization in November 2015 and will host the organization’s Twelfth Ministerial Conference to be held in 2020 in the nation’s capital, Nur-Sultan;
- The most recent report from the Heritage Foundation’s [Index of Economic Freedom](#) rated the country as “moderately free” and ranked it 59 out of 180 countries, well above neighboring China (#100) and Russia (#98). Kazakhstan’s overall score decreased by 3.7 points compared to the previous year because of a steep decline in the score for fiscal health, which is underscored by a weak banking sector.
- The Kazakhstani government aims to have the country join the World Economic Forum’s “Global Competitiveness” Top 30 economies by 2050. In the World Bank’s 2018 Competitiveness Rankings, Kazakhstan dropped two slots to #59 out of 140 countries.

<b>Global Competitiveness Ranking</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	72	51	50	50	53	57	59

Other World Bank economic indicators:

<b>Source:</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>World Bank</b>							
<b>GDP growth</b>	4.9%	6.0%	4.3%	1.2%	1.1%	4.1%	4.1%
<b>GNI per capita PPP Method (former GNP)</b>	USD 18,860	USD 20,680	USD 22,310	USD 23,550	USD 22,900	USD 23,580	
<b>GNI per capita Atlas Method</b>	USD 9,780	USD 11,560	USD 11,670	USD 11,420	USD 8,800	USD 7,890	USD 9,036
<b>Inflation (World Bank)</b>	5%	10%	3%	6.5%	14%	7.4%	6.0

### Market Challenges

Kazakhstan has a land area equal to that of Western Europe but one of the lowest population densities (18.2 million) globally. Strategically, it links the large and fast-growing markets of China and South Asia and those of Russia and Western Europe by road, rail, and a port on the Caspian Sea.

Competition is strong as Russia, China and EU countries vie for access to Kazakhstan’s energy and mineral resources and growing buying power. Investment from China remains high while inexpensive products from China and Russia are readily supplied across the borders.

On January 1, 2015, the Eurasian Economic Union (EAEU) between Belarus, Kazakhstan, and Russia became operational; Armenia joined the Union later the same year. Despite this, the EAEU has not significantly boosted Kazakhstan's trade with the other member countries. In fact, Kazakhstan's non-EAEU trade may be more restricted as it conforms to EAEU standards. Importers are affected by a poorly planned implementation of the EAEU integration, non-standardized application of the common customs code, and unclear documentation requirements.

According to the World Bank in Kazakhstan, ongoing structural and institutional reforms aim to reduce the role of the state in the economy and facilitate the development of a less regulated, transparent, and market-driven business environment

The economy's vulnerability to external shocks remains the main challenge to achieving stable and sustainable development. External demand from China and the Russian Federation, Kazakhstan's main trading partners, as well as global oil demand and prices, will continue to be the key external factors impacting Kazakhstan's economic performance.

Domestic factors include the pace of implementation of structural and institutional reforms as well as the potential impacts of the political transition following resignation in March 2019 of the country's president after nearly three decades in power.

Corruption remains widespread despite the government's anti-corruption campaigns. The judiciary, police, and customs are often cited as the source of problems. Kazakhstan ranked 124 of 180 countries in Transparency International's [Corruption Perceptions Index](#) for 2018.

Over the years the government of Kazakhstan has announced several measures to reform the economy, and remains engaged with U.S., UK, Canadian and EU leadership, the American Chamber of Commerce in Kazakhstan, and other foreign investors in a public-private dialogue on how to improve the investment climate. Nonetheless, this progress continues to be undermined by systemic issues of concern to foreign businesses and other stakeholders. They include the need to:

- Rule of Law: establish an independent judiciary;
- Intellectual Property Protection: actively promote and consistently enforce intellectual property rights;
- Transparency in Rule Making: adopt eGov principles to give notice of rule changes and provide stakeholders with meaningful opportunity to comment;
- Interpretation of Laws: ensure consistent interpretation of national laws by local officials, especially in the implementation of Kazakhstan's system of taxation, collection of revenues, and customs procedures;
- Standards & Regulations: eliminate outdated Soviet-era regulations and adopt widely used international standards;
- Tax Issues: end criminal liability investigations for incidental tax violations.

For more information on barriers to doing business, see the American Chamber of Commerce in Kazakhstan's 2018 [White Paper on Improving Kazakhstan's Investment Climate](#).

## **Market Opportunities**

Kazakhstan ranks 28 on the World Bank's [Ease of Doing Business Report](#) updated in 2019. Of the various indicators used, Kazakhstan ranks higher than its overall score in "Protecting Investors", "Registering Property" and "Enforcing Contracts." This report however, does not take into consideration vital business criteria such as corruption, labor skills, or investment regulations. Potential investors should consult this report's "Investment Climate Statement" before pursuing investment in the Kazakhstani market.

Demand in this upper middle-income market goes beyond the few best prospect sectors detailed in this report (see Chapter 4.) Kazakhstan's strategic aspiration is to become a modern, diversified economy with a high value-added and high-tech component, and the government is cognizant of the need for foreign expertise to accomplish this. To this end, the government continues to develop international partnerships and has agreed to projects with U.S., China and EU countries worth billions of dollars.

Like other former Soviet republics, Kazakhstan's infrastructure needs modernization. The European Bank for Reconstruction and Development (EBRD) and Asian Development Bank (ADB) both finance major infrastructure, financial, corporate, and agricultural projects in the country. Priority sectors under [EBRD's portfolio in Kazakhstan](#) include agribusiness, power and energy, financial services, information & communication technologies, municipal & environmental infrastructure, mining and transportation. Likewise, areas such as health and environment need an infusion of investment to reach global best practices.

The short-term situation in Kazakhstan is dominated by the political transition (see chapter on Political Environment). However, firms that seize this moment to explore the country's business opportunities may be rewarded in the long term.

## **Market Entry Strategy**

Kazakhstan offers many opportunities but may not be the right market for all firms. Companies that meet one or more of the following criteria will have an edge:

- Export sales and emerging markets are an important part of your business;
- Your firm has experience in Eastern Europe, the Caucasus, Russia, or Ukraine;
- You are willing to invest your time, effort, and resources for the long term;
- You work with local partners to develop opportunities in foreign markets.

Most exporters find using local distributors or product representatives an easy first step for entering the Kazakhstani market. A local distributor is typically responsible for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major corporations or the government, and handling after-sales service, if required. It is not uncommon to partner with a firm that is involved in several unrelated sectors. Other useful advice includes:

- performing detailed market research to identify specific sector opportunities;
- conducting appropriate due diligence on potential partners;

- establishing a local presence or select a local partner for effective marketing and sales distribution in Kazakhstan;
- being cautious of exclusive distribution agreements with local partners. Keep in mind that Kazakhstan has a small population spread over a large landmass, and your distribution channels should be able to represent your needs countrywide;
- maintaining a long-term timeframe to implement plans and achieve positive results. Don't expect this to be an inexpensive market that can be entered quickly;
- supporting your local partner and as appropriate, assisting your buyers to obtain financing;
- translating sales and marketing materials into Russian language; localized websites can also help reach potential partners/buyers in the market;
- consulting attorneys to draw up appropriate contracts and agreements and consider managing dispute settlement and/or arbitration in third-countries. A list of law firms represented in Kazakhstan can be found on the U.S. Embassy Commercial Section's [Business Service Provider website](#), or by contacting [office.almaty@trade.gov](mailto:office.almaty@trade.gov).

## **Political Environment**

For background information on the political and economic environment of the country, please see the U.S. Department of State website on [U.S. Relations With Kazakhstan](#).

## **Selling U.S. Products & Services**

### **Using an Agent or Distributor**

Personal relationships figure prominently in Kazakhstan's business culture. In an economy where rule of law is not yet firmly established, the quality and depth of business relationships are often your best protection against loss and your key to market access. Selection of a local partner (or partners) is probably the most important decision your company will make in its market entry. An on-the-ground presence is crucial for effective business development.

A good distributor/agent is the best way to solve a variety of problems including communication and providing after sales service. Many exporters designate a Kazakhstani-based trading company as their local sales agent responsible for handling customs clearance of imported goods, dealing with established wholesalers and/or retailers, marketing the product directly to major corporations or the government, and handling after-sales service. In some cases, especially when selling to the government, a Kazakhstani distributor is vital.

U.S. companies are encouraged to work the the U.S. Embassy's Commercial Section for assistance identifying pre-qualified distributors, product representatives and other local partners.

### **Establishing an Office**

Registration is the first step that should be undertaken by a company wishing to operate with a physical presence in Kazakhstan. Depending on the type of business, a company has several options in terms of its legal entity in Kazakhstan. The most typical are branch office, limited liability

partnership, or joint-stock company. Representative offices are also used as an initial step to enter the market but are not recognized as separate legal entities and cannot undertake commercial activities. There are a number of U.S. and local service providers that can assist companies establish a legal entity in Kazakhstan; see the U.S. Embassy Commercial Section's [Business Service Providers' listing](#).

The government utilizes a "one-stop-shop" for registration and requires documents to be submitted to the local department of the Ministry of Justice. The latter sends all the required documents to the relevant statistical and tax committees via a computerized network. The process should take no more than ten days for registration, but according to the World Bank it takes 12 days on average.

The required package of documents includes, but is not limited to, application for registration, by-laws of the entity to be registered, by-laws of the foreign partner of the joint venture, application form, and documents confirming address. In reality, the registration process might take much longer than the specified time above. Usually the reason for delay is submission of an incomplete package of registration materials, a subjective interpretation of the requirements, or a failure of the government's computer system. Turning in all requested materials from the start will facilitate processing. There is also a registration fee that varies depending on the type of organization being registered. It is recommended that experienced and well-established legal counsel be used to register a company.

Domestic telephone service is adequate; international service is reliable in major cities but expensive. Mobile phone services, both GSM and CDMA, are available in most cities throughout Kazakhstan. Internet service is currently available at most locations in Kazakhstan. Broadband solutions are available in major cities via cable or satellite, but still expensive. Office equipment (fax machines, telephones, and photocopiers), parts, and service are readily available in major cities of Kazakhstan. Russian is the language of commerce. With the exception of Almaty, Nur-Sultan, Atyrau and several other major cities, it is difficult to find professional English-speaking staff. Training is an essential component to any start-up operation.

Companies interested in working in the oil sector, as well as various types of sub-contractors for the oil majors, may consider opening representative offices in the Caspian Sea region cities of Atyrau, Aktau, or other cities in western Kazakhstan located near the major oil fields. There is a lack of quality office space in this region and most of the companies tend to establish offices in apartments. The cost per square meter is generally the same as in Nur-Sultan.

### **Franchising**

Please see Franchising under the section on "Selling U.S. Products & Services."

### **Direct Marketing**

Direct marketing is becoming more common in Kazakhstan, especially in larger cities such as Almaty and Nur-Sultan. Some popular forms of direct marketing are the distribution of free samples at points of sale and major cultural events and visits to households to promote consumer products. Marketing by mail is less popular, as mail is not considered a reliable delivery instrument, but the situation is improving, and it is gaining popularity with consumers in this market.

Personal computer penetration used to be limited to urban areas, but through the development of the state program Digital Kazakhstan more and more people and organizations are enjoying easier and high-quality Internet access. In 2017, the proportion of PC users reached 78.2% from the total population and the proportion of the Internet users reached 78.8%, and the government of Kazakhstan is planning to continue this increasing tendency of digitalization. Untapped demand is high and the potential for growth is significant, particularly because of the digital development of the country. China has become an increasingly important supplier of electronic goods in recent years.

Kazakhstan takes 16th place in Global Retail Development Index 2017, which is 12 positions lower than in 2016. This fall mainly comes from the previous two devaluations of the local currency, low oil prices, and Western sanctions against Russia, and, as a result, the tendency for saving that led to the fall in retail sales. However, the government is facing the challenges by stabilizing prices for important foods and enhancing GDP growth. It is believed that this drop in the retail sector was a result of the economic shocks and the economy is already picking itself up with the digital development of the country.

The development of e-commerce started in March 2012, with the launch of the Russian e-retailer LaModa, an online platform that allowed any brand to sell its goods, which soon after had become a recognized leader in the market segment. According to operational data, for the first half of 2018, the volume of e-commerce market amounted to around USD296 million. Since the beginning of 2018, 110 new subjects of e-commerce have been registered. The e-commerce market employs about 1.7 thousand online stores, with 1.5 million buyers. The market itself is steadily growing and expanding to the other Central Asian countries.

Direct sales and sales through catalogs are particularly popular in the cosmetics sector. The leading direct sales companies such as Avon, Mary Kay, Faberlic (Russia), and Oriflame, founded the Direct Sales Association (DSA) of Kazakhstan in October 2010 to jointly defend the term of network marketing and protect the rights of their consumers and sellers. At present, the association consists of nine companies such as Amway, Avon, Faberlic, Forever Living Products, Herbalife, LR Health & Beauty, Mary Kay, Oriflame and Tiens. According to the DSA, the turnover of direct sales companies in 2017 amounted to about USD293 million. The main product groups of the direct sales market include: health products (26%), skin care and decorative cosmetics (24%), perfumes (16%), clothing and accessories (10%), and household goods (6%). As of today, the direct sales approximately represent only 1% of the retail turnover, which is far below the world average level of 4.25%. The direct sales market in Kazakhstan is still in the development process and has great opportunities for growth. Recently, the direct sales companies have also launched their online shopping sites keeping up with the digital development of Kazakhstan.

### **Joint Ventures/Licensing**

Joint ventures may be organized as a limited liability partnership or a joint stock company. Joint stock companies (JSC) are defined as legal entities, which issue shares to raise the funds for carrying out their activity. Generally, shareholders are not liable for JSC's obligations and bear the risk of losses associated with activity of the JSC within the value of owned shares. A company is formed on the basis of charter and decision of founders. Initial capital is provided by contributions from

shareholders and may take the form of cash or other property and property rights assessed in monetary equivalent.

According to the Statistics Agency of the Republic of Kazakhstan, more than 10,000 joint ventures with foreign partner participation currently operate in Kazakhstan.

Many joint ventures are established in the oil and gas sector. Altogether, some 390 joint ventures with partners from 55 countries operate currently in the Atyrau oblast – the oil- rich region in Western Kazakhstan. The newly formed Kazakhstani Center for Engineering and Technology Transfer is actively involved in organizing strategic partnerships with foreign companies investing in Kazakhstan. Additionally, government- related organizations, such as the National Investment Fund, are seeking to invest in foreign firms that are developing new technologies, or to license production of such technologies in country for distribution in the region. Other successful joint ventures are operating in the mining, agribusiness, transportation and food processing sectors of economy.

Licensing has been identified as an obstacle to investment and trade in Kazakhstan. In compliance with the 1995 Law on Licensing, as amended in 2007, many economic activities are subject to licensing, and there is an extensive list of goods that require licensing to be imported into or transited through the territory of Kazakhstan. Obtaining licenses is needed only for those types of activities that are directly stated in the law. Examples include health care services, notary services, telecommunications services, and juridical services.

Licensing procedures are often slow and non-transparent, though amendments are aimed at improving and simplifying the issuance of licenses such as:

- The number of activities that are subject to licensing has been reduced to 100 types and 249 subtypes;
- License issuance has been simplified based on a “one window” principle;
- The process of license deprivation is executed by the court;
- Operation of a license is not territorially limited; and
- Licenses must be issued within a 25-day period (for small businesses, seven days).

Provisions for issuing a license are determined by certain government agencies in accordance with the type of license.

To simplify procedures and as part of its e-Government strategy, Kazakhstan introduced E-licensing - an electronic license application. E-licensing allows the individual applying for a license the ability to monitor the status of the application. One can find detailed information on [Kazakhstan’s electronic licensing website](#).

There are a number of U.S. and local legal service providers that can assist companies establish a joint venture in Kazakhstan; see the U.S. Embassy Commercial Section’s [Business Service Providers](#) for a listing.

## **Selling to the Government**

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to “Project Financing” Section in “Trade and Project Financing” for more information.

State procurement is regulated by the 2015 Law on State Procurement and several amendments, and applies to ministries, state agencies, and companies and enterprises in which the state holds more than 50% of the shares. In 2014 the law was amended to allow vendors from member countries of the Eurasian Economic Union to participate in public procurement tenders on equal terms with domestic suppliers.

The latest amendments to the law include a clear definition of “dumping price” to avoid underpricing, introduction of a complaints’ register, requirements to exclude non-financially sound suppliers and offshore zone registered companies, measures to prevent unfair advantage by obtaining access to competitor information and changes to the principles for making single source procurements.

The procurement system in Kazakhstan is highly decentralized with different government agencies and companies managing specific procurement projects. The Ministry of Finance develops procurement policies and the Committee for Public Procurement is responsible for enforcing the laws and regulations on public procurement.

The state procurement process is implemented through mandatory tenders announced by government agencies. Newspapers designated by the Committee for Public Procurement publish the tender opportunities. To facilitate the procurement process, the government created an e-procurement system. The State procurement website (only in Kazakh and Russian) was launched in 2008 and the E-commerce Center (website is in Kazakh, Russian and English) was assigned as the sole operator in electronic state procurement. According to the latest changes in Law on State Procurement, from 2019 the [E-finance Center](#) provides services for accessing the portal on a paid basis and from 2020 a new concept of “e-wallet” will be introduced for potential suppliers and designed to conduct payments to guarantee bids. Kazakhstan’s state procurement regulations seek to provide international standards of transparency and public accountability. However, what appears in print and what happens in practice can be very different. Short deadlines for tenders (suggesting a preselected supplier), a lack of transparency in business dealings, and nonpayment issues remain a challenge. The regulations often favor domestic suppliers over foreign companies.

U.S. companies are advised to approach any government tender deliberately. However, lucrative opportunities do exist, and American companies have had success in Kazakhstan. Companies should be wary of payment-after-service arrangements and use payment schemes providing additional guarantees of timely payments. Not doing so puts any firm at risk, with little recourse through Kazakhstan’s judicial system.

## **Distribution and Sales Channels**

As distribution and telecommunications networks in Kazakhstan have been diversified and upgraded; the major sales and distribution challenges for businesses have shifted from simply getting goods to market to more concern about legislative and regulatory issues. U.S. companies in Kazakhstan use a combination of marketing methods including direct sales, working through a

countrywide distributor or agent, working through more than one local-area distributor or agent, and/or distributing or selling products directly from a warehouse. A recent development is the emergence of e-commerce (see Electronic Commerce section below). Distribution channels still require extensive training/service, marketing support and project financing, such as leasing schemes for equipment.

Most of Kazakhstan's population is concentrated in two geographic areas: the southeast (Almaty, Southern Kazakhstan, and Zhambyl Oblasts) and the north/northeast (Akmola, Karaganda, Kostanai, northern Kazakhstan, Pavlodar, and eastern Kazakhstan oblasts). Average incomes are higher in these regions than in other parts of the country. The economic development of Kazakhstan's oil-rich western regions has expanded the economies of the largest towns there, principally Atyrau, Aktau, and Uralsk, where major international oil companies currently operate.

Companies are advised to pursue a long-term strategy, as well as careful business development and marketing approaches to succeed. Certain factors should be considered, such as the presence of less expensive competitors from Russia and China, price sensitivity, and local content requirements.

### **Express Delivery**

The international express delivery of documents, parcels, and freight is carried out by reliable express delivery firms, including international companies such as DHL, FedEx, UPS, USPS, Post Express, and several smaller international and domestic companies such as Ship Box, Nex, ShipW, CDEC, QSD, Asia Sky Express (ASE), Avis Logistics. The Kazakhstan national mail operator is Kazposhta, which has an extensive network and delivery fleet and is the only carrier able to deliver mail to the most remote corners of the country.

On average, international express delivery takes from two to ten days, depending on the type of dispatch, type of shipment, and destination. Please visit the web sites of the operators to calculate the cost and time for delivery. When sending express shipments to Kazakhstan, there are several factors to consider. First, some goods are deemed to be documents and only require a waybill to be delivered, while others must be accompanied by an invoice and, in some cases, additional customs documentation. Duty and tax bill will depend on the amount of purchases. As Kazakhstan does not have "de minimus value", below which no taxes and duties are charged, entire purchase is subject to taxes and/or duties.

Please note that some types of goods are prohibited for international express delivery into Kazakhstan:

- Weapons and ammunition;
- Drugs and medications containing them;
- The materials containing propaganda of war, terrorism, racism, violence;
- Pornographic materials;
- Soil, including plants with soil;
- Plant diseases and pests;
- Quarantine products and products infected with quarantine organisms.

The complete list of prohibited goods depending on the express delivery company is available on the following links:

- [DHL import restrictions for Kazakhstan](#)
- [FedEx import restrictions for Kazakhstan](#)
- [UPS import restrictions for Kazakhstan](#)

### **Selling Factors & Techniques**

Transportation costs, product pricing, trade and project financing, and establishing trade relations are all important considerations for U.S. companies examining the Kazakhstani market. Kazakhstan's major cities should be considered first as potential markets for consumer products, since they are well connected to the country's transportation system and their populations generally have greater purchasing power. U.S. products have a good reputation here, but competition is growing. U.S. firms must provide customer support and a reliable supply of products to their distributors. Distribution networks within Kazakhstan cover great distances because of the country's vast size. Transportation costs and delivery times from the U.S. are significant which obviously affects the price competitiveness of U.S.-made products.

### **eCommerce**

Kazakhstan's online shops first emerged in 2000 but even after nineteen years the industry is still underdeveloped. Based on recent reports, Internet use has grown quickly over the last year, from 70.5% use in 2014 to 76.4 % of the population in 2018 (according to the International Telecommunication Union). This provides excellent opportunities for growth in e-commerce. Kazakhstan has steadily rising incomes, low population density and vast land mass making it an ideal candidate for a robust internet-generated, mail-order business sector. More than 1700 Internet shops and Business-to-Business (B2B) trade marketplaces exist in Kazakhstan's domain. Products sold online include prepaid phone and Internet cards, multi-media, books, computer hardware, computer peripherals and accessories, software, cosmetics, apparel, and more recently, consumer electronics and airline tickets. The most progressive types of e-commerce in Kazakhstan include online airline and railway tickets, and online payments for mobile services and public utilities.

B2B commerce is starting to grow, as many Kazakhstani companies begin to realize that having a web page is a must for good standing in the business community. Some firms now include product catalogs on their Internet pages. Most companies, however, use their websites simply to represent products and services offered and cannot provide functions of online payment and shipping. In 2004, Kazkommertsbank, the leading local bank in Kazakhstan (merged into [Halyk Bank](#) in 2017), and Commerce One, with the support of IBM, activated the first Electronic Trade Ground (ETG) in Kazakhstan to conduct sales and tenders through the Internet. By June 2018, the [ETG](#) registered approximately 48,000 members and more than 80,000 completed tenders.

Specialists estimate the sector is currently growing at 25% per year, a rate likely to continue for at least the next three years. At the same time according to the Ministry of National Economy, in 2018 the e-commerce market in Kazakhstan increased by 1.5 times compared to 2017 and reached approximately USD700 million and forecasts from the local experts indicate that e-commerce in Kazakhstan could be worth USD1.0 billion by the end of 2019.

The leaders among foreign e-commerce companies in Kazakhstan are AliExpres, Amazon, and eBay. On-line shopping amounted to only 10-12 % of all Internet services provided in Kazakhstan in 2019. Most international courier services have representation in Kazakhstan and use online sites to support

delivery. From January 1, 2018, a limit of Euro1,000.00 and 31 kilograms was set for goods bought at foreign internet shops and since January 1, 2019, the limit has dropped to 500 euros and weighs no more than 31 kg. In 2020 the limit is planned to be reduced to 200 euros and weighing no more than 31 kg, that, according the local experts, may affect the market.

Imperfect and insecure systems of Internet payments and goods delivery, and a low level of consumer confidence in e-shopping are still the main obstacles for e-commerce development in Kazakhstan. Payments for orders over the Internet from Kazakhstan online retailers are mostly done by cash-on-delivery or bank transfer and rarely by credit/debit cards. Most industry experts attribute the sector's weak development to a lack of critical mass of internet users, as well as poor management of existing e-shops, most of which were opened in Kazakhstan by technical specialists with little or no experience in this specific business. At the same time, none of the large retail chains have yet attempted to open online stores.

### **Trade Promotion and Advertising**

The advertising industry is regulated by the Law on Advertising which prohibits advertising alcoholic products, baby formula, tobacco including strict rules on advertisement of medical treatment and drugs. All advertised products should be certified. Advertising should be presented in both Russian and Kazakh languages.

There are many advertising agencies all over Kazakhstan and more than a dozen local and several Western advertising firms in Almaty, including some global Public Relations firms, such as McCann Erickson, Ogilvy & Brothers etc. Television, outdoor advertising, and general-interest publications represent the primary advertising channels for consumer goods. Advertising of services and general image promotion are usually done using outdoor advertising and personal sales.

Unlike the traditional advertising platforms, the online advertising market is growing rapidly, and according to experts, it will continue. The share of the online advertising market in Kazakhstan is growing mainly due to the interest of advertisers, as well as the growth of the Internet penetration rate in the country.

An overall expenditure on advertising in 2018 amounted USD90-100 million, which is 9% more than in 2017. Most of this expenditure was spent on TV advertising – 55-60 million (10.6% more than in 2017) and on the Internet - about USD18 million (29% more than in 2017).

Internet is the most promising channel of marketing, which is growing at the expense of increasing numbers of advertisers, rather than prices. TV is losing not only medium-sized clients, but also large ones. Those clients are smoothly switching to YouTube, Instagram and other social media sites which are showing tremendous growth in Kazakhstan (by some estimates 2.5 times over last year), bringing many tools, analytics and capabilities to firms. As such, advertisers in Kazakhstan have begun reducing their budgets for print press.

Kazakhstan and its advertising industry are benefiting from the penetration of high-speed internet and its potential in advertising has not been fully exploited. QR-code technology is popular in use and widespread domestically for money transfers and payments. But major brands are also using QR for communicating with their audiences.

## **Pricing**

Key pricing components that should be considered include transport costs, duties associated with import (customs duties and fees, certification payments, etc.), 12% VAT and high expectations of profits by importers/distributors (businesses in Kazakhstan tend to charge much higher margins than in other countries).

Another factor affecting price and competitiveness of imported products is that the value-added tax of 12% must be paid on top of all customs duties and excise taxes at the time of customs clearance. Considering all the difficulties associated with customs clearance procedures, importers are advised to use the services of customs brokers.

Conditions demand that U.S. companies take into account strong competition from Russian, Chinese, Southeast Asian, and European producers. Consumers in Kazakhstan are very sensitive to prices and quality of the goods supplied, though most consumers are willing to pay premiums for uniqueness or higher quality. Higher-than-average prices, however, have to be justified by a recognizable branding, marketing, warranties or other special features.

## **Sales Service/Customer Support**

Strong customer support and service add value in Kazakhstan. In a country where the practice of customer service is developing but still leaves much to be desired, providing after-sales service – either directly or through a trained local representative – will make a lasting difference. U.S. companies should be prepared to commit resources to customer-service training for local staff. Local companies starting business with foreign partners are becoming increasingly concerned about after-sales service and customer support, and distributors in Kazakhstan expect that equipment/technologies will come with some kind of guarantee. U.S. companies entering the market are recommended to have pre-arranged agreements with certified maintenance centers. This is extremely important when selling vehicles, construction equipment, electronics, medical devices and other heavy equipment. Due to the considerable time difference between Kazakhstan and the U.S., companies should consider using 24-hour help lines, or existing customer support centers in Asia, Russia, or Europe, when support centers in Kazakhstan are not economically justified. In some sectors like healthcare and agriculture timely and fast delivery of equipment spare parts and components plays a major role in supporting business commitments and reputation.

## **Due Diligence**

Kazakhstan can be a challenging market fraught with obstacles for any company that does not take the time to learn about the business environment and choose local partners wisely. Taking shortcuts in evaluating business opportunities and selecting local partners is not advisable. Complicating these efforts is the fact that Kazakhstan is still transitioning from a closed economy to a more open, market economy. This means that basic business information about regulations, company ownership, and credit worthiness are not always easy to find.

In many cases, business in Kazakhstan is still based on family ties and personal connections. Knowing if your potential business partner is able to proactively negotiate these networks can help your firm better determine if this is the right relationship to take on. Finding a reliable, credit-worthy partner in Kazakhstan requires due diligence, caution, and attention to a potential partner's achievements

and reputation. U.S. firms are advised to verify trade references offered by potential partners, check banking records and correspondent account capability with Western banks and verify the personal bona fides of key company officers.

The Commercial Section at the U.S. Embassy in Kazakhstan can provide due diligence background checks on potential local partners. Contact [office.almaty@trade.gov](mailto:office.almaty@trade.gov) for more information. There are many U.S. and local accounting, law, and other firms that also offer due diligence/company verification services. For a list of local service providers, see the U.S. Embassy Commercial Section's [Business Service Providers' listing](#).

### **Local Professional Services**

There are several international firms providing legal, accounting and consultancy services in Kazakhstan. The Commercial Section at the U.S. Embassy in Kazakhstan maintains a list of [Service Providers](#), which includes local and international service providers supporting the international business community in Kazakhstan. Contact [office.almaty@trade.gov](mailto:office.almaty@trade.gov) for more information.

### **Principle Business Associations**

There are two principle business associations operating in Kazakhstan and the United States that work to facilitate business and investment between the two markets. They include:

- [The American Chamber of Commerce \(AmCham\) in Kazakhstan](#)
- [U.S.-Kazakhstan Business Association](#)
- [Business Council for International Understanding \(BCIU\)](#)

Organizations noted above lobby the Government of Kazakhstan and most major U.S. companies operating in the market maintain membership at least one or more organizations.

Begun in 2008, The AmCham Economic Policy Program (AEPP) presented a series of annual White Papers to the government, organized public conferences on investor issues, and produced publications focused on advocacy issues. Interacting with the Prime Minister of Kazakhstan, AEPP became the basis for the development of AmCham's expanded advocacy program.

In March 2012, the government of Kazakhstan, working with AmCham, formed the Prime Minister's Council to Improve the Investment Climate. Chaired by the Prime Minister, the Council is now the centerpiece of AEPP, holding several meetings throughout the year focused on making improvements in Kazakhstan's business and investment environment. The meetings bring together government ministers, ambassadors from the U.S., UK, EU and Canada, and representatives from the private sector for frank discussions on rotating topics of interest to the government and the investment community.

Major local business associations include:

- [National Chamber of Entrepreneurs Atameken](#)

For or more information on business associations operating in Kazakhstan, see the U.S. Embassy Commercial Section's [Business Service Providers' listing](#).

## **Limitations on Selling U.S. Products and Services**

See “Prohibited and Restricted Imports” section below.

### **Web Resources**

[Electronic Government Procurement \(e-GP\) Website](#)

[Republic of Kazakhstan Electronic Licensing](#)

[Electronic Trade Ground \(ETG\)](#)

[National Patent Office](#)

[International Telecommunications Union](#)

[Eurasian Economic Union](#)

[U.S. Embassy Commercial Section List of local Business Service Providers](#)

## **Leading Sectors for U.S. Exports & Investments**

### **Electric Power Generation**

This is a best prospect industry sector for this country. Includes a market overview and trade data.

#### ***Overview***

Eighty-seven percent of Kazakhstan’s electricity is generated from fossil fuels, with hydropower accounting for 12 percent and less than one percent generation from solar and wind installations. Oil accounts for about a quarter of Kazakhstan’s gross domestic product and about 60% of its total exports. Natural gas production volumes have been increasing and Kazakhstan became a net gas exporter in 2003. Kazakhstan also has the largest recoverable coal reserves in Central Asia and is the second largest coal producer in the region (after the Russian Federation). Coal, produced in the northern regions, is used to power most of the country’s electricity generation. Kazakhstan is also the world’s largest exporter of uranium ore. There is no domestic nuclear generation. Kazakhstan’s economy is highly energy-intensive and uses two to three times more energy than the average for the Organization for Economic Co-operation and Development countries.

Kazakhstan's power generation industry has undergone a challenging and painful post-Soviet transformation. The production and consumption of electricity in Kazakhstan fell significantly following independence in 1991. An aggressive privatization program followed this, with state involvement in a few generation companies. Robust economic growth during the early 2000’s helped boost generation but the financial and economic crisis later in the decade caused a decrease in electricity generation as well as consumption due to production stagnation in metallurgical plants and the construction industry.

According to the operator of Kazakhstan’s electricity and capacity market, in 2018 the country produced 107,06 billion kWh of electricity, a 3.8% increase over the previous year. Total electricity consumption in Kazakhstan was 103,228 kWh in 2018.

The state has set a goal for the share of generation from renewable energy sources to reach 3% in 2020 (and about 10% by 2030). Prior to 2010, Kazakhstan was a net exporter of electricity, and later became a net importer consuming more than it produces. In 2013, the growth of electricity production again allowed the country to export electricity. Almost 80% of the country's power generation comes from coal-fired plants located in the northern coal producing regions. Kazakhstan's hydroelectric facilities are located primarily along the Irtysh River, which flows from China across northeast Kazakhstan.

In terms of output, the leading position are held by condensing power plants, accounting for about half of the energy generated by power plants, followed by combined heat and power plants (36.5%), hydroelectric (12.3%), and gas turbine power plants (2.3%).

The structure of the energy sector of the Republic of Kazakhstan represented by the following economically independent entities:

1. National Grid (JSC "KEGOC"), formed on the basis of the backbone electric grids 220-500-1150 kV, electric networks that supply large consumers and power distribution lines from large thermal power plants and hydropower plants.
2. Regional electricity companies (RECs), containing distribution networks of 110 kV and below that transmit power at the regional level.
3. Electricity producers - independent or integrated with large industrial enterprises and power plants.

The majority of Kazakhstan's generating capacity is in the northeast of the country while the southeast is the main power consumer. While north-south connections for the transfer of power exist, they are insufficient to meet southern demand. Kazakhstan also lacks sufficient generating capacity in the west and relies on Russian imports to overcome deficits. Furthermore, Kazakhstan's electricity sector is unable to regulate its generating frequency — i.e. to manipulate its generating capacity to meet increases in demand during peak loads or supply disruptions. Therefore, the country needs to import electricity not only to offset supply gaps, but also to regulate frequency. Energy trade is not a one-way proposition as Kazakhstan is also a significant exporter of energy to Russia, Kyrgyzstan and Uzbekistan. The bi-directional nature of electrical power trade reflects both variations in seasonal energy supply/demand as well as the legacy of a Soviet-era grid that was built without respect to modern-day national boundaries. Soviet power planners, for example, established the northern Kazakhstan city of Pavlodar as the primary energy-producing hub for a region that straddles the current Kazakhstan-Russia border.

The electric power industry remains a key factor in Kazakhstan's industrial development and economic growth as electric power generation accounts for about one-tenth of all industrial output. The government of Kazakhstan has developed an action plan for electric power development up to 2030, which includes a list of proposed power plants for modernization or reconstruction as well as the construction of new facilities.

### ***Leading Sub-Sectors***

Needs are great in the services market as Kazakhstan seeks to replace aging plants and equipment. Overall, a large part of the equipment of power generating facilities of the republic - 65% has been in

use for more than 20 years, and about 31% - for more than 30 years. Electrical generating equipment and networks' level of wear is estimated at 70% and 65% respectively, while 94% of Kazakhstan's gas turbines, 57% of its steam turbines, and 33% of its steam boilers have been in use for at least twenty years. Electricity transmission networks are inefficient, with estimated losses of 15% across transmission and distribution systems. Construction of new power plants and expansion of power transmission and distribution networks are priorities for the government and are likely to be implemented in the medium-term.

Major categories of goods imported by the electric power generation sector include fuel elements (non-irradiated), liquid dielectric transformers, inverters, parts for transformers and inverters, and vapor-generating boilers and parts. Considering the overall remodeling of the Kazakhstan Electric Grid Operating Company's (KEGOC's) systems and development of new power generation facilities, it is likely that demand for IT support, management, and communications systems will increase as well.

U.S. companies must prepare to compete with Russian, German, Korean, and Chinese companies that have acquired strong positions in the market and are sometimes entitled to tax breaks and other preferential treatment (particularly when they qualify as investors and not only as importers). Attempts to sell equipment for the power generation sector are more likely to be successful if based on a strategic approach to the market and accompanied by appropriate training, servicing, and consulting programs.

**Renewables:** The Kazakhstani Government has taken steps to attract greater investment into the renewable energy segment in recent years - introducing a 15-year feed-in-tariff (FiT) mechanism in 2013 - and there are plans to open the power and energy sectors to greater numbers of private investors. The country has recently introduced renewable auctions in place of fixed tariffs, an effort to spurn investment in the sector. The focus for the renewables sector will be wind and solar power. The European Bank for Reconstruction and Development (EBRD) plans to invest approximately USD244.2 million in Kazakhstan renewable energy sources (RES) attracting private and international financial investment. Fifty-two renewable energy facilities will be built through 2020. Six wind power plants are planned to be built in the North-Kazakhstan Oblast (SKO) through 2019. Wind power plants with capacity from 35 to 100 MW will be built in four districts of the region - Esil, Taiynshinsky, and Akkayynskiy and Musrepov. Six renewable energy projects totaling 247 MW will be put into operation in the Zhambyl region in 2017-2020. This will include solar, wind and hydro power plants. The projects will be carried out by public-private partnerships with the participation of Civic-Oriented Entrepreneurial Corporation Taraz, Samruk-Kazyna Invest LLP and the UK-based United Green Energy Limited. In June 2018, Eni announced its intent to build, develop and operate a 50MW wind power project in Kazakhstan.

**Nuclear:** The government of Kazakhstan has revived efforts to develop a nuclear energy program. The Ministry of Energy has recently expressed in exploring cooperation on advanced nuclear fuels, small modular reactors, and training of "up to 1,000" specialists for the field. Senior government officials have indicated that a "marketing plan" is currently being developed by, among others, Ministry of Energy entities such as the Kurchatov National Nuclear Center and the Institute for Nuclear Physics.

## ***Opportunities***

Kazakhstan's electricity sector, both its generating and transmitting infrastructure, suffers from a high degree of physical depreciation. A senior official at the Kazakhstan Electric Grid Operating Company (KEGOC) recently complained that the majority of the firm's 25,000 kilometers of power transmission lines were built in the Soviet era. He noted that KEGOC is conducting an assessment to identify "vulnerable" transmission lines that need to be modernized, and he claimed that KEGOC will implement 15 projects valued at USD3 billion to modernize or construct new power transmission lines and substations by 2025. Meanwhile, the Chairman of Kazakhstan's national electricity generator Samruk- Energo has stated that Kazakhstan plans to install 14 GW of new power generating capacity by 2030, and Kazakhstani Government plans that investments in the power sector should reach USD63 billion over the next 18 years, including USD37 billion in power generation, USD9 billion in power distribution networks, and USD17 billion in regional power distribution organizations.

The condition of power generation infrastructure is weakest in Kazakhstan's villages and small towns. According to experts it is necessary to build roughly 112.6 thousand km 110 kV and below lines, 614 distribution substations of 110 kV and 35 kV with total capacity of 4.13 million kW, and 23 700 consumer substations with total capacity of more than 4.3 million kW. In general, investment in Kazakhstani power grid construction estimated at a minimum of 4.5 billion U.S. dollars.

Although Kazakhstan has significant hydrocarbon resources concentrated in the west, this region still imports electric energy from neighboring Russia. In this connection, local authorities and oil companies are seeking to create their own power supplies. The primary focus is on the construction of a gas-turbine power station (GTPS) that will utilize local gas. The most significant projects in this area will be: construction of gas- turbine installations (GTI) with 48 MW capacity at the Aktobemunaygas industrial complex; the start of the Tengizchevroil Ltd gas-turbine power station with 144 MW capacity, completely covering the needs of the Tengiz oil-and-gas complex; and the construction of a 200 MW GTI at the Kumkol (Kzylorda area) developed by Petro Kazakhstan Inc.

## **Trade Events**

[KazInterPower 2019](#): International Exhibition of Equipment & Technologies for Power Engineering & Electric Machinery: 28-30 May 2019, Pavlodar, Kazakhstan

[Powerexpo Almaty 2019](#): Kazakhstan International Energy, Electrical equipment and Machine Building Exhibition: 23-25 October 2019, Almaty, Kazakhstan

[KIOGE 2020](#): Kazakhstan International Oil & Gas Exhibition & Conference: 30 September – 2 October 2020, Almaty, Kazakhstan

## **Web Resources**

[Alatau Zharyk Company](#)

[Balkhash combined heat and power station](#)

[Samruk Energy](#)

[Kazakhstan Electricity Association](#)

[Kazakhstan Electricity Grid Operating Company](#)

[Kazakhstan Operator of Electricity Market](#)

[KazAtomProm](#)

[Central Asian Electric Power Corporation](#)

[Energy Efficiency and Renewable Energy Consulting](#)

For more information contact Commercial Specialist [Azhar Kadrzhanova](#).

## **Agricultural Sector**

This is a best prospect industry sector for this country. Includes a market overview and trade data.

### ***Overview***

Agriculture accounts for approximately 6% of Kazakhstan's economic production. Approximately 75% of the country's territory is suitable for agricultural production, but only about 30% of the land is currently under agricultural production. Farmers raise sheep and cattle, and livestock products include dairy goods, leather, meat, and wool. The country's major crops are wheat, barley, cotton, and rice, with wheat exports a major source of hard currency. Kazakhstan is one of the top 10 grain exporters in the world, exporting to over 70 countries. The International Grains Council (IGC) forecasts wheat and barley productions in Kazakhstan for 2018-2019 as 14 and 4 million tons respectively.

According to the Ministry of Agriculture, as of June 10, 2019, the total area under crops totaled 19 million hectares including 14.5 million hectares of grain crops, 2.7 million hectares of oilseeds, 458,300 hectares of vegetables, melons and potatoes, 1.2 million hectares of forage crops and 144,000 hectares of industrial crops (sugar beet, cotton, tobacco). Agriculture inputs amounted to roughly 2.5 million tons of seeds and 471,400 tons of fertilizers.

### ***Agriculture Equipment and Machinery***

Nearly 90% of machinery currently in use is at the end of its lifecycle and needs to be replaced. Tractors in use for more than 10 years account for 94% of the entire fleet, while harvesting combines in similar condition make up 77%. As of January 1, 2019, agricultural producers have 147,000 tractors, 3,900 sowing machines, 79,400 seeders and 249,000 units for soil treatment available for the coming planting season. Agricultural equipment imports are subsidized in Kazakhstan at 25% of the cost, at the same time financial leasing is provided at 10 percent interest rate. The rate of machinery renewal over the past 5 years ranged from 3–4.9%, but this rate should reach 6–8% annually.

Local production of agricultural machinery and equipment is insignificant. In 2017, the Kazakhstani agricultural machinery and equipment sector was roughly estimated at approximately USD500 million, of which USD300 million was imported. Russia is a market leader for agricultural machinery and equipment with a 40% market share. Germany, Canada, the Netherlands, Belarus, Turkey, and China are other large suppliers. Local manufacturers of agricultural machinery and equipment in Kazakhstan include AgromashHolding JSC, KZ Vector, SemAZ LLP, DonMar LLP, Kaz Kioti, Avagro LLP, KAIK LLP.

As a result of Kazakhstan's entering into the Eurasian Economic Union, an increase in local production/assembly of agricultural machinery and equipment is anticipated. In recent years, Kazakhstan launched several assembly projects with firms from Russia, Ukraine, and Belarus, which are now under development. The Government of Kazakhstan's Industrial Development Program has set new goals to double the local production of agricultural machinery and increase its exports to 20% by 2019.

### ***Livestock Industry***

To increase livestock efficiency and strengthen the country's export potential, in 2018 Kazakhstan adopted new programs for beef and dairy cattle industries development. The Program is designed to double lamb and beef production within ten years, with the aim of exporting to China, Iran, Saudi Arabia, and Vietnam. The Livestock Program intends to support smaller scale farms of 100-200 head cattle or 600 head sheep, expanding the number of farms from today's 20 thousand on 58 million hectares to 100 thousand on 100 million hectares in 2027. According to the Ministry of Agriculture Department of Animal Husbandry, Kazakhstan only utilizes 30 percent of its possible 110 million hectares. Within the dairy industry program, it is planned to increase the number of family farms to 930, large dairy farms to 170, and dairy plants to 174. The programs will focus not only on beef and milk production, but also on technologies and equipment for effective use of pastures, increasing areas of irrigated pastures, meat and milk processing.

Poultry meat is by far Kazakhstan's biggest import from the United States, totaling nearly 106 thousand tons last in 2018. In 2017 the Union of Poultry Farmers jointly with the Ministry of Agriculture of Kazakhstan, developed the Sectoral Program for the Development of Poultry Farming in Kazakhstan for 2018-2027. The objectives of the program for 2017-2027 include in the production of poultry products:

- an increase meat production from 180 thousand tons to 740 thousand tons and market eggs from 5 million up to 7.5 million;
- breeding of highly productive and technological breeds and hybrids of various bird species;
- creation of modern breeding farms in accordance with world standards;
- increasing productivity of meat and egg poultry;
- an increase in production volumes of chilled meat and deep processing products;
- improving the quality of products, including chilled meat.

### ***Agricultural Sector Financing***

State owned company [KazAgroFinance JSC](#) is a leading organization on the market, providing leasing and financing services in agriculture sector. More than half of all agricultural machineries imported into Kazakhstan has been financially supported by KazAgroFinance. To increase cooperation and provide easy access to information on local and foreign producers of agricultural equipment, KazAgroFinance created the Electronic Supplier Base that serves as a bridge between local agricultural sector and international equipment suppliers. The database includes more than 350 suppliers and more than 10,000 projects supported.

### ***Leading Sub-Sectors***

- Agricultural chemical products and fertilizer applicators

- Grain farm machinery, grain storage and processing equipment, yield enhancement technologies
- Innovative technologies in livestock and poultry industries, and veterinary products and services
- Agricultural products processing equipment

### ***Opportunities***

U.S. exports to Kazakhstan consist mostly of grain harvesting combines, reapers, sprayers, tractors, seeders, cultivators, and grain drying and cleaning equipment. American products enjoy an excellent reputation in Kazakhstan. Best prospects include: 100-150 horse power (hp) tractors and combines for the southern regions, tractors of greater than 250 hp and combines for the northern regions, pneumatic seeders, reapers, sprayers, grain drying and cleaning technologies, grain storage equipment and storage quality control systems, water-saving technologies, engineering, design, and veterinary services for cattle feed complexes, and on-farm processing facilities.

Both the government of Kazakhstan and private entities are looking for international partners to increase existing domestic production of agricultural machinery and equipment and establish new manufacturing and assembly facilities.

There are also growing market for U.S. food related imports, including beef, poultry, almonds, beverages (particularly beer, wine, and spirits), livestock genetics, and planting seeds. Kazakhstan imports in this category consist mostly of cane sugar, black tea, and poultry meat; however, if grouped together fresh fruits and vegetables top all other agricultural imports at over 500 thousand tons, and most of those come from Uzbekistan or China.

### **Trade Events**

[KazAgro/KazFarm 2019](#), Kazakhstan International Agricultural Industry Exhibitions, October 23-25, 2019, Nur-Sultan, Kazakhstan

[Agritek Shymkent 2019](#), 8th International Exhibition for Agriculture, Horticulture, Animal Husbandry & Stock Breeding in Southern Kazakhstan, November 13-15, 2019, Shymkent, Kazakhstan

[Agritek 2020](#), 15th International Exhibition for Agriculture, Horticulture, Animal Husbandry & Stock Breeding, March 11-13, 2020, Nur-Sultan, Kazakhstan

### **Web Resources**

[Kazagrofinance](#)

[Kazagromarketing](#)

[Ministry of Agriculture](#)

For more information on agriculture equipment and services, contact Commercial Specialist [Nurlan Zhangarin](#).

For more information on agricultural commodities, contact Foreign Agriculture Service (FAS) Specialist [Zhamal Zharmagambetova](#)

## **Franchising**

### ***Overview***

Fueled by the consumer boom of the late 2000s, the franchising sector began to take off and has since demonstrated steady growth, particularly in the food and retail sectors (McDonald's, Starbucks, Burger King, Hard Rock Cafe, KFC, Lacoste, Marks & Spencer, Saks Fifth Avenue). In 2018, Papa John's entered the market to great fanfare in Almaty and PJ Western plans to open sixteen restaurants in the Kazakhstan market. In the past several years, spending patterns in Kazakhstan have begun to resemble those of the Western world, creating a demand for name brands and quality products. Kazakhstani companies have accumulated financial resources that, combined with a lack of available investment instruments, are also stimulating interest in franchising. Kazakhstan can serve as a gateway to the growing economies of the Central Asian countries.

Although franchising is still a new business concept in Kazakhstan, it is drawing increased interest from entrepreneurs. Now, there are more than 350 franchise networks operating in Kazakhstan, most of them located in Almaty, making Kazakhstan the franchising leader in Central Asia. More brands perceive the market as promising, however, retailers are not ready to expand directly and, in general, turn to local partners to help them establish their presence in the region. Hard Rock Café opened its first restaurant in the country in 2014 and McDonalds and Starbucks launched their outlets in 2016. Starbucks already opened more than 19 outlets in Almaty and Nur-Sultan and plans to continue the expansion. Papa John's which entered the market in 2018, plans to open sixteen restaurants in the Kazakhstan market.

In the past five years, the Kazakhstan market experienced a consumer boom, which resulted in retail sales steadily rising by 10-15% annually. Overall retail volume growth is nevertheless expected to remain high over the full forecast period, at an average of around 6.4% a year in real terms, as real incomes continue to rise. However, 2015 devaluation of over 30% and the projected GDP growth slowing down, already saw a fall in consumer spending, which was saw a stable growth of 15-20% on an annual basis.

The Kazakhstan Franchising Agency estimates that the total number of all franchises and brands operating under franchising or other similar terms stabilized and brands from Russia are growing increasingly present. The number of foreign brands currently franchising in Kazakhstan is about 330-360 estimated to equate to over 3,000 franchising outlets and employ over 30,000 people, with an estimated annual turnover of USD2.5 billion. Domestic franchising is just starting to develop with 30 local franchises and 200 franchising outlets. Kazakhstan is characterized by many franchisees working on the basis of sub-franchising agreements with master franchisees based in Russia, Turkey, or elsewhere. Only a few foreign franchisors work directly with Kazakhstani partners, but their numbers are growing.

Current brands represented in the market include KFC, Pizza Hut, McDonald's, Papa John's, Burger King, Hardees, Hard Rock Café, Gloria Jean's, Coca-Cola, Baskin Robbins, Cinnabon, FasTracKids, GAP, New Yorker, Tiffany Marble, FitCurves, Marriot, Sheraton and Intercontinental as well as retail brands like Adidas, Armani, Burberry, Debenhams, Gap, Gucci, Lacoste, Mango, Marks & Spencer, Mexx, Mothercare, Next, Saks Fifth Avenue, United Colors of Benetton and Zara. Leading retailers by

sales are Kazakhstani Magnum Cash & Carry - the giant of Kazakhstani retail, Anvar, Small and Skif discount, Dina, and Arzan, and German Metro Cash & Carry.

Kazakhstan takes 16th place in Global Retail Development Index 2017, which is 12 positions lower than in 2016. This fall mainly comes from the previous two devaluations of the local currency, low oil prices and Western sanctions against Russia, and, as a result, the tendency for saving that led to the fall in retail sales. However, the government is facing the challenges by stabilizing prices for important foods and enhancing the GDP growth. It is believed that this drop in the retail sector was a result of the economic shocks and the economy is already picking itself up. If the volume of the retail trade in 2016 was only around USD20 billion, in 2017 the indicator grew by 26.3% reaching about USD25 billion, while in the previous three years its growth did not even exceed 13%. Thus, the retail sector is currently growing. It is worth mentioning that local retailers are gaining wide popularity in Kazakhstan, which is also contributing to the development of domestic franchising. There are already more than 30 local franchises, with more than 200 franchising outlets.

Despite the rapid development of franchising in Kazakhstan, several negative factors hinder the growth of it, such as weak intellectual property protection, limited access to capital, and a lack of understanding of franchising as a business model. Kazakhstan Franchising Association notes that the rental price is considerably higher than in European cities, and the mass market brands, coming to Kazakhstan, become close to elite. While the government sees franchising as a promising sector that helps diversify the economy and attracts brands with international quality standards, government's ability to promote franchising is limited by its own poor understanding of the sector. Commercial banks are actively promoting financing of franchising projects. Moreover, since the foundation of the Kazakhstan Franchise Association "KazFranch", a national franchise association, a coordination and information center for both existing and potential franchisors and franchisees have become easier and better.

### ***Leading Sub-Sectors***

According to experts, franchising is quite attractive for businesses that are interested in sales of business support services (business consulting - audit and accounting services, advertising, HR related services, technical consulting), housing construction and repair services, education services (tutoring, foreign language courses), leisure and entertainment, fast food, medical and cosmetic services, retail sales, and other personal services (laundry, footwear and clothing repair, delivery services etc.)

Currently, the majority of local potential franchisees are seeking agreements with franchisors operating in the following sectors:

- Fast-food and casual dining;
- Retail sales (clothing, footwear, furniture, sporting goods, supermarkets, gasoline stations);
- Auto repair and maintenance services, gasoline stations;
- Hotel chains for low- and medium-income travelers;
- Printing and copying services, photo-shops, etc.; and
- Body/health care services (beauty salons, gyms, etc.)

## **Opportunities**

Fast food restaurants are of great demand for U.S. franchise models. U.S. market presence is also visible in business education and training services, business services, and children's services/preschools. Most non-U.S. foreign franchises in Kazakhstan are from Russia and Western Europe, mainly the U.K., France, Germany, Spain, and Italy.

To understand the potential for franchising in Kazakhstan, it is important to consider the rapidly developing retail infrastructure of new shopping malls. The development of hypermarkets (i.e. megastores that include grocery stores), which is accompanying and spurring retail growth, is opening new opportunities for franchisors. In the past ten years, about twenty new hypermarkets opened in Almaty and Nur-Sultan. The process is echoed by other major cities on a smaller scale. According to investors involved in developing new trade centers, retail infrastructure development is far from being saturated and will continue to grow.

The only international player in the hypermarket scene is Germany's Metro Cash & Carry, which opened in Almaty in 2008 and grew to 7 stores across Kazakhstan. France's Carrefour opened in 2016 but had to cease operations shortly thereafter due to the intensity of local competition and weak sales resulting from the currency devaluation in 2015.

Ramstore is an international chain of supermarkets and trade complexes owned by Turkey's Migros Ticaret A. Ş. Currently, Ramstore operates several brands in Kazakhstan: 13 supermarkets, 5 express format supermarkets, 1 online store and 1 multifunctional trade complex. A few larger malls are under construction or planned for development in Kazakhstan. Almaty, the largest city, and Nur-Sultan, the capital, account for more than half of retail sales in the country, and with competition becoming fierce, some developers are targeting other regions.

## **Consumer profile**

According to Kazakhstan Franchising Association, medical services, health-improving treatments, training centers are gaining popularity in franchising sector in 2019. Whereas, the restaurant business and fast food are going through hard times. Only a limited part of the Kazakh population - mostly young people and the urban upper middle class - is willing and able to dine in food courts and restaurants. Owing to household incomes and a change in consumption patterns, the expansion of the food services segment will be a marathon rather than a sprint.

Kazakhstan has a large young adult population, which makes up approximately a third of their population in 2018. This young consumer base is crucial for fashion retailers to target as it forms their main customer base. Furthermore, Kazakhstan has a growing number of households that fall into the middle-income segment with a household disposable income of USD10,000 and above. Kazakhstan share of middle-income households will rise from 991,000 households in 2018 to 3 million in 2022, presenting considerable opportunities in the markets. Kazakhstan will see a massive upwards mobility in wealth, with 20% of households earning over USD10,000 in 2018, expanding to nearly 60% by the end of 2022. Therefore, U.S. franchisors should focus marketing efforts on the growing middle class. Multibillion-dollar investments made by oil companies in Kazakhstan are creating a retail market for locals employed in the energy and related services sectors, as well as for the growing expatriate communities.

## **Web Resources**

[Eurasian Kazakhstan Franchising Association](#)

[Ministry of Industry and Infrastructural Development of Kazakhstan](#)

[National Institute for Intellectual Property \(Kazpatent\)](#)

[Small Business Development Fund](#)

For more information contact Commercial Specialist [Aliya Shaikhina](#)

## **Oil and Gas**

This is a best prospect industry sector for this country. Includes a market overview and trade data.

### ***Overview***

According to the Oil & Gas Journal, Kazakhstan has proven crude oil reserves of 30 billion barrels as of January 2018—the 2nd-largest endowment in Eurasia after Russia, and the 12-largest in the world, just behind the United States. Kazakhstan has the largest proven oil reserves in the Caspian Sea region. Kazakhstan's crude and condensate output increased by 4.8% in 2018 and reached 1.814 million bpd. In 2017, Kazakhstan produced 1.73 million bpd of crude oil. According to Business Monitor International, Kazakhstan's net exports of crude oil is forecast to fluctuate around 1.42 – 1.55mbpd through 2027 as production increases from the prolific Kashagan and Tengiz fields. Kazakhstan is rapidly expanding production at its three large refineries; it has completed upgrades of the Pavlodar plant, with work at Atyrau and Shymkent expected to be completed by late 2018. The total refining capacity of the three plants is expected to increase from 13.8 to 16.5 million tons. They all are operated by JSC KazMunayGas – Processing and Marketing. The government has announced plans to construct a fourth refinery to further expand refining capacity and production of light oil products and fuels.

Kazakhstan has the Caspian Sea's largest recoverable crude oil reserves. While current proven oil reserves total 30 billion barrels, possible onshore and offshore hydrocarbon reserves dwarf proven reserves, with an estimated 60-100 billion barrels left to uncover, mostly in the Kazakh part of the Caspian Sea. Some experts estimate that the offshore Kashagan field alone may contain 35 billion to 50 billion barrels of oil. Kazakhstan's vast natural resources are projected to meet 2-3% of predicted global oil demand in the next decade.

The Government of Kazakhstan and foreign investors continue to focus heavily on the hydrocarbons sector, which, since 1991, has received approximately 60% of the foreign direct investment in the country, and constitutes approximately 53% of its export revenue. Existing oil extraction sites offshore in the North Caspian, combined with onshore fields currently under development, signify Kazakhstan as a potential major near-term oil exporter.

Kazakhstan also has significant natural gas potential. Its proven gas reserves stand at 3 trillion cubic meters and projected reserves at 5 trillion cubic meters. The country also expects significant production of oil-associated gas that will bring 1,000 cubic meters of gas for every new ton of oil (100

million tons of new oil will lead to 100 billion cubic meters of gas). Natural gas production is utilized for well re-injection, exports and to meet domestic consumption (liquefaction and development of internal gas pipeline infrastructure). The country's gas output - which is mostly associated gas - is forecast to continue an upward trend, reaching 29.6bcm in 2027.

The national oil and gas company, KazMunaiGas (KMG), is largely responsible for coordinating licensing and tenders for oil and gas blocks. It also plays a role in almost all contracts with foreign oil and gas companies. KMG also manages Kazakhstan's share of the Caspian Pipeline Consortium (CPC). KMG holds stakes in 47 enterprises conducting petroleum operations (including TengizChevrOil, North Caspian Operating Company), pipeline and sea transportation of hydrocarbons and water as well as services.

Kashagan is Kazakhstan's first offshore oil and gas field in the Caspian Sea and is the largest international investment project in the country. Kashagan is being developed by North Caspian Operating Company (NCOC). Oil production at the Kashagan field started in October 2016 and reached 340,000 bpd in March 2019. Oil and gas from the Kashagan field is processed at the onshore Bolashak plant. NCOC shareholders are KMG Kashagan B.V. (16.9 percent), Shell Kazakhstan Development B.V. (16.8 percent), Total E&P Kazakhstan (16.8 percent), Agip Caspian Sea B.V. (16.8 percent), ExxonMobil Kazakhstan Inc. (16.8 percent), CNPC Kazakhstan B.V. (8.3 percent) and Inpex North Caspian Sea Ltd. (7.6 percent). NCOC has indicated that in addition to Kashagan, there are other opportunities for further growth within the license block of the North Caspian Sea Production Sharing Agreement. This includes development of fields such as Aktoty, Kairan and Kalamkas-Sea. Preparatory engineering work is ongoing and NCOC plans to provide a proposed development plan in the second half of 2019.

Tengizchevroil (TCO) develops the Tengiz and Korolyov oil and gas fields in the Atyrau Region (west Kazakhstan). Tengizchevroil was formed between the Republic of Kazakhstan and Chevron Corporation in April 1993. Current partners are: Chevron, 50 percent; KazMunaiGas, 20 percent; ExxonMobil, 25 percent and LukArco, 5 percent. Major projects include Tengiz, Karachaganak, CNPC-Aktobemunaigas, Uzenmunaigas, Mangistaumunaigas, and Kumkol, all of which account for 1 million bpd.

TCO's Future Growth Project and the Wellhead Pressure Management Project (FGP-WPMP) is an expansion project worth USD37 billion and presents opportunities for U.S. equipment suppliers and service providers. Net daily production in 2018 averaged 269,000 barrels of crude oil, 387 million cubic feet of natural gas and 19,500 barrels of natural gas liquids. FGP is designed to further increase total daily production from the Tengiz reservoir and maximize the ultimate recovery of resources. The FGP will use state-of-the-art sour gas injection technology, successfully developed and proven during TCO's previous expansion in 2008, to increase daily crude oil production from Tengiz by approximately 260,000 barrels per day. In parallel, the WPMP maximizes the value of existing TCO facilities by extending the production plateau and keeping existing plants producing at full capacity. First oil is planned for 2022.

The Government of Kazakhstan is pursuing a development program for oil fields in the Caspian Sea that calls for increasing oil production to about 3 million bpd, and for the development of terrestrial infrastructure. The offshore development program also calls for more new offshore blocks to

eventually be privatized through open tenders. This also presents an opportunity for a logistical and transformational business and pipeline projects over the next few decades.

### ***Leading Sub-Sectors and Opportunities***

Recovering oil prices have helped to stimulate Kazakhstan's oil & gas sector, which is the main driver of the economy. Large hydrocarbon resources and current investment in large production and transportation infrastructure projects in Kazakhstan provide significant commercial opportunities for U.S. companies. While regulatory challenges exist, U.S. companies interested in Kazakhstan can look to the country's national oil company KazMunayGaz (KMG) and major international consortia for opportunities in the upstream, midstream, and downstream sectors. Opportunities exist for U.S. companies in virtually every sub-sector associated with oil extraction, processing, and transportation.

Best prospects include drilling, research and data management, laboratory studies, oil spill cleanup technologies, and pipeline equipment and services. About 80% of the equipment used in the oil and gas sector and the mining industry is imported; most it produced in Russia and China.

To date, Kazakhstan has limited technical expertise in offshore production and operations. This experience gap offers many opportunities for U.S. service companies in rig work, support infrastructure, and environmentally sensitive technologies. The Caspian Basin's oil-bearing formations are generally quite deep (15,000 feet), under considerable pressure, and often contain a high degree of sulfur and other contaminants, making U.S. technologically advanced drilling and processing equipment necessary.

U.S. oil and gas field equipment suppliers have the potential for solid growth over the next decade as new fields are brought on-stream and secondary recovery methods are introduced to existing and aging deposits. The most promising sub-sectors are the following: offshore/onshore oil and gas drilling and production equipment; turbines, compressors and pumps for pipeline applications; valves; measurement and process control equipment for pipeline applications; industrial automation, control and monitoring systems for refineries, gas processing and petrochemical plants; seismic processing and interpretation; petroleum software development; sulfur removal and disposal technologies; well stimulation and field abandonment services; underwater repair equipment, and oil spill containment equipment.

There are also opportunities in the services areas, specifically for firms active in design engineering, project management, and construction: regional basin studies, geophysical and seismic survey, geo-modeling, well logging and formation evaluation, exploration and appraisal drilling, 3D seismic works, drilling and well completion technology, well and extraction facility installation including production facilities and pipelines, development drilling, process equipment, offshore drilling technologies and development systems, drilling operations, well completions, oil recovery processes and production enhancement, innovative drilling and harsh environment drilling technology, reservoir engineering, monitoring and testing, offshore platforms and export facilities, tanker loading, pipelines and receiving terminals, production operations, reservoir maintenance, well system maintenance, logistics support and supply chain management, refurbishment and upgrading of facilities, project management, oil spill preparedness, environmental control, oil spill technologies and response, facilities and pipeline maintenance, drilling and production waste management and

treatment, employee safety training programs and occupational health, certification/licensing for scientific research and design works in Kazakhstan, adoption of international standards.

### **Trade Events**

[Kazakhstan Energy Week 2019](#) | 23 –27 September| Nur-Sultan, Kazakhstan

[Kazakhstan International Oil & Gas Exhibition and Conference \(KIOGE\) 2020](#) | September 30-October 2 | Almaty, Kazakhstan

### **Web Resources**

[Caspian Pipeline Consortium](#)

[Ministry of Energy of the Republic of Kazakhstan](#)

[Kazakhstan International Oil & Gas Exhibition and Conference \(KIOGE\) 2020](#)

[Kazakh Institute of Oil and Gas \(KING\)](#)

[KazEnergy Association](#)

[KazMunayTeniz](#)

[KazStroyService](#)

[KazTransGas](#)

[KazMunaiGas \(KMG\)](#)

[North Caspian Operating Company](#)

[TengizChevrOil \(TCO\)](#)

[U.S. Energy Information Administration](#)

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### **Mining Equipment**

This is a best prospect industry sector for this country. Includes a market overview and trade data.

#### ***Overview***

Kazakhstan is endowed with a wide range of mineral resources including coal, ferrous metals, and non-ferrous metals. More than 230 separate enterprises produce or process coal, iron and steel, copper, lead, zinc, manganese, gold, aluminum, titanium sponge, uranium, and barites among others. The mining sector accounts for an estimated 14% of GDP, and in 2018 hard minerals and metals made up approximately 16% of the country's exports by value. For example, last year the country earned USD2.3 billion from exports of refined copper to non-EAEU countries, USD792 million from zinc exports, USD538 million from silver, USD369 million from aluminum, USD251 million from lead, and USD121 million from titanium. Kazakhstan is the world's leading producer of uranium with its 21,705 tons of output in 2018.

The country is the 8th largest in iron ore reserves with 12.5 billion tons. The nation ranks second, globally, in manganese ore reserves, which are estimated at 600 million tons. Kazakhstan boasts 30% of worldwide chromite ore deposits. The country is also a significant producer of beryllium, tantalum, barite, and cadmium among the Commonwealth of Independent States (CIS). The country's current reserves of copper are estimated at 36million tons. Kazakhstan also hosts 30% of the worldwide chromite ore deposits, as well as 95% of the total chromium reserves within the CIS.

Kazakhstan is paying attention to developing its gold mining (ranked 10th globally) and uranium mining (25% of world reserves) as commodity prices rise and is seeking to attract foreign investment in order to expand current production.

Kazakhmys Corporation (private mining company that owns and operates ten ore mines, five ore processing plants, two copper smelters and two coal mines in Kazakhstan) plans to invest over USD16 million in further development of the industrial complex Nurkazgan. In the next three years the company plans to implement the project Production Development at Production Enterprises Karagandatsvetmet and Balkhashtsvetmet with the aim of building and commissioning the Western, Eastern and Northern Sections of the deposit. The industrial complex includes the mine Nurkazgan and a concentrator. The mine is 6 km away from the town of Temirtau in Karaganda region; it was commissioned in 2006 and currently copper-bearing ore is extracted there. The current volume of mined ore amounts to 3.8 million tons per year while the company has plans to increase the volume to 4 million tons.

The mining industry in Kazakhstan is mainly focused on exports to Russia, China and the EU. Much of the technology and management practices of this industry date from Soviet times, which has hampered foreign sales. Exports of mining equipment to Kazakhstan have been limited by a lack of investment in this sector. In the mid-1990's, many foreign investors entered the country and started exploration and development activities, but, with few exceptions, ceased their operations due to lack of transparency, poor financial incentives, unclear and arbitrary laws which favor local investors, bureaucracy, and unclear land tenure laws.

### **The principal law “On Subsoil and Subsoil Use”, New Mining Code, effective 2018**

On the 27th of December in 2017, Kazakhstan adopted a new Code “On Subsoil and Subsoil Use” (the Subsoil Code) that became effective on July 1, 2018. The Subsoil Code replaced the previous charter regulating oil and gas and mining activities. The amendments to the Code are the following: different regulations for mining and petroleum industries; new rules on the grant/award of subsoil use rights; reinstatement of the license as the main title document for the mining activity (except for uranium mining); new allocation of powers between the various state authorities involved in the award, suspension and termination of subsoil use rights, and monitoring compliance with the terms/requirements of relevant contracts and licenses, and changes in the regulatory clearance procedures applicable to the transfers of subsoil use rights/assets. BMI Research names Kazakhstan as Europe’s mining ‘outperformers’ and ranks it 1st regionally and 6th globally due to its favorable regulatory environment.

### ***Leading Sub-Sectors***

Kazakhstan remains an attractive market for U.S. mining equipment/machinery suppliers, particularly for manufacturers of bulldozers, drilling equipment, explosives, trucks, drill rigs, trams,

cranes, crushing and pulverizing machinery, dredges, hydraulic excavators, quarrying machinery and equipment, elevators, compressors, hammer mills, special trucks, etc.

Among the best sales prospects and services are diamond drilling contractors and service providers that perform geological, geochemical and geophysical surveying; equipment involved in bulk sampling such as a processing plant; small aircraft; fuel supplies; and geological supplies like sample bags. Companies that provide goods and services that address erosion, formation of sinkholes, loss of biodiversity, and contamination of groundwater and surface water by chemicals from the mining process as well as products that may minimize the harm towards the environment, will also enjoy significant demand in Kazakhstan. Explosives also present interesting opportunities in the region.

### ***Opportunities***

More than half of Kazakhstan's mining, processing, and smelting enterprises currently use outdated equipment that is often in need of repair. Almost all lack environmentally friendly technologies. Kazakhstan does not have its own mining machinery industry and relies heavily on Russian imports. U.S. mining equipment firms should explore trade opportunities in used and refurbished equipment, as well as turnkey project management. U.S. mining equipment and service suppliers should target major players in the mining sector such as KAZMinerals PLC, Kazakhmys, Eurasian Resources Group (ERG), TNK Kazchrome, KazakhGold Group, ShalkiyaZinc, KazAtomProm, and others.

### **Trade Events**

[MinTech 2019 Ust-Kamenogorsk](#): MinTech International Exhibition of Equipment and Technologies for Mineral, Metallurgy & Coal Mining Industries. - Date: 22-24 May 2019, Ust'-Kamenogorsk, Kazakhstan. Organizer: KazEXPO International Exhibition Company

[MinTech 2019 Pavlodar](#): MinTech International Exhibition of Equipment and Technologies for Mineral, Metallurgy & Coal Mining Industries. - Date: 28-30 May 2019, Pavlodar, Kazakhstan. Organizer: KazEXPO International Exhibition Company

[AMM 2019 \(Astana Mining and Metallurgy\)](#): 8th International Mining and Metallurgy Congress - Dates: 12-13 June 2019, Nur-Sultan, Kazakhstan. Organized by ITE Group PLC, Iteca LLP

[MiningWorld Central Asia 2019](#): 25<sup>rd</sup> Central Asian International Mining Exploration & Mining Equipment Exhibition - Dates: 18-20 September 2019, Almaty, Kazakhstan. Organized by ITE Group PLC, Iteca LLP

### **Web Resources**

[Eurasian Resources Group \(ERG\)](#)

[Kazminerals](#)

[KazakhGold Group](#)

[KazAtomProm Corporation](#)

[Kazakhmys](#)

[Mining World Central Asia Expo](#)

[MinTek Kazakhstan](#)

[Tau-Ken Samruk](#)

[Republican Association of Extraction and Mining and Metallurgical Enterprises of Kazakhstan \(AEME\)](#)

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## **Information & Communication Technologies (ICT)**

This is a best prospect industry sector for this country. Includes a market overview and trade data.

### ***Overview***

According to the International Telecommunication Union in 2017 Kazakhstan is ranked 52nd in the ICT Development Index with the following indicators: 23.22 fixed-telephone subscriptions per 100 inhabitants, 149.99 cellular telephone subscriptions per 100 inhabitants, 13.68 wired broadband subscriptions per 100 inhabitants, 70.99 mobile-broadband subscriptions per 100 inhabitants, 76.2 of households with a computer, 84.38% of households with home internet access, and 76.80% of individuals using the Internet.

Kazakhstan continues to upgrade its existing infrastructure and integrate ICT into projects implemented in different economic sectors. In 2017 the government launched Digital Kazakhstan 2018-2022 program aimed at improving country digital infrastructure. The program's budget is under a billion USD and shared equally between the public and private sectors. The program focuses on five key areas: digitization of economic sectors including energy, transportation, agriculture, e-commerce, and financial sectors; transition to digital state including government services and smart cities; development of high speed and secure communication networks and IT infrastructure over the country; increasing digital literacy in secondary, technical and vocational higher education; providing conditions for development of technological entrepreneurship, start-up environment, and attracting financing.

The main legislative documents regulating the telecommunications sector include the following laws: On Communications; About Informatization; On Television and Radio Broadcasting; and About Mass Media. Even though the regulatory and legal framework of Kazakhstan is highly developed, liberalization in telecommunications sector is progressing slowly.

According to the State National InfoCommunication Holding ZERDE, the total Kazakhstani ICT market in 2016 is roughly estimated as USD4.8 billion which is 3.5% of the GDP. The shares of the telecommunication market and information technologies market in total market are 66% and 34% respectively. Import and export in ICT sector in 2016 is roughly accounted to USD1,9 billion and USD201 million.

### ***Leading Sub-Sectors***

#### *Fixed Line Communications*

The fixed-line market in Kazakhstan is one of the most developed segments of the communications market. The state provider [Kazakhtelecom](#) is the main player in the fixed-line telecommunications market in Kazakhstan occupying more than 90 percent of the market.

The fixed line sector is represented by local, long-distance, international communication services, as well as connections between operator networks and calls to cellular networks. The share of fixed-line services is constantly decreasing in the total volume of the telecommunications market due to fast developing internet services, data transmission, and mobile communications.

### *Mobile Communications*

Mobile communications is the most dynamic market in the Kazakhstani telecommunication sector. It is currently represented by three GSM operators with approximately 26 million subscribers (2017) including 12 million paying for mobile broadband Internet access services:

- [Veon](#) with Beeline brand, a multinational telecommunication services company headquartered in Amsterdam. The major shareholders are Alfa Group/Russia and Telenor/Norway. The market share of the operator is estimated as 40% (2017);
- [Kcell](#) with Kcell and Activ brands, is a member of Telia Co./Scandinavian telecommunication holding. The market share of the operator is estimated as 35% (2017);
- [Tele2/Altel](#) with Tele 2 brand, a joint venture between Tele2/European telecommunications operator headquartered in Sweden and Altel/Kazakhstan, owned by Kazakhtelecom. The market share of the operator is estimated as 25% (2017).

All of the mobile operators use 4G (LTE) standard. The Ministry of Information and Communications plans to start implementing 5G pilot projects in major cities in 2019.

### *Opportunities*

- Upgrading and extending of existing fixed and mobile networks;
- Content-rich mobile value-added services;
- 5G mobile communications technologies;
- Digital technologies to be used for developing e-government services, smart transportation and city infrastructure solutions, financial sector applications, and agriculture;
- MNP Technologies;
- IoT equipment and technologies;
- Cyber Security Technologies;

### *Local Resources for U.S. Exporters*

- [The Kazakh Ministry of Information and Communication](#)
- [Kazakhtelecom JSC](#)
- [National Infocommunication Holding Zerde JSC](#)
- [Digital Kazakhstan Program](#)

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## **Infrastructure**

This is a best prospect industry sector for this country. Includes a market overview and trade data.

### ***Overview***

Growth in Kazakhstan's construction market will be considerably higher than in the country's regional counterparts in Central and Eastern Europe (CEE) over the coming years, underpinned by the strong project pipeline in the transport and energy sectors. According to Business Monitor International (BMI), economic diversification schemes, rising oil prices, and external multilateral and Chinese companies will be the decisive factors fueling robust construction sector growth in Kazakhstan over the next five years. Kazakhstan's project pipeline remains relatively well diversified, with energy and utilities, transport, and residential and non-residential construction accounting for 36%, 40%, and 24% of total project value, respectively. The BMI forecasts real growth in Kazakhstan's construction sector to register a robust 6.2% in 2019, owing to strong activity across the transport sector and ongoing strength in the residential buildings sector. Growth will remain fairly strong going forwards, as the vast pipeline of transport and energy projects is gradually commissioned.

There are residential, office, commercial and multi-functional projects developing in Nur-Sultan, Almaty and Atyrau. In addition, large infrastructure and industrial projects are planned for Western Kazakhstan. Further developments of the industry, improvements in safety, and updates in the quality of construction products are key economic and political tasks of the government. In recent years, economic growth in Kazakhstan had a positive effect on the development of the construction industry.

According BMI, Kazakhstan's construction sector will register strong growth over the next five years, particularly in the transport and residential and non-residential sectors, which will benefit from Chinese investing looking to boost Trans-Eurasian logistics capacity and strong structural demand, respectively. The positive outlook for Kazakhstan's construction sector is also based on the country's ambition to leverage its central geographical location in the context of China's Belt and Road initiative, which proposes to connect European and East Asian markets with strategic investments in road and rail infrastructure throughout Central Asia. This will also result in the country's transport sector outperforming the wider construction market in terms of growth.

External funding from international financial institutions like the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), and the Islamic Development Bank (IDB) will be integral to fueling growth in the construction and infrastructure industries of Kazakhstan over the next five years. For example, it was announced in April 2019 that the EBRD is considering providing a senior loan of up to USD225mn for the construction of the Almaty ring road in Kazakhstan. Reflecting the country's status as Central Asia's largest infrastructure market, Kazakhstan has attracted and will continue to attract the lion's share of development funding in absolute terms to date. International development institutions are currently financing 32 projects in Kazakhstan, a figure which accounts for 34% of all projects moving forward in the country and exceeds the combined number of projects in the other four Central Asian markets. EBRD is particularly active in financing projects in Kazakhstan, with the institution supporting 17 projects with a cumulative value of USD2.7bn.

There are residential, office, commercial and multi-functional projects developing in Nur-Sultan,

Almaty and Atyrau. In addition, large infrastructure and industrial projects are planned for Western Kazakhstan. Currently, the government is implementing a new program that will stabilize the supply of new residential construction – “Affordable Housing-2020” Program.

### ***Leading Sub-Sectors***

Less than half of the construction materials used in Kazakhstan are available domestically. Locally produced materials include cement, bricks, wooden doors, windows, steel doors, and soft and iron roofs. A fairly high portion of locally produced materials and products are not considered to be up to international standards. Most other materials are imported, mainly from Turkey, China, Germany and Russia.

There is strong demand for high quality imported products and materials used in the finishing and renovation process, which include: wall & floor coverings, ceiling products, doors and windows, kitchen and bath equipment, plumbing and electrical equipment, hardware, and DIY products. In recent years, output of building products grew between 3 and 30%, depending on the product category.

Domestic production of several new quality and cost competitive basic building products was established. Among these products are fiberglass insulation materials, new types of roofing and waterproofing products, energy efficient glass, aluminum extrusion, engineering equipment, cement, bricks, and wall panels. Imported technologies/equipment significant contribute to the overall improvement in the industry.

Due to government emphasis on import substitution and diversification of industry, many opportunities exist for suppliers of manufacturing machinery and systems as well as suppliers of new technologies. The end-users of these products are quite varied: small- and mid-sized construction and building renovation contractors, large contractors, government agencies and individuals.

### ***Opportunities***

Improvement in Kazakhstan’s overall economic situation, growth of the real estate and construction sectors, and the restructuring of the housing industry have stimulated demand for building equipment and materials as well as for architectural, construction and engineering services. There is a growing demand for all types of construction services. For example, construction, renovation, and conservation of industrial and public utilities and residential buildings are all much needed. Also, architectural, design, engineering and assembly services are in demand. In addition, there is a need for a full range of civil engineering, including: research and development, all aspects of design, design and build, management contracting, and construction management.

While the oil and gas sector will be the major purchaser of architecture, construction, and engineering services for years to come, there is demand for these services in many other sectors. These include construction, renovation, and conservation of residential buildings and industrial and public utilities, as well as design and assembly services. There is a need for the full range of civil engineering, construction, and engineering activities including research and development, all aspects of design, design and build, management contracting, construction management, tunneling

and tunnel lining, foundation engineering, mining, and facilities management.

The government is interested in pursuing infrastructure development, including roads renovation and construction in the region. With government plans to invest more than USD4 billion for four major road construction projects, manufacturers of heavy earth moving equipment and road construction equipment might find good opportunities in the market. Another source of financing will be the international financing institutions, such as the World Bank, European Bank for Reconstruction and Development (EBRD), Asian Development Bank (ADB), and Islamic Development Bank (IDB).

### **Trade Events**

[KazBuild 2019](#): 26th Kazakhstan International Building & Interiors Exhibition - 4 - 6 September 2019. Almaty, Kazakhstan. Organized by ITE Group PLC, Iteca LLP

[ShymkentBuild 2020](#): 6th South Kazakhstan International Building & Interiors Exhibition - 11-13 March 2020, Shymkent, Kazakhstan. Organized by ITE Group PLC, Iteca LLP

[AtyrauBuild 2020](#): 19th North Caspian Regional Building and Interiors Exhibition - 8-10 April 2020, Atyrau, Kazakhstan. Organized by ITE Group PLC, Iteca LLP

[AstanaBuild 2020](#): 22st Kazakhstan International Building & Interiors Exhibition – 20-22 May 2020, Nur-Sultan, Kazakhstan. Organized by ITE Group PLC, Iteca LLP

[Kazcomak 2019](#): 16th Kazakhstan International Road and Heavy Construction, Communal Machinery Exhibition - 18-20 September 2019, Almaty, Kazakhstan. Organized by ITE Group PLC, Iteca LLP

### **Web Resources**

[Atyrau Build](#)

[KazBuild 2019](#)

[Kazakhstan Academy of Architecture and Construction](#)

[Kazakhstan Legal website](#)

[Kazakhstan Statistic Agency](#)

For more information contact Commercial Specialist [Azhar Kadrzhanova](#)

### **Drugs and Pharmaceuticals**

This is a best prospect industry sector for this country. Includes a market overview and trade data.

#### ***Overview***

According to the state program for the development of the pharmaceutical industry, the government's priority task is to supply 50% of the market with locally produced medicines and healthcare products by 2018. To meet this goal, modernization of existing and construction of new pharmaceutical production facilities are planned. In January 2014, Kazakhstan adopted international GMP (Good Manufacturing Practice) standards for drug manufacturing. Currently there are 112 pharmaceutical manufacturers in Kazakhstan and seven of them are GMP certified.

Entrance to the Eurasian Economic Customs Union (EAEU) has affected the pharmaceutical market as customs fees for imported pharmaceuticals into CU member countries increased from zero to 5.7-12% depending on the type of pharmaceutical. This local production is expected to concentrate in a wide niche of generics, which account for 85% of the overall market.

Accurate 2018 data on the amount of funds allocated from State and local budgets for the purchase of pharmaceutical products are not yet available. By some sources (Fitch Solutions) a market value of USD1.4 billion in 2018 represents 24% of total healthcare expenditures and 1% of the country's GDP. Based on figures from previous years, government purchases of pharmaceuticals account for approximately 50% of the total market. Local production accounted for only 27% of the market in 2018. It is expected to account for 30% of the total market in 2019. Local manufacturers produce basic pharmaceutical products that do not require innovative technologies. Market demand for specific complex pharmaceuticals is met entirely by imports. The largest share of imported pharmaceuticals belongs to the U.S. followed by Germany, India, and France.

All imported and locally produced pharmaceutical products must be registered in Kazakhstan. The agency responsible for registration is the Committee for Pharmacy under the Ministry of Health. The National Center for Expertise under the Ministry of Health oversees the approval process for all pharmaceutical products to be registered. This process includes a number of physiochemical, biological, and clinical tests, which verify efficiency, safety, and quality of, imported pharmaceuticals. Depending on the type of drug, a registration payment varies from USD3,000 to USD5,000. Generally, the manufacturer pays the registration fee.

From 2017 to 2018, the market for pharmaceuticals in Kazakhstan increased by an estimated 6%. The U.S. market share was approximately 13.5 % last year, valued at over USD200.0 million. Pharmaceutical imports in 2019 are expected to slightly increase by about 5%, reaching an estimated USD1.12 billion. Likewise, U.S. imports are predicted to increase slightly to an estimated USD220 million, keeping U.S. market share roughly the same.

For information on challenges related to market access and pricing for pharmaceuticals, refer to the American Chamber of Commerce in Kazakhstan's [White Paper on Building a World-Class Healthcare System in Kazakhstan](#).

### ***Leading Sub-Sectors***

The pharmaceutical market is divided almost equally into two major segments: State procurement and retail sales.

#### *State Procurement*

State procurement of pharmaceuticals is implemented through tenders announced by regional and city health departments. A State-financed program funds state procurement of oncology and diabetic medicines. In 2009, the Ministry of Health set up SK-Pharmatsiya LLP as a single distributor for supplying pharmaceuticals to State health institutions. The share of pharmaceuticals bought by the state through the single distributor system has increased and reached 95% by 2018. The remaining 5% of pharmaceuticals is directly purchased by hospitals and consists mainly of items less frequently used. In 2018 the single distributor bought pharmaceuticals worth approximately USD580 million.

U.S. companies producing the following pharmaceutical products have strong prospects:

- Vaccines and other immuno-biological medications for immuno-prophylaxis of population;
- Anti-diabetic medications;
- Oncology medications;
- Antibacterial medications;
- Medications and dialyzers, and medical supplies for patients with renal deficiency and patients operated on for kidney transplantation.

Generally, foreign suppliers participate in State-funded tenders through their local distributors.

### ***Opportunities***

Kazakhstan has one of the highest rates of drug consumption per capita among post-soviet countries. Despite government attempts to improve and increase local production of pharmaceuticals, Kazakhstan is still attractive for U.S. exporters as the production of highly efficient and innovative medicines is not considered a priority task in the state program. Severe diseases such as CVD, cancer, and diabetes still require imports of advanced pharmaceuticals.

### **IPR Protection**

Protection of intellectual property can be a challenge for pharmaceutical companies in Kazakhstan. U.S. companies exploring opportunities in the market should consider the possibility of potential IPR violations that could include violation of data exclusivity rights, patent Infringements, voluntary licenses vs compulsory license issues, etc.

### **Web Resources**

[Ministry of Health](#)

[National Center for Expertise under the Ministry of Health and Social Development](#)

[Pharmaceutical news in Kazakhstan](#)

[SK Pharmatsiya](#)

For more information contact Commercial Specialist [Nurlan Zhangarin](#).

### **Education**

#### ***Overview***

- Over 542,458 students in higher education institutions in Kazakhstan
- 147,023 high school students graduate on an annual basis on average
- Over 100,000 students study abroad and 1,865 studied in the United States (2017-18)
- Education technology; secondary, vocational and higher education are key priority areas
- The program for the Development of Education and Science budget is 1.2 billion U.S. dollars for 2018-2020 period

According to Kazakhstan's Committee on Statistics, there are 542,458 students enrolled in higher education institutions in 124 universities nationwide in Academic Year 2018-2019, with the highest concentrations of students in Almaty, Shymkent, Karaganda and Aktobe. Additionally, slightly more than 70% of the students are self-funded and 27% are on state scholarships. The country's 2050

Strategic Development Plan which includes the adaptation of the education system to the new socio-economic environment, creates opportunities for U.S. higher education institutions and education technology companies. The State Program of Education includes the adoption of the 12-year education model, construction of schools and kindergartens, modernization of vocational and technical education, e-learning education projects and professional development systems for teachers.

State financing of education in 2018 is taking around 5% of the whole country budget coming second after social security spending. The government has earmarked more than USD1.2 billion on education for 2018-2020, with USD2.7 billion allocated for 2015, USD3.3 billion for 2016, and USD3.4 billion for 2017.

### ***The Unified National Testing***

In 2018, 147,023 students graduated from Kazakhstani high schools. Students completing high school courses take a final examination that certifies graduation. Those who proceed to enter higher education institutions undertake Unified National Testing. Students who successfully pass with 50 points out of 140 are then allowed to apply to local universities and other higher educational institutions. The UNT is not obligatory for those students applying for foreign universities on a self-funded basis. 102,447 of them took the test in 2018, leaving 44,576 students to self-fund or seek scholarships in order to study abroad.

### ***The Bolashak Scholarship***

The Bolashak is a national government scholarship established in 1993. It aims to assist talented young people in obtaining quality education abroad. The scholarship covers all costs related to education including tuition and fees, costs of travel, and a living stipend. The program requires all Bolashak recipients to return to Kazakhstan upon completing their education and to work for five years in Kazakhstan. Since 1993 over 12,898 Kazakhstan students have received Bolashak Scholarship with a capacity of 1,000 scholarship recipients a year. From 2011, the program provides scholarships for masters and doctoral programs only. The most popular countries for study are the U.K., U.S., Germany and Russia. The Bolashak program currently has agreements with 33 countries and 83 educational institutions worldwide, of which 31 in the United States. Bolashak is considered a good partner by U.S. universities.

### ***Local Higher Education Institutions***

Higher education institutions in Kazakhstan include universities, academies, and technical institutions. From 124 higher education facilities in Kazakhstan, the number of mostly private or partly private universities decreased from 150 in 2010-2011 to 75 private universities in 2018, following the government's reform on 'optimization' of higher education in Kazakhstan. This reform attempts to resolve the disproportionate spread between degrees offered by the local universities and market demand for them. The reform also tightens licensing regulations and qualification requirements of local universities in order to assure higher quality of programs and adherence to international standards.

[Nazarbayev University \(NU\)](#) located in Nur-Sultan is a state-funded science-focused educational institution, which started admitting students in 2010, and currently has around 3,060 students. The

university is a unique American-based model institution, which originally worked with a team from the University of Pennsylvania to design its academic and governance procedures. In the beginning of 2015, the University of Pittsburgh established NU's Medical School which will admit students in September. With a curriculum instructed in English only, it is currently cooperating with Duke University, University of Pennsylvania, University of Pittsburgh, University of Wisconsin-Madison, Cambridge University, University College London and the National University of Singapore to help run its academic programs.

Secondary education in Kazakhstan is represented by general secondary schools, training schools, and lyceums that provide general secondary and initial vocational education, as well as by colleges providing secondary vocational education. There are in total 779 private and state-funded colleges in Kazakhstan that offer technical and intermediate vocational programs.

In late 2007, the World Bank proposed plans to upgrade and 'commercialize' the nation's research and development efforts. Part of the Bank's blueprint called for the creation of a network of university-housed, market-oriented research and development centers based primarily on U.S. models. Subsequent World Bank proposals for the [revamping of the country's technical and vocational education](#) followed suit.

[Nazarbayev Intellectual Schools \(NIS\)](#) are a part of a wider program of educational reform, which includes the establishment of Nazarbayev University, the Center for Educational Excellence and further initiatives to focus on teacher training and development. NIS are a group of 20 existing schools in Kazakhstan and students are educated in a tri-lingual environment in Kazakh, Russian and English. Most NIS schools are for children aged 12 to 18.

### ***U.S. Higher Education Competition***

Overall, there are approximately 89,505 self-funded Kazakhstani students studying overseas. In 2016, there were 69,895 people studying in Russia, 4,907 in Kyrgyzstan, 1,963 in the United States, 1,545 in the UK and 1,002 in Malaysia. The rest are studying in other countries including Australia, Canada, Czech Republic, Germany, Japan, Netherlands, Poland, Singapore, South Korea, Sweden, Switzerland, Turkey and other European countries. Only 10% of all the students studying abroad are awarded with the Bolashak Scholarship, the rest are self-funded.

Competition from other countries, admissions deadlines, fees and policies, current testing availability, perceived visa difficulty, limited access to high schools for recruitment and lack of institutional relationships tend to severely hamper the growth of enrollment in U.S. higher education institutions.

### ***Leading Sub-Sectors***

#### ***Education Technology***

- More than 200 new schools planned to be built in the next few years with a budget of USD1.45 million for building and reconstructing education facilities
- Kazakhstan received a World Bank loan to develop its Education system from the World Bank in the amount of USD60 million
- Over 50% of Kazakh educational institutions will join e-learning projects and the modernization figures are expected to reach 90% by 2020

### ***U.S. Higher Education***

The government reform to tighten licensing regulations and qualification requirements of local universities in order to improve education quality in the country offers opportunities for U.S. higher educational institutions to attract students from Kazakhstan. At the moment, fewer than 5% of potential Kazakhstani studying overseas are studying in the U.S., and out of 50,000 students studying overseas, 80% are self-funded.

### ***U.S. Community Colleges***

Vocational education is underdeveloped as many vocational colleges and technical training schools were closed or transferred to other uses in the 1990s. Vocational schools offer professional training for students who are not able or do not wish to pursue higher education. Community colleges offering associate degrees in the U.S. could be a good fit for this specific category of students.

### ***Opportunities***

Although there is very high demand in Kazakhstan to study overseas at both undergraduate and graduate-levels, the total numbers for Kazakhstanis choosing to study in the U.S. has remained flat over the past five years (1,865 students in 2017-18 academic year). Unlike the rest of Central Asia, Kazakhstan's per-capita GDP has increased significantly, creating a burgeoning middle and upper-class youth eager to travel and study abroad. In addition, government policy encourages this and has also dramatically increased English-language education nationwide over the past decade. The quality of the students has been improving and with the introduction of new reforms and high-quality school technologies, student academic performance has improved by 15-20% since 2010. A recent reform initiative would introduce curriculum taught in English at senior high school classes, resembling education systems in Malaysia and Singapore.

### ***Degrees in Demand***

The labor market demand for certain qualifications do not match its supply, mostly in technical professions. Major multinationals on the scene from the mid-1990's regularly note a "skills gap" – an insufficient supply of up-to-date technicians, engineers, scientists and professional managerial types capable of filling increasing demand.

Demand among students gearing towards business, humanities and social studies with some increase in technical education. The breakdown in demand within the country is as follows: Social Sciences, Economics and Business represents 13% - with 18,484 students in 2017-18 and Technical/Engineering: 21% with 28,581 students in 2017-18.

### **Web Resources**

[Ministry of Education and Science of the Republic of Kazakhstan](#)

[Committee on Statistics of the Republic of Kazakhstan](#)

[Bolashak Program](#)

[World Bank for Technical and Vocational Education Project](#)

For more information contact Commercial Specialist: [Aliya Shaikhina](#)

## **Customs, Regulations & Standards**

### **Trade Barriers**

For comprehensive information on trade barriers in Kazakhstan, refer to the United States Trade Representative [2019 National Trade Estimates Report](#).

For more information and help with trade barriers please contact the Commercial Section at the U.S. Embassy in Kazakhstan at [office.almaty@trade.gov](mailto:office.almaty@trade.gov).

### **Import Tariffs**

As part of its WTO accession in 2015, Kazakhstan agreed to lower 3,512 tariff rates gradually, to an average of 6.1 percent by 2020. Tariffs on agricultural products will see the largest reduction, from 16.7 percent to an average of 7.6%. In January 2016, Kazakhstan began applying lower tariff rates to certain food products, automobiles, airplanes, railway wagons, lumber, alcoholic beverages, pharmaceuticals, freezers, and jewelry. Kazakhstan lowered additional tariff rates in 2017 and 2018, and a total of 2,900 tariff rates were below its 2015 tariffs as of December 1, 2018.

In 2018, Kazakhstan's Most Favored Nation (MFN) applied tariff rate averaged 7.1 percent. Kazakhstan applies a zero percent rate on approximately 1,900 tariff lines, including livestock, pork, fish products, chemical and pharmaceutical products, cotton, textiles, machinery and equipment, medical vehicles, and some types of airplanes. Kazakhstan's simple average WTO bound tariff rate is 10.6 percent for agricultural products and 6.4 percent for non-agricultural products. Kazakhstan's maximum WTO bound tariff rate for industrial products is 19 percent, but not less than 0.68 Euros per cubic centimeter (approximately USD0.77 per cubic centimeter), while its maximum WTO bound tariff rate for agricultural products is 50 percent, but not less than 0.75 Euros per kilo (approximately USD0.85 per kilo).

In 2010, Kazakhstan established tariff-rate quotas (TRQs) on imports of poultry and beef to meet its obligations under the Russia-Kazakhstan-Belarus Customs Union (CU), which have continued under the Eurasian Economic Union (EAEU). In 2012, U.S. exporters raised concerns about the trade-limiting effects of these TRQs and the manner in which they were calculated and allocated. In October 2017, Kazakhstan developed new rules for TRQ allocation that establish clear deadlines and delineate authorities among government agencies. The volume of TRQs is expected to remain unchanged, however. Pork is not subject to a TRQ, and the tariff rate on pork is expected to be lowered from the current 30 percent to 25 percent in 2020.

### **Taxes**

In 2016, Kazakhstan introduced a system of electronic invoicing for all payers of the value added tax (VAT) on imports. Since January 1, 2017, all importers and customs clearance brokers have to use the electronic invoicing system.

Kazakhstan charges a 12% value-added tax (VAT) which is paid on top of all customs duties and excise taxes at the time of customs clearance. Importers are expected to declare and pay this tax within a month after shipment. According to the EAEU and Kazakhstan's new Customs Codes,

effective January 1, 2018, some importers may obtain deferrals of up to one month for payment of the VAT. Taxpayers need to have a VAT registration in Kazakhstan if their turnover during the calendar year exceeds USD 200,000. Penalties for non-payment on VAT are up to 50% of turnover. The country also provides a refund of import duties and taxes when the imported goods are processed in Kazakhstan and exported within two years after importation. The processing operations that qualify for drawback include manufacturing and assembly operations and repairs.

Under the tax code that came into force in January 2018, local producers that operate under a special investment contract signed with the Government of Kazakhstan receive VAT exemptions on the import of raw materials and the sale of finished products. Also, under the tax code, importers of alcohol products are required to pay an excise tax and post a security deposit prior to shipment. This requirement came into force in March 2018 and applies to imports from the EAEU and third countries. The measure unnecessarily ties capital in burdensome administrative procedures.

### **Import Requirements & Documentation**

All goods entering the customs territory of Kazakhstan are subject to declaration and customs clearance at approved customs clearance points. A declaration must be filed within thirty days of arrival of the goods to Kazakhstan, but a brief declaration and notification on arrival of goods shall be submitted to the customs body within 24 hours after the goods cross the border and are placed at a temporary storage warehouse. With the exception of private persons permitted to transfer goods under a simplified procedure, a customs declaration must be filed by a Kazakhstani entity - that is, a business organization registered under Kazakhstani law or its affiliate or representative located in Kazakhstan, an individual entrepreneur registered in Kazakhstan, or a permanent resident of Kazakhstan. Foreign entities cannot deal directly with customs officials in Kazakhstan and are legally required to use services provided by licensed customs brokers having the right to operate in Kazakhstan.

A party declaring commercial goods at a customs office in Kazakhstan for their release for free circulation is responsible for submitting the paper and electronic copies of customs declarations (one copy of each per shipment), as well as accompanying documents. The Customs Cargo Declaration (5 copies) must be completed in either the Kazakh or Russian language. Other documents may be submitted in a foreign language. A customs officer, however, has the authority to request a translation of such documents into Kazakh or Russian as well as a notarization of the translation. In addition to the Customs Cargo Declaration, a party declaring goods is required to submit a set of other documents including invoices, a contract for the supply of goods, an import/export transaction passport, and shipping documents (e.g., bill of lading, airway bill, etc.) The passport of transaction is the primary tool used in the framework of the currency control system. The passport of transaction represents a cross-agency document filled out by the exporter/importer and reviewed by customs officials and representatives of the exporter/importer's bank.

From January 1, 2019, Kazakhstan imposed restrictions on the free of duty import of "personal" goods. The threshold of duty-free importation of goods for personal use of land and sea transport to the territory of the countries of the Eurasian Economic Union (EAEU) is reduced to 500 euros, and the total weight of such goods should not exceed 25 kilograms.

For a listing of local companies providing customs brokerage services, see the U.S. Embassy Commercial Section's [Business Service Providers' listing](#).

### **Labeling/Marking Requirements**

According to Kazakhstani legislation, most products imported into the country must be labeled in both the Kazakh and Russian languages. Product labels should include names, manufacturer, country of origin, and information on date of production, period of validity, storage conditions, nutrition data, and usage.

Product manufacturers or sellers obtaining a certificate of conformity have a right to use a mark of conformity by all means established by the state system of technical regulation.

According to the Technical Regulations of the Eurasian Economic Union (EAEU) coming into force in 2013 all products exporting into the EAEU which are subject of the Mandatory Certification and Conformity Assessment under the regulations should be labeled with the Eurasian Conformity Mark (EAC).

### **U.S. Export Controls**

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material.

The Department of Commerce's Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export, reexport, and transfer (in-country) of commodities, software, and technology (collectively "items") falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance the United States' national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces antiboycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation, and strategic trade issues.

The EAR controls certain exports, reexports, or in-country transfers of purely commercial items, items that have both commercial and military applications (i.e., "dual-use" items), and less sensitive military items. Additional information on export controls and BIS, including the EAR, can be found online.

Items subject to the EAR may require a license prior to export, reexport, or transfer (in-country). BIS's Export Administration reviews license applications for exports, reexports, and deemed exports/reexports (technology transfers to foreign nationals in/outside of the United States) subject to the EAR. Through its Office of Exporter Services, Export Administration also provides information on BIS programs, conducts seminars at locations across the United States on the EAR's requirements and compliance thereof, and provides guidance to individual exporters via telephone and e-mail. BIS also provides web-based guidance on export controls, including links to amendments to the EAR, videos and webinars on export control topics, and electronic decision tree tools to facilitate an exporter's export control-related determinations.

BIS's Export Enforcement is staffed with federal law enforcement agents who investigate illegal exports of items subject to the EAR and enforcement analysts who analyze intelligence and other information to assess the bona fides of parties and evaluate export transactions in support of investigations. BIS also posts regional Export Control Officers in Beijing, Dubai, Frankfurt, Hong Kong, New Delhi, and Singapore to conduct end-use verifications, perform industry outreach and liaise with foreign government counterparts on export control matters of mutual interest.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their goods to Kazakhstan. If necessary, a commodity classification request may be submitted in order to determine how an item is controlled (i.e., the Export Control Classification Number (ECCN)). Exporters may also request a written advisory opinion from BIS about application of EAR's licensing requirements.

Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322

Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347 ECDOEXS@bis.doc.gov

Exporters are also urged to check lists identifying specific end users (persons, companies and entities) that are under U.S. Government sanctions or for whom export licenses or other authorization may be required. Information on these lists, which include the Entity List, Denied Persons List, Unverified List, Specially Designated Nationals List, and Debarred List.

A [consolidation of export screening lists](#) of the Departments of Commerce, State, and the Treasury can be found online. Exporters who engage in unauthorized transactions with listed parties may themselves become subject to administrative and/or criminal penalties.

#### Related Controls

Other U.S. agencies regulate exports of more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls administers U.S. export controls covering defense articles and defense services that appear on the U.S. Munitions List under the ITAR. Information on U.S. Department of State export licensing procedures, the ITAR, and the Arms Export Control Act can be found at or at Tel: (202) 663-1282.

#### **Temporary Entry**

ATA Carnets cannot be used for the temporary entry of materials into Kazakhstan. Certain goods that are imported temporarily are fully or partially exempt from payment of customs duties and taxes. These include professional equipment, goods imported for demonstration purposes, shipping containers, and advertising materials. A firm importing goods for a temporary period should provide Customs with documents containing the description and value of the goods, and a written confirmation stating that the goods will be sent out of Kazakhstan after a defined period. For a list of U.S. and local service providers that can assist companies with temporary entry in Kazakhstan, see the U.S. Embassy Commercial Section's [Business Service Providers listing](#).

## **Prohibited and Restricted Imports**

Kazakhstan continues to maintain tariff-rate quotas (TRQs) on imports of poultry, beef, and pork, as part of its obligations within the CU.

The Russian sanctions regime has complicated the transit of goods from third countries to Kazakhstan through Russian territory. On November 20, 2018, Russian authorities imposed a temporary ban on the transit of U.S. poultry through Russian territory to Kazakhstan under the pretext of Kazakhstan's noncompliance with sanitary and phytosanitary standards and its inability to securely trace goods subject to veterinary control. The 2018 ban, in turn, was lifted in January 2019, but replaced by the requirements that: (1) poultry shipments be recorded in Russia's "Mercury" cargo tracking system (an electronic certificates verification system for imported and domestically produced goods); and (2) any re-loading and transit to Kazakhstan should only take place through EU establishments accredited for the storage of products of animal origin.

Kazakhstan currently requires import and export licenses for ozone-depleting substances, hazardous waste, drugs and psychedelic substances, products with cryptographic capabilities, human organs, tissues, and blood and its components. Import of pesticides, toxic agents, certain commonplace consumer electronic products, some types of meat, and cane sugar also require licenses.

Occasionally, Kazakhstan will impose bans on the import of Russian gasoline in order to protect the domestic fuel market. The latest was instituted on August 27, 2018 and lasted for three months.

## **Customs Regulations**

Kazakhstan's customs code remains overly complicated and does not encourage transparency or the expeditious movement of goods. This is one of the reasons why the country continues to rank at the bottom (102 out of 189) on the [World Bank's](#) "Trading Across Borders" indicator for 2019.

On January 1, 2010, Kazakhstan adopted the unified customs tariffs and non-tariff regulations of the Russia, Belarus, and Kazakhstan Customs Union (CU), a legal framework of Eurasian Economic Union (EAEU). The CU implemented the new common Customs Code and abolished internal customs borders in July 2011. Detailed information on legal agreements and the customs duties schedule can be found at the website of Eurasian Economic Commission [www.eurasiancommission.org](http://www.eurasiancommission.org).

Kazakhstan's customs valuation rules largely conform to the WTO Valuation Agreement, and the country has adopted HS 96 as its tariff nomenclature. After nearly two decades of negotiations, in June 2015, Kazakhstan joined World Trade Organization (WTO).

In accordance with the commitments made upon joining the WTO, the associated tariff rates of the country will be below than the rates of the Customs Union (CU) for 3,500 commodity items. After the end of the transition period, the average final bound tariff of Kazakhstan will be 6.9%, while for the rest of the CU countries it should be at the level of 7.8%.

Kazakhstan continues to maintain tariff-rate quotas (TRQs) on imports of poultry, beef, and pork, as part of its obligations within the CU. Precious metals and stones, encrypted technologies, documents from national archives, and items of cultural value are among the products now subject to export licensing. Kazakhstan will remove the requirement on import licensing for alcoholic beverages as a result of Russia's accession to the WTO.

The Law on Investments provides customs duty exemptions for imported equipment and spare parts, but only if Kazakhstani produced stocks are unavailable or not up to international standards. In addition, imported equipment and spare parts designated for priority investment projects under the recurring governmental industrialization program are exempted from customs duties.

Other reforms allow foreign citizens to import and declare goods at a port of entry without utilizing domestic customs brokers. Previously, foreign citizens that wished to import goods into Kazakhstan were required to have a Kazakhstani partner. Notwithstanding this reform, foreign citizens may still be required to have domestic customs brokers in order to file electronic customs declarations, unless they have software compatible with the new CU computer system.

Foreign firms can import some items for their own use duty-free including equipment and spare parts imported to implement an investment project, if this equipment is unavailable on the territory of Kazakhstan. Generally, Customs requires that imported goods be placed in a temporary storage warehouse operated by a customs-licensee pending clearance - a procedure that importers claim can add significant costs and delays to customs processing. U.S. firms have noted that the need to present “transaction passports” ranging from document procurements to bank transfers in order to clear their goods with Customs is a significant barrier to trade. Implementation of regulations allowing periodic declarations remains problematic.

Foreign entities cannot deal directly with customs officials in Kazakhstan and are legally required to use services provided by licensed customs brokers having the right to operate in Kazakhstan. The [Customs Control Agency](#) maintains a registry of licensed customs brokers and is required to post it at [www.keden.kz](http://www.keden.kz) and <http://www.evrazes.com/en/about/> with regular updates.

## **Standards for Trade**

### ***Overview***

Certification and/or conformity assessment procedures are part of the national system of technical regulation. In November 2015, Kazakhstan joined the WTO. To bring Kazakhstan standards more in line with international standards, in 2007 Kazakhstan adopted a number of laws and amendments to the existing Law on Technical Regulations including such laws as Safety of Chemical Products, Safety of Food Products, Safety of Toys, and Safety of Equipment and Machinery. The national file of standards now includes 71,500 rules and norms, including 16,081 representing international standards (International Organization for Standardization) and 2,246 95 American national standards (American National Standards Institute). These standards are applied in all economic sectors.

Under the current regulations, safety standards acquire the status of normative documents, mandatory for consideration, while quality standards will gradually become voluntary. The functions of governmental bodies will be limited to dealing with safety control issues. Technical regulations will acquire the status of laws and will be intended to ensure the safety of life and health of consumers. Other standards relating to quality of goods will be given a voluntary status, and

manufacturers will no longer be forced to follow outdated requirements dictating a shape, or color of goods as it was under previous legislation.

### ***Standards***

[The Committee on Technical Regulation and Metrology \(Gosstandart\)](#) under the Ministry of Industry and Infrastructure Development, is the national agency administrating technical regulation issues in Kazakhstan. Gosstandart is subdivided into three subordinate enterprises: the Kazakh Institute for Standardization and Certification, the Kazakh Institute of Metrology, and National Center of Accreditation.

### ***Testing, Inspection and Certification***

The existing procedure of conformity assessment applied in Kazakhstan does not allow for 100% application of international standards due to legal and technical inconsistencies. Kazakhstan entered the International Laboratory Accreditation Cooperation (ILAC) in 2010 and joined the International Accreditation Forum (IAF) in 2013.

The Conformity Assessment is based on the legislature of Russia, Kazakhstan and Belarus, Kyrgyzstan and Armenia.

Any goods imported into Kazakhstan and included on the mandatory list of goods are subject to the mandatory procedure of certification under national requirements. The list includes machines, cars, agricultural and telecommunication equipment, electro-technical equipment, construction materials and equipment, fuel, clothes, toys, food, medical and veterinary equipment, as well as drugs. Contracts for goods delivery should be accompanied by the following documents: product description, country of origin certificate, name of producer, customs declaration, expiration date, storage requirements, and user manuals printed in Kazakh and Russian. Foreign certificates, testing protocols, and compliance indicators of imported products should correspond to appropriate international treaties.

In Kazakhstan, as well as in other CIS countries, mandatory requirements for goods are set out in standards and legal documents regulating sanitary, environmental, veterinary and other issues, thus requiring further harmonization efforts.

The existing system of conformity assessment represents an onerous set of procedures that includes, among others: state control over conformity with mandatory standard requirements, mandatory certification and examination, and registration.

### ***Publication of Technical Regulations***

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. [Notify U.S.](#) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and

operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

## **Trade Agreements**

Kazakhstan submitted its Memorandum on the Foreign Trade Regime (MFTR) to the WTO in 1996, and the first round of consultations on accession took place in 1997. Kazakhstan became a WTO member on November 30, 2015. Kazakhstan officially entered into a Customs Union with Russia and Belarus on July 1, 2010 and was a founding member of the Eurasian Economic Union (EAEU), created on May 29, 2014, between Kazakhstan, Belarus, Kyrgyz Republic, and Russia (Armenia joined in 2015). Since that time, Kazakhstan's trade policy has been heavily influenced by EAEU regulations. While Kazakhstan asserts that EAEU agreements comply with WTO standards, since joining the Customs Union, Kazakhstan has doubled its average import tariff and introduced annual tariff-rate quotas (TRQs) on poultry and beef.

How Kazakhstan will reconcile conflicting commitments under the WTO and EAEU is still unclear. Under its WTO commitments, Kazakhstan agreed to gradually lower 3,512 tariff rates to an average of 6.1 percent by 2020. In January 2016, the country began applying lower-than-CET tariff rates to certain food products, automobiles, airplanes, railway wagons, lumber, alcoholic beverages, pharmaceuticals, freezers, and jewelry. Kazakhstan lowered additional tariff rates in 2017 and 2018, and a total of 2,900 tariff rates were below CET tariffs as of December 1, 2018. Kazakhstan introduced administrative measures to prevent the re-export of goods released at these lower tariff rates to Armenia, Belarus, Kyrgyzstan, or Russia.

In response of criticism of U.S. exporters, Kazakhstan developed new rules for allocating TRQs that establish clear deadlines and delineate responsibility among government agencies.

Kazakhstan's government is optimistic that further integration with the EAEU will make Kazakhstan more attractive for foreign investment by expanding market access to EAEU member countries. Kazakhstan is a signatory of a Free Trade Agreement with CIS countries. In addition, as a member of the EAEU, Kazakhstan is party to a Free Trade Agreement between the EAEU and Vietnam. Earlier in 2019, Kazakhstan ratified an interim agreement on forming a free trade area between Iran and the EAEU.

## **Investment Climate Statement**

Please see [Investment Climate Statement](#) on U.S. Department of State website. For more information on the Investment Climate Statement, contact the Economic Section at the U.S. Embassy in Nur-Sultan: [InvestmentClimateKZ@state.gov](mailto:InvestmentClimateKZ@state.gov).

## **Trade & Project Financing**

### **Methods of Payment**

As in other markets, payment methods and terms vary depending upon the U.S. company's business model and relationship with its trading partners. For companies that are new to this market, requesting advance payment for goods and services from a Kazakhstani customer may be prudent until both parties establish a positive record of payment. Exporters should also keep in mind that

Kazakhstani firms may experience difficulty gaining access to credit from local banks due to a weak domestic banking sector and high interest rates that.

The safest method to receive payment for a U.S. export is through an irrevocable letter of credit (L/C) confirmed by a major Western bank. In general, importers must deposit enough funds to cover the payment before applying for a letter of credit. Local companies may apply at any of several major local commercial banks to obtain an L/C, which, according to Kazakhstani banking legislation, must usually be confirmed by a reputable Western bank. U.S. companies are strongly advised to reconfirm payment arrangements with the importer prior to shipping goods. A number of U.S. banks accept letters of credit from some of the largest Kazakhstani banks, especially those that have been approved by the U.S. Export-Import Bank. Once a U.S. firm has established a strong relationship with a local trading partner, it may wish to consider extending short- and eventually longer-term credit as a way to bolster sales volume. This should be done with caution and only after careful evaluation and the establishment of successful payments.

Kazakhstan made the use of International Bank Account Numbers (IBANs) and Bank Identification Codes (BICs) mandatory in June 2010. If a U.S. company is paying a beneficiary in Kazakhstan or initiating a payment from an account in Kazakhstan, you must provide the beneficiary's IBAN and the beneficiary bank's SWIFT BIC in the payment instructions. Failure to provide an IBAN may result in that payment being rejected, delayed or incurring additional charges.

As of May 2019, the National Bank's refinancing rate is 9%. Current inflation rate as of May 2019 is 4.9%.

### **U.S. Banks & Local Correspondent Banks**

Citibank is the only "western bank" with a full-time presence in Kazakhstan servicing corporate clients. Companies can find CitiBank branded ATM machines at the location below:

#### [CitiBank Kazakhstan](#)

41A, Kazybek Bi St, 2<sup>nd</sup> floor  
050010 Almaty, Kazakhstan  
Tel: 7 (727) 298-0400  
Fax: 7 (727) 298-0415

U.S. banks with correspondent relations include, but are not limited to: American Express Bank, Bank of New York, Citibank, Deutsche Bank Trust Company Americas, JP Morgan Chase Bank, Mashreq Bank and Wachovia Bank.

### **Banking Systems**

Kazakhstan has a two-tiered banking system. The first tier is comprised of the National Bank of Kazakhstan (NBK), which reports to the president. The second tier includes 28 commercial banks, including one state-owned bank and 14 banks in which foreigners hold 30% or more of the bank's shares, 12 of which are subsidiaries of foreign banks. In addition to its monetary policy responsibilities, the National Bank performs the functions of a financial regulator. In that role, the NBK is charged with overall supervision of the banking sector, insurance, pension system, stock market, microcredit organizations, debt collection agencies, and credit bureaus. In May 2019, the NBK proposed changes to legislation providing for establishment of a new independent regulatory

body which would take charge of financial markets control and development, as well as consumer rights protection, while the NBK will concentrate on monetary policy and inflation control. The function split should eliminate conflict of interests within the NBK, improve financial market regulation and prevent malpractices.

Although prohibited from creating retail banking branches in Kazakhstan until 2020, foreign banks may establish subsidiaries, joint ventures, and representative offices. As of April 2019, 20 foreign banks had representative offices in Kazakhstan. Legislation mandates equal treatment for foreign and Kazakhstani investors, a position reinforced in 2005 by legislative amendments that lifted restrictions on the participation of foreign capital in the banking sector. Notably, no individual may own more than 10% of a bank's shares (unless that bank is a subsidiary of another bank) without permission from the National Bank. Foreign individuals and companies can open bank accounts in local banks as soon they present identification documents and confirmation of local registration, including taxpayer registration.

According to the IMF's April 2019 Regional Economic Outlook for Central Asia and September 2018 Staff Report, the banking sector remains saddled with weak underwriting and reporting standards, poor payment culture, related party and directed lending, opacity of ownership, and reliance on state support. Legacy non-performing loans (NPLs) from the 2007-2008 global financial crisis and Kazakhstan's real estate market collapse continue to hinder banks' profitability and their ability to extend credit. From 2013-2016, the drop in oil prices precipitated a 40% currency depreciation and economic slowdown that further weakened the banking sector, which was overexposed to domestic dollar lending.

In response to these crises, the government facilitated several rounds of bank bailouts to ensure stability and facilitate the sector's consolidation, with mixed results. Halyk Bank, Kazakhstan's largest private bank, now controls 35 percent of all banking assets following a series of government-facilitated mergers involving BTA and Kazkommertsbank. In 2017, the NBK announced a USD2 billion troubled asset facility, but, following public criticism from President Nazarbayev over the bailouts, abruptly closed it in February 2018, having limited participation to five mid-sized banks, which, however, continued to struggle. In Autumn 2018, one of those banks received a bridge loan from the NBK and was subsequently bailed out by First Heartland Securities, brokerage company controlled by Nazarbayev University. Three other defaulted banks of no systemic importance lost their banking licenses and went bankrupt.

Banking sector recovery remains a top priority for the government, and the NBK has adopted policies to strengthen oversight and capital requirements, de-dollarize, resolve bad assets, and encourage consolidation. NBK policies have somewhat improved the situation and helped to preserve banking sector stability. For example, the share of NPLs dropped from 31% in January 2014 to .6% in April 2019 (although analysts believe the figure has always been much higher with if restructured loans and interest gap included). However, the sector has yet to fully recover and the NBK has more work to do to clean it up. The regulator is to introduce risk-based supervision approach in 2019 and perform an AQR which should help to assess banks' capital adequacy and establish follow-up measures.

## **Foreign Exchange Controls**

The National Bank of Kazakhstan controls the Tenge, which is fully convertible with the U.S. dollar, via a free float. In 1996, Kazakhstan joined Article 8 of the International Monetary Fund Charter, which calls for full convertibility and the removal of all controls on current account transactions.

There are no restrictions or limitations placed on foreign investors in converting, transferring, or repatriating funds associated with an investment (e.g. remittances of investment capital, earnings, loan or lease payments, royalties). Funds associated with any form of investment may be freely converted into any world currency, though local markets may be limited to major world currencies.

A new law on currency regulation, which comes into force on July 1, 2019, will treat the branch offices and representative of foreign companies as residents (with some exceptions), requiring them to conduct all transactions in the local currency. Prior to the law's enactment, foreign company branch offices have been treated as non-residents, allowing them to conduct transactions with both residents and non-residents in any currency. The NBK maintains a new law would help achieve its de-dollarization objectives and does not restrict branch office residents in repatriating earnings or converting money. Foreign investors, however, say the law would create onerous new reporting requirements and increase the costs of doing business. The provision on residency of foreign financial organizations is scheduled to be enacted in December 2020. For enterprises registered at the Astana International Financial Center, there is no restriction on the currency of operation and settlement.

## **Project Financing**

In addition to the Export-Import Bank of the United States (EXIM), and Overseas Private Investment Corporation (OPIC), the U.S. Trade and Development Agency (USTDA) provides funds to carry out feasibility studies related to major projects in emerging markets.

USTDA has extensive experience in transitional economies, and the agency moved quickly to establish programs when Kazakhstan became independent in 1991. As of year-end 2017, USTDA provided approximately USD13 million in funds to benefit Kazakhstan, and has financed feasibility studies and technical assistance, as well as sponsoring missions to the United States, regarding major projects in key sectors such as oil and gas, railway transportation, information technology, health care, and electric power. Since 2017, USTDA has steadily reduced its portfolio in Kazakhstan due to poor performance and lack of follow-on export opportunities for U.S. firms.

## **Multilateral Development Banks**

### **World Bank**

Kazakhstan has been a member of the World Bank since 1992. The World Bank has been a major source of external assistance to Kazakhstan, providing 46 loans with a total value over USD8 billion. World Bank support now focuses on investment projects that include agriculture development, road construction, energy efficiency, innovative development, health, and capacity building

The World Bank is developing a new Kazakhstan Country Partnership Framework (CPF) for 2020-2025. The document is expected to be approved in the 2nd half of 2019 and will be aimed at helping

the government of Kazakhstan enable diversified, accelerated private sector-led growth through creating the preconditions for an efficient, climate smart, and entrepreneurial society.

The current portfolio consists of 13 operations, including 10 IBRD loans and three grants funded from the Global Environment Facility with a total net commitment of USD3.7 billion. 85% of IBRD commitments are concentrated in the two big South-West Roads Project and East-West Road Projects, while the rest of the portfolio is diverse with two-thirds of the projects focused on institution building in the areas of education, health, innovations, and revenue administration. There are a number of projects at various stages of implementation, including support to social modernization, justice sector institutional strengthening, SME competitiveness, fostering productive innovation, improving energy efficiency and modernization of irrigation and drainage systems.

Since 2002, the World Bank and the government of Kazakhstan have jointly financed and implemented the multi-year Joint Economic Research Program (JERP). The program has provided strategic research on key areas of policy development. JERP themes for FYs 2018-19 included Subnational Doing Business, Measuring the Effectiveness of Tax Incentives, Strengthening Statistical Capacity (National Accounts and SDGs), Managing Public Debt, Insolvency Legislation and Personal Insolvency, Public Expenditure Review (Agricultural Sector), Social Safety Net System, support to Kazakhstan's 2025 Strategic Development Plan implementation and support to create a unified state information-analytical environment strategy in Kazakhstan. JERP priority themes for the next Fiscal Year will be determined between June-July 2019 in consultation between the Kazakh government and the World Bank.

Kazakhstan became a member of the International Finance Corporation (IFC) in 1993. Since the beginning of investment operations in 1997, Kazakhstan has received commitments of USD1.4 billion of IFC funds, including mobilization from partners of nearly USD300 million to support 57 private sector projects in the financial, oil and gas, agribusiness, and manufacturing sectors.

As of June 2018, the IFC's total committed portfolio in Kazakhstan amounted to USD142.3 million in 7 projects in financial markets (31% of total IFC investments in the country), food & beverages (46%), transportation and warehousing (15%), and manufacturing (8%).

IFC promotes the development of the private sector through investments and advisory services to support the diversification and competitiveness of the economy. IFC's strategy in Kazakhstan is focused on strengthening the financial sector, improving access to infrastructure, and promoting the development of small and medium enterprises, particularly in the agribusiness, manufacturing, and service sectors. Specific focus areas include the logistics and transportation sectors to improve connectivity and trade. In addition to investments, IFC, jointly with the Ministry of Finance of Austria, is advising local companies in food safety and applying environmental and social standards.

### **European Bank for Reconstruction and Development**

The European Bank for Reconstruction and Development (EBRD), whose largest shareholder is the U.S. government, offers a range of financial products to U.S. investors in Kazakhstan. The largest investor outside Kazakhstan's oil and gas sector, the EBRD seeks to promote economic diversification. The Bank provides loans for large projects and technical assistance in a number of economic sectors, concentrating on enterprise, financial system and infrastructure development. The EBRD uses its AAA credit rating to provide debt, equity, quasi-equity,

syndications, and trade finance in local and foreign currency at competitive commercial rates, and with longer tenors than are usually supplied by commercial lenders. The EBRD prioritizes lending to private sector-led investment, but also provides sovereign lending, particularly for water, transport and energy needs at the municipal level. For sovereign loans, the EBRD requires open, competitive tenders that offer an opportunity to supply U.S. goods and services.

As of January 2019, the EBRD had disbursed more than €5.3 billion in Kazakhstan, with 50% of financing going to the private sector. Currently, EBRD's portfolio totals €2.4 billion with 124 active operations. Of the EBRD's loan portfolio, 51% is invested in the energy sector, 35% is directed to infrastructure projects, 9% in industry, commerce, and agriculture, and 5% toward financial institutions. In the last two years, the EBRD has invested in infrastructure, transport, power, utilities and the banking sector.

### **Asian Development Bank**

Headquartered in Manila, the Asian Development Bank (ADB) is an international financial development institution owned by its 68-member countries, 49 of which are from the region and 19 from other parts of the world (including the United States). ADB assists developing member countries with policy dialogue, advisory services, loans, equity investments, guarantees, grants, and technical assistance.

Since joining the ADB in 1994, Kazakhstan has received USD5.0 billion in sovereign and non-sovereign loans, grants, and technical assistance. In the early years of the country's transition from a centrally planned to a market-driven economy, ADB focused its support on agriculture, education, finance, and delivery of social services, and more recently, on finance and transport sectors, as well as creating knowledge products. Under its current Country Partnership Strategy (CPS), ADB's USD1.6 billion public sector investment program bolsters the financial sector, small and medium-sized enterprises, improvements in infrastructure, private sector development, and regional cooperation and integration. ADB augments this program with investments through its private sector operations with instruments including equity, debt, and guarantees.

The ADB also finances upgrades to Kazakhstan's transport network along the Central Asia Regional Economic Cooperation (CAREC) transport corridors, aimed at strengthening regional trade and economic integration. In 2016, multi-tranche financing for USD1.5 billion facilitated the completion of more than 600 kilometers of roadway in the Zhambyl region, and the road between Shymkent and Tashkent on the Western Europe–Western China International Transit Corridor (also known as the CAREC corridor) as well as 400 kilometers of the road from Aktau to Beineu in the Mangystau region. In the same year, ADB approved a loan for reconstruction of Aktobe-Makat road to help Kazakhstan increase its trade links with markets in East Asia, Europe, and the Caspian Sea subregion. By 31 December 2018, total ADB exposure to Kazakhstan under CAREC Program was USD1.8 billion.

ADB has been supporting the growth of Kazakhstan's small and medium-sized enterprises by providing financial institutions with liquidity in local currency. Improved access to finance is helping drive investment, increase employment, and generate income for SMEs, particularly those located in regions outside Nur-Sultan and Almaty and operated by women entrepreneurs.

Private sector operations of ADB in Kazakhstan began in 2006, with cumulative commitments amounting to USD360.2 million as of first quarter 2019. In line with Country Operations Business Plan (2019–2021), ADB will explore direct investments in private sector undertakings in renewable energy, transport and logistics, affordable housing and agribusiness.

ADB is an active buyer of goods and services in Kazakhstan. Since 1994, ADB awarded 205 contracts worth USD2.14 billion to contractors and suppliers. For the same period, ADB also awarded 309 contracts worth USD15.08 million to consultants.

ADB likewise co-finances projects in partnership with government agencies, multilateral financing institutions, and commercial organizations. From 2000 to the end of 2018, cumulative direct value-added co-financing commitments for Kazakhstan amounted to USD3.83 billion for five investment projects and USD4.15 million for six technical assistance projects.

### **U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (European Bank for Reconstruction and Development, Asian Development Bank, World Bank)**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the European Bank for Reconstruction and Development.

### **Financing Web Resources**

[Commercial Liaison Office to the European Bank for Reconstruction and Development](#)

[Commercial Liaison Office to Asian Development Bank](#)

[Commercial Liaison Office to the World Bank](#)

### **Business Travel**

#### **Business Customs**

Kazakhstan draws on a combination of Russian and Central Asian cultural influences, and customs may depend on the ethnicity of the person with whom you are meeting. It is customary to shake hands and call people by their first name and patronymic (adaptation of the father's first name) at business meetings and at informal gatherings, though use of just the first name is also acceptable. Business attire is generally a suit and tie for men, and a suit or business dress for women. Refreshments are usually served at business meetings - coffee, tea and water are the norms. Small gifts (pens, company logo pins, portfolios, and books) are frequently given at the end of an initial meeting as a token of appreciation. Business cards are the norm, often printed in both Russian and English.

Scheduling meetings can be difficult, but this is also the norm. It can sometimes take weeks to get a response to an email, fax, or a telephone message request for a meeting. Once contact has been established, patience is still required to confirm a date and time to meet. It is not uncommon for meetings to be cancelled with no explanation. Since traffic is a problem in Almaty and Nur-Sultan, company representatives appreciate meeting at their office locations, but are not averse to accepting an invitation for a lunch meeting.

Kazakhstani businessmen are generally less direct than American businessmen. What can be accomplished in a few meetings in the U.S. might take more in Kazakhstan, requiring patience and discipline on the part of the American. An experienced and competent interpreter can be invaluable to your business meetings.

Though Kazakhstanis tend to be Muslim, business travelers with experience in Islamic countries will find the country to be very secular, and many practices that exist elsewhere are not widely observed here, although this is slowly changing. It is quite common for ethnic Kazakhs and Uighurs to consume alcohol at dinner functions or receptions.

### **Travel Advisory**

Please see the U.S. Department of State [Travel Advisory for Kazakhstan](#).

### **Visa Requirements**

A valid passport is required. The Embassy of Kazakhstan in Washington, D.C., and the Consulate of Kazakhstan in New York issue visas.

The Embassy of Kazakhstan  
1401 16th Street NW  
Washington, DC 20036  
Telephone (202) 232-5488 or 550-9617,  
Fax (202) 232-5845

The Kazakhstani Consulate in New York  
866 United Nations Plaza; Suite 586 A  
New York, NY 10017  
(212) 230-1900 or 230-1192

The Kazakhstani Consulate in San Francisco  
580 California Street, Office 1220  
San Francisco, CA 94104  
(415) 568-2160

On January 1, 2017, the Kazakhstani government implemented visa waiver program that allows U.S. citizen travelers to enter Kazakhstan for most purposes of travel (excluding employment and engaging in religious activities) without a visa for stays up to 30 days. During this period, business travelers may extend their stays for one month and investors may extend their stays for up to three years respectively without leaving Kazakhstan under certain circumstances. U.S. citizens wishing to visit Kazakhstan for longer than fifteen days will be required to obtain a visa.

Since December 27, 2016, the U.S. and Kazakhstan began issuing ten-year multiple-entry visas on a reciprocal basis to applicants traveling for tourism, business, diplomatic and official travel,

education/participation in exchange programs, and journalism. An invitation is no longer required for business and tourist visas. The U.S. Embassy in Nur-Sultan and the U.S. Consulate General in Almaty cannot provide any visa assistance to those interested in private travel to Kazakhstan. Travelers may be asked to provide proof at the border of their subsequent travel arrangements. Travelers should be aware that those overstaying the validity period of a visa or the visa waiver pilot program's 30-day limit may face possible fines, imprisonment up to 15 days, and delays upon exit.

Most visa categories cannot be extended in Kazakhstan. Exceptions to this rule are student visas, visas for medical treatment, visas for permanent residents of Kazakhstan, and work visas, which can be extended in Kazakhstan up to the expiration date of the holder's work permit, a separate document issued only in Kazakhstan. Business visas can be extended domestically if the traveler is in Kazakhstan at the invitation of the Government of Kazakhstan, a diplomatic mission, or international organization in Kazakhstan.

Registration of U.S. passports is conducted at the same time as the issuance of the visa in one of Kazakhstan's embassies and consulates abroad or at the time of a border crossing. At airports and border posts, Kazakhstani immigration officers present travelers with a white registration card. Travelers must retain this card throughout their stay in Kazakhstan. Two stamps on the card indicate that the traveler is registered. If the card contains only one stamp, the traveler must register with the Migration Police within five days. All registrations are valid for three months, regardless of where they are issued. To extend your registration beyond three months, or if you are not sure if you have been properly registered at the time of visa issuance or border crossing, please contact your local office of the Department of Migration Police. Foreigners must inform the Migration Police of changes of address. Penalties for violating registration rules include imprisonment for up to 15 days, and deportation.

Some HIV/AIDS restrictions exist for visitors to and foreign residents of Kazakhstan. Visitors applying for a work or residency permit, required for U.S. citizens who wish to spend more than 6 months in Kazakhstan, must submit negative HIV test results with their application to the Migration Police in the city where they intend to work or reside. The results must be less than three months old. The city HIV clinic in the place of registration can conduct the test or may certify test results performed abroad. If the original test results are in a language other than Russian or Kazakh, they must be accompanied by an official translation. If a foreigner tests positive for HIV in Kazakhstan, he or she must depart the country. Please verify this information with the Embassy of Kazakhstan before you travel.

### **Inviting Your Business Contacts to the United States**

The Embassy supports business travel to the United States by making the U.S. visa process as efficient and transparent as possible. We encourage travelers to apply for U.S. visas 4-6 weeks before their planned departure to allow time for any special processing requirements or seasonal delays. Kazakhstani citizens wishing to renew a business or tourist visa who have been fingerprinted within the last 12 months are strongly urged to utilize the Embassy's Interview Waiver Program (IWP).

For more information on U.S. visa requirements and validity, please consult either the U.S. Embassy website, or U.S. Department of State.

## **Currency**

The currency of the Republic of Kazakhstan is Tenge (KZT). There is a currency exchange kiosk located at Nur-Sultan and Almaty airports and in many places across the city. Most banks are open from 09:00 AM to 6:00 PM from Monday to Friday. Major international debit/credit cards including Visa and MasterCard are accepted in most hotels, major department stores, restaurants and supermarkets. Small businesses and family-run stores may not accept bank cards, so it is useful to keep a moderate amount of cash on hand.

Exchange rate (May 31, 2019)

1USD = 381.69 KZT

## **Telecommunications/Electronics**

Telephone coverage in Kazakhstan remains less than universal and Internet connections are not ideal especially in remote areas, but there is significant progress in providing high speed internet in the largest cities of the country. As in developing countries with poor telecommunications infrastructure and regulations, the number of cellular users has surpassed the number of landlines. Kazakhstan has a well-developed mobile network infrastructure. There are three (Kcell, Beeline, Tele2) major mobile operators in Kazakhstan providing services in GSM standard. Most business travelers with roaming capabilities will have no problem using mobile phones here. Both land line and cellular rates in Kazakhstan are higher than in Europe, especially for domestic long distance and international calls. VoIP services such as Skype, WhatsApp, and Viber have become popular during the last few years in Kazakhstan.

Business travelers can obtain Internet access via most hotels, but at a price. Wi-Fi at cafes is becoming more and more common in Almaty, including at shopping and entertainment facilities and at the Almaty airport. Many expatriates living in larger cities still find it difficult to get high-speed Internet access. Even after getting ADSL lines installed, many expatriates complain that speeds obtained are far from what was advertised by the provider.

## **Transportation**

Though Kazakhstan's capital moved to Astana (now Nur-Sultan) in 1997, Almaty remains the country's business hub. Business travelers tend to arrive into Almaty via Frankfurt, Amsterdam or London, though there are also several other international connections. Kazakhstan's national airline, Air Astana, has a fairly modern fleet of Airbuses and Boeings along with direct flights from major European cities such as London so is an alternative to European airlines. It is roughly a 5-7 hour flight from Europe.

In-country travel is accomplished by utilizing the national airline, Air Astana. Some smaller scale companies also offer limited services within Kazakhstan. There is also a high-speed, overnight train between Almaty and Astana.

For inner-city transportation, companies are strongly advised to use licensed taxi services. Popular mobile phone applications such as Uber and Yandex Taxi are also widely used in Kazakhstan. Companies can also hire private drivers at a reasonable cost. For a list of driving service providers, see the U.S. Embassy Commercial Section's [Business Service Providers' listing](#).

## **Language**

Despite a national movement to encourage the use of the Kazakh language, Russian is still widely used, especially in business. Both Kazakh and Russian languages appear on road signs, at stores and on product packaging. In accordance with the adopted “Kazakhstan’s Development Strategy 2050”, a policy of trilingualism is actively pursued, aimed at developing not only Kazakh, but Russian and English languages by the people of Kazakhstan Today English is one of Kazakhstan’s three official languages and occasionally appears on some signs. Travelers will also find that English skills are quite strong in the service industries. Though good interpreters demand a premium price, business travelers are well advised to ensure they have a qualified interpreter in business meetings.

In October 2017 Kazakhstan President signed and amended in 2018 a decree for transition of Kazakh alphabet from Cyrillic to Latin script. The deadline to complete the transition is 2025.

U.S. firms exploring the market are encouraged to hire local interpreters to assist ensure accurate communication with potential partners/buyers in the market. For a list of local translation and interpretation service providers, see the U.S. Embassy Commercial Section’s [Business Service Providers’ listing](#).

## **Health**

Current health information for travelers can be found at:  
<https://wwwnc.cdc.gov/travel/destinations/traveler/none/kazakhstan>.

## **Local Time, Business Hours and Holidays**

Eastern Kazakhstan (which includes Almaty and Nur-Sultan) is 10 or 11 hours ahead of EST, depending on the time of year (Kazakhstan does not practice day light savings). Business hours are normally 9:00 a.m. – 6:00 p.m.

Local holidays can be found on the [Embassy’s website](#) but travelers are also advised to confirm dates with contacts in Kazakhstan. If a holiday falls on a Tuesday or Thursday, the Government of Kazakhstan may elect to make the preceding Monday or following Friday a holiday as well, thereby linking the holiday to the weekend.

## **Temporary Entry of Materials or Personal Belongings**

ATA Carnets cannot be used for the temporary entry of materials into Kazakhstan. Certain goods that are imported temporarily are fully or partially exempt from payment of customs duties and taxes. These include professional equipment, goods imported for demonstration purposes, shipping containers, and advertising materials. A firm importing goods for a temporary period should provide Customs with documents containing the description and value of the goods, and a written confirmation stating that the goods will be sent out of Kazakhstan after a defined period.

## **Travel Related Web Resources**

Please see the U.S. Department of State’s [Travel Information for Kazakhstan](#).