

U.S. Country Commercial Guides



Kazakhstan 2018

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Doing Business in Kazakhstan

Market Overview

Kazakhstan has developed into the leading market in Central Asia and is positioning itself as a transit route between China and Europe. With somewhat limited success, it is seeking ways to use its oil and mineral wealth to diversify its economy. These efforts, combined with a growing middle class, provide trade and investment prospects for U.S. firms seeking new opportunities in one of the most dynamic of the emerging markets.

Like other former Soviet Republics, Kazakhstan is still developing a transparent and effective business culture that is attractive to foreign investment. The government of Kazakhstan realizes the need to implement economic reforms, though laws and regulations adopted to improve the business environment are often poorly implemented at the local level. Foreign investors and local firms, complain of burdensome regulations that often reflect a way of doing business that is reminiscent of the Soviet Union. Challenges remain in addressing problems related to the country's competitiveness and economic diversification, its over-reliance on the extractive sector, continued corruption, need for increased transparency and rule of law.

Economic highlights include:

- Kazakhstan has a healthy appetite for imported goods and in some, not all, cases is willing to pay more for higher quality and innovative technology/service.
- Kazakhstan acceded to the World Trade Organization in November 2015.
- The most recent report from the [Heritage Foundation's Index of Economic Freedom](#) rated the country as "moderately free" and ranked it 41 out of 180 countries, well above neighboring China (#110) and Russia (#107).
- President Nazarbayev's declared aim is to have Kazakhstan join the World Economic Forum's "Global Competitiveness" Top 30 economies by 2050. In 2017-2018, Kazakhstan significantly improved its ranking by turning around a five-year decline, and has now climbed to the rank of 57 out of 137 countries.

	2011	2012	2013	2014	2015	2016	2017
Ranking	72	72	51	50	50	53	57

Brief economic indicators are as follows:

Source:	2011	2012	2013	2014	2015	2016	2017	2018 forecast
World Bank								
GDP growth	8.0%	4.9%	6.0%	4.3%	1.2%	1.1%	4%	3.7%
GNI per capita PPP Method (former GNP)	\$17,710	\$18,860	\$20,680	\$22,310	\$23,550	\$22,900	\$23,440	
GNI per capita Atlas Method	\$8,190	\$9,780	\$11,560	\$11,670	\$11,420	\$8,800	\$7,890	
Inflation (World Bank)	18%	5%	10%	3%	6.5%	14%	6.4%	

Market Challenges

Kazakhstan continues to transform its economy to create a more transparent, less regulated, and more market-driven business environment. In 2015-2016, the government of Kazakhstan announced several measures to reform the economy, and remains engaged with U.S. and EU leadership, the AmCham, and other foreign investors in a dialogue on how to improve the investment climate. Nonetheless, this progress continues to be undermined by developments that cause concern for U.S. investors and other stakeholders. Firms that have experience in Russia and other post-Soviet economies will be familiar with these challenges:

- On January 1, 2015, the Eurasian Economic Union (EEU) between Belarus, Kazakhstan, and Russia became operational. Despite this, it has not boosted Kazakhstan's trade with the other member countries. In fact, Kazakhstan's non-EEU trade may be more restricted as it conforms to EEU standards. Importers are affected by a poorly planned implementation of the EEU integration, non-standardized application of the common customs code, and unclear documentation requirements.
- Competition is strong as Russia and China vie for access to the country'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.
- Interpretation of laws by local officials is often at variance with that of the central government, especially in the implementation of Kazakhstan's system of taxation, collection of revenues, and customs procedures. U.S. investors report taxation as one of their top concerns, reporting frequent harassment by local and national 'financial police.'
- Corruption remains widespread despite the government's anti-corruption campaigns and dismissals of guilty bureaucrats. The judiciary, police, and customs are often cited as the source of problems. Kazakhstan ranked 122 of 180 countries in [Transparency International's Corruption Perceptions Index](#) for 2017.

The collapse of the global crude oil prices in 2014 has forced the Government of Kazakhstan to recalculate budgets and cut back on some ambitious infrastructure spending, while maintaining spending on social welfare and high visibility projects such as Astana Expo 2017.

In August of 2015 the Central Bank of Kazakhstan allowed the tenge to "float". It immediately depreciated from a level of 187 tenge to the USD to its current level of 340s to the USD. While long overdue and welcomed by the foreign investment community, the sudden devaluation was a shock to the market. Throughout 2015 and the early part of 2016, importers saw a drop in large equipment purchases from the U.S. and EU. This is reflected in projected market figures for 2016. The tenge may now be at a "new normal", closely tracking the Russian ruble and the price of oil. According to the June 2018 IMF Statement, the flexible exchange rate is serving Kazakhstan well by helping to absorb changes in the macroeconomic environment and supporting dedollarization. Changes in the ER reflect fundamental factors, including oil prices and dynamics of the Russian ruble.

Market Opportunities

Kazakhstan ranks 36 on the [World Bank's Ease of Doing Business Report](#) updated in 2018. Of the various indicators used, Kazakhstan ranks higher than its overall score in "Starting a Business", "Protecting Investors", "Registering Property", "Paying Taxes" and "Enforcing Contracts". This report however, does not take into consideration vital business criteria such as corruption, labor skills, or investment regulations.

Demand in this developing market goes beyond the few best prospect sectors that this report is able to cover (see Chapter 4.) Kazakhstan's strategic aspiration is to **become a modern**, diversified economy with a high value-added and **high-tech component**, and they are cognizant of the need for foreign expertise to accomplish

this. The government is developing international partnerships and has agreed to projects with China and EU countries worth billions of dollars in order to accomplish this.

Like other former Soviet republics, Kazakhstan's infrastructure needs modernization, especially roads, transportation, and telecommunications. 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. 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 low price of crude oil. 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.

Most exporters find using local distributors 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 early steps:

- Perform detailed market research to identify specific sector opportunities.
- Establish a local presence or select a local partner for effective marketing and sales distribution in Kazakhstan. 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. Due diligence is also a must.
- Maintain 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.
- Be prepared to assist your buyers to obtain financing

Political Environment

Political Environment

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

Selling US Products & Services

Using an Agent to Sell US Products and Services

With a history rich in clan and tribal relations, business in modern Kazakhstan is still based on personal relationships. In an economy where rule of law is not yet firmly established, the quality and depth of key 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.

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. 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, Astana, 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 Astana.

Franchising

While the small number of inhabitants and low population density of Kazakhstan limit franchising opportunities, this sector is believed to have significant potential for development. At the moment, there are more than 495 franchises operating in Kazakhstan, most of them located in Almaty, making Kazakhstan the franchising leader in Central Asia. Kazakhstan is characterized by a large number of 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. U.S. franchisors have developed 300 franchise systems in Kazakhstan, which include around 2000 franchised outlets. U.S. share is the most significant in total franchising turnover.

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 increasingly present. The number of foreign brands currently franchising in Kazakhstan is close to 500, estimated to equate to over 3,000 franchising outlets and employ over 30,000 people, with an estimated annual turnover of \$ 2.5 billion. It is estimated that those 500 franchisors will rise to 550 by 2020. Domestic franchising is just starting to develop with more than 30 local franchises and more than 200 franchising outlets.

The franchising sector is developing quite intensively. Just a few years ago it was a fairly new business concept in Kazakhstan, but now it is drawing increasing interest from entrepreneurs. At the moment, the franchising sector has not yet reached its full potential, and the big international players in the sector are yet to arrive. Kazakhstani companies have accumulated financial resources that, combined with a lack of available investment instruments, are stimulating interest in franchising. While the number of potential franchisees grows steadily in Kazakhstan, franchisors have yet to express a notable interest in expanding into the market. It is expected that the next step of the franchising development in Kazakhstan will be the growth of national Kazakh brands. Regional centers of franchising in Kazakhstan are Almaty, Astana, Atyrau, Karaganda, and Shymkent. Major international brands are concentrated in Almaty and Astana.

Any franchising contract should be carefully drafted because judges in Kazakhstan are not familiar with this area of law. In fact, the Law of Franchising adopted in June 2002 does not even use the term but retains the archaic term "complex business license."

Direct Marketing

Direct marketing is becoming more common in Kazakhstan, especially in larger cities such as Almaty and Astana. 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 restricted to urban areas in the past. The development of the state program Digital Kazakhstan, more and more people and organizations are enjoying easier and high-quality Internet access, and less is becoming the gap between urban and provincial cities. 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 on 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 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 with the digital development of the country.

According to experts, in 2016 the e-commerce market grew by 63.7%, and expanded by 31% in 2017. And it is expected to double by 2020 and to reach \$2 billion. The opportunities for growth are massive, because today the share of e-commerce in the retail trade of Kazakhstan structure is gaining pace very quickly with the easy and high-speed Internet and the program of Digital Kazakhstan. According to industry representatives, if previously the development of e-commerce in Kazakhstan had been lagged down by an insufficient public confidence in the ability of payment systems to assure data confidentiality, now more and more Kazakhstanis are using online shopping.

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 \$ 296 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 in order 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 \$ 293 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.

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..

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.

In order to simplify procedures and as part of its e-Government strategy, Kazakhstan introduced E-licensing - an electronic license application. E-licensing allows the individual submitting an application for a license the ability to monitor the status of the application. One can find detailed information on the web-site <http://www.elicense.kz/?lang=en>.

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 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.

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 & Sales Channels- Azhar

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libero, sit amet commodo magna eros quis urna.

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 fifteen 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 77% of the population in 2017 (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 600 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, are not ready to go beyond the web representative office to conducting on-line business. In 2004, [Kazkommertsbank](#), the leading local bank in Kazakhstan, 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 39,000 members and more than 40,000

completed tenders. These numbers represent a considerable increase compared with 2005: 126 members and 140 tenders.

Specialists estimate that the sector is currently growing at 25% per year, a rate likely to continue for at least the next three years. Forecasts from the local experts indicate that e-commerce in Kazakhstan could be worth US\$3.6 billion by the end of 2017. The leaders among foreign Internet shops in Kazakhstan are AliExpress, Amazon, and eBay. On-line shopping amounted to only approximately 10-12 % of all Internet services provided in Kazakhstan in 2017. Most international courier services have representation in Kazakhstan and use online sites to support delivery. In 2007, Air Astana, a leading international air carrier in Kazakhstan started to provide online services for its customers. The volume of Air Astana online services reached 10% of total ticket sales in 2013 and company plans to increase its electronic transactions to 30% in five years. In April 2015, PayPal announced the launch of its Merchant Services in Kazakhstan. Kazakh merchants will now be able to offer customers simpler, faster and more secure way of paying online. Kivanç Onan, Regional Director of PayPal Middle-East, North Africa & Turkey commented: "E-commerce is booming in Kazakhstan, with the country's strong payment infrastructure prompting regional and cross-border trading."

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 shops 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.

Since 2013, the Association of Kazakhstani Internet business and mobile Commerce ([AKIB](#)) has provided independent evaluations of Kazakhstani Internet shops. A multifaceted system has been developed in order to survey all aspects of e-shops in Kazakhstan including level of access, feedback, ways of payment and delivery, technical support, etc. An association website rates the various Internet services and helps customers compare prices.

Trade Promotion & 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. Due to the devaluation of the local currency, companies had to drastically cut their marketing expenses in the last 2-3 years.

For the trends typical to the Kazakhstani market resonate with the global trends of advertising. According to TNS Central Asia, the total volume of advertising on TV, radio, the press and in outdoor advertising decreased by 37 % in 2016 (in dollar terms). The total number of advertisers in the media decreased by 12% down to 3011 subjects, while the number of advertisers on TV fell by 7.2%, on radio by 10.4%, in the print media by 20.5%, in outdoor advertising by 3.2%.

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.

Oftentimes, the advertisers cut their budgets on the print press, since less and less people are using print media, and printing press is costly and needs resources compared to the online advertising. The volume of the online advertising market is estimated to reach \$ 19-20 million.

Pricing

Key pricing components that should be considered include transport costs, duties associated with import (customs duties and fees, certification payments, etc.), VAT and high expectations of profits by importers/distributors (businesses in Kazakhstan tend to charge much higher margins than in other countries). Kazakhstan faced a currency devaluation of over 30% since August 2015, that was ignited by the low oil prices and Russian ruble devaluation.

Since January 2015, the agreement on the Eurasian Economic Union (EAEU) entered into force, ushering in the next stage of the integration project of Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The EAEU provides free movement of goods, services, capital and labor, pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union. Also, it is planned to create a supranational financial market regulation body in Almaty in 2025.

After joining the WTO in 2015, Kazakhstan has a further five years to adjust its regulations in compliance with the WTO standards. Joining the WTO is expected to cause a decrease in some of the import tariffs which were raised through the creation of the Customs Union. Experts note that as a result of the WTO negotiations, Kazakhstan has liberalized import tariffs on over 3,500 goods. Agriculture tariff will go down most dramatically: from 16.7 percent to 7.6 percent, while for non-agricultural products the average is 5.9%.

Cumulative rate of the Eurasian Economic Union (EAEU) within the obligations under the WTO in September 2015 will be reduced to 6.2% from the current 6.5%. Consequently, while Kazakhstan's common external tariff in the Eurasian Economic Union is estimated at 10.6 percent, as Kazakhstan enters the WTO, its tariff will go down even lower than the Russian to some 6.1 percent, returning back to the level it had before joining the EAEU.

Another factor affecting price and competitiveness of imported products is that the value-added tax of 12% has to 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 brand name, marketing or 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 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.

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 the Kazakhstani economy 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.

Local Professional Services

There are several international firms providing legal, accounting and consultancy services in Kazakhstan. Auditing firms include: [Deloitte](#), [Ernst & Young](#), [KPMG](#), and [PriceWaterhouseCoopers](#). Western-based legal firms include [Baker & McKenzie](#), [Curtis Mallet-Prevost Colt & Mosle](#), [Morgan, Lewis & Bockius](#), [Dewey & LeBoeuf](#), [Dentons](#), [Rosenblatt & Company](#), [White & Case](#), [Baker Tilly Kazakhstan LLP](#) and [Reed Smith](#). For a full list of firms or industry associations, please contact the Commercial Service in Almaty. You can also visit our website's list of [business providers](#), which includes local and international service providers supporting the international business community in Kazakhstan.

Principle Business Associations

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Kazakhstan or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- US-Kazakhstan Business Association
- National Chamber of Entrepreneurs Atameken
- KazEnergy Association
- Kazservice - Association of the service companies of Kazakhstan
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

Web Resources

[Republic of Kazakhstan Electronic Licensing](#)

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

[National Patent Office](#)

[International Telecommunications Union](#)

[Eurasian Economic Union](#)

[Kazakhstan's E-Commerce Center](#)

[State Procurement Website](#)

[The Economist Intelligence Unit](#)

[World Bank's Doing Business Report](#)

[U.S. Commercial Service Kazakhstan – Business Service Providers listing](#)

[The Ministry of Finance of Kazakhstan](#)

Leading Sectors for US Exports & Investments

Electric Power Generation

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

Overview

This section should give a basic, broad overview of the sector.

	2015	2016	2017	2018 estimated
Total Local Production	80	70	65	75
Total Exports	4	2	2	2
Total Imports	720	530	520	640
Imports from the US	70	50	45	65
Total Market Size	800	600	585	715
Exchange Rates				

(total market size = (total local production + imports) - exports)

Units: \$ millions

Source: *Unofficial estimates based on Kazakhstan customs data and industry sources.*

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. By 2010, power generation and consumption rose again.

As of 1st January 2017, the total installed capacity of Kazakhstan's power plants is 22,055.5 MWh (22 billion kWh), the available capacity is 18,789.1 MWh (18.8 billion kWh). According to the Kazakhstan operator of electricity and capacity market, in 2017 there was totally produced 103.14 billion kWh of electricity, which is 9% increase compare to 2016- total production was 93.9 billion kWh of electricity. In 2015, Kazakhstan produced 91.073 billion kWh of electricity or 3.7% less than in 2014. 14 electricity generation projects are included in the country's industrial program, eight of which have been completed. Total electricity consumption in Kazakhstan was 95.4 kWh in 2017.

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.

According to the Ministry of Energy, Kazakhstan hopes to produce 150 billion kWh of electricity by 2030. It is estimated that Kazakhstan will produce approximately 103.9 billion kWh by 2017 and consume 90.6 billion kWh. Kazakhstan has 68 power plants including five hydroelectric power stations; giving the country an overall installed generating capacity of 19.9 gigawatts (GW). 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.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kazakhstan power generation	78.9	80	78.4	82.3	86.2	90.2	91.9	94	95	93.9	103.14	112
Kazakhstan power consumption	76.9	80	77.9	83.6	88.1	91.4	89.61	91	91	91.1	95.4	98

Source: Kazakhstan Statistic Agency

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.

Financing for new generation facilities remains questionable; however, in July 2012 amendments to the Law on Electricity came into effect, which permitted changes to the wholesale tariff structure. These amendments

to the law require generators to have an investment agreement with the Ministry of Investment and Development and to reinvest 100% of profit either into new infrastructure development or upgrades.

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, although the actual figure may be higher. 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.

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 \$3 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 \$63 billion over the next 18 years, including \$37 billion in power generation, \$9 billion in power distribution networks, and \$17 billion in regional power distribution organizations.

The most deplorable condition of the equipment of energy industry objects is observed in the villages and small towns of Kazakhstan. 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 US dollars.

Power generating infrastructure is outdated and needs upgrading. Almost half of the facilities are older than 30 years and modernization presents the key challenge for the country's power sector. However, power and heating tariffs are still too low to incentivize private investors to finance infrastructure upgrading. The problem is particularly acute for the thermal systems, which need substantial resources for their rehabilitation and capital requirements.

Kazakhstan has many renewal and development projects planned. One of the projects includes construction of the coal-powered 1 320 MW Balkhash Thermal Power Plant. The project implementation period is 2010-2018.

Six wind power plants are planned to be built in the North-Kazakhstan Oblast (SKO) through 2018. Wind power plants with capacity from 35 to 100 MW will be built in four districts of the region - Esil, Taiynshinsky, and Akkayynskiy and in district named after G. 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.

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

[Power Almaty 2018](#)

17th Kazakhstan International Energy, Electrical Equipment and Machine Building Exhibition and Forum

23-25 October 2018, Almaty, Kazakhstan

[Powerexpo Astana 2019](#)

The 8th Kazakhstan International Energy, Electrical equipment and Machine building Exhibition

25-26 April 2019, Astana, Kazakhstan

[KazInterPower](#)

International Exhibition of Equipment & Technologies for Power Engineering & Electric Machinery

22-24 May 2019, Pavlodar, Kazakhstan

Web Resources

[Alatau Zharyk Company](#)

[Balkhash combined heat and power station](#)

[Samruk Energo](#)

[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 (Example 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. More than 74% of the country's territory is suitable for agricultural production, but only 25% of the land is arable. 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 production in Kazakhstan for 2017-18 as 13 million tons.

	2015	2016	2017	2018 estimated
Total Local Production		250	260	270
Total Exports		25	29	33
Total Imports		300	300	300
Imports from the US		35	35	35
Total Market Size		525	530	537
Exchange Rates				

(total market size = (total local production + imports) - exports)Units: \$ millionsSource: *Source: Unofficial estimates based on Kazakhstan's customs data and industry sources.*

Agriculture Equipment and Machinery

Nearly 80% 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%.

Local production of agricultural machinery and equipment is insignificant. In 2017, the Kazakhstani agricultural machinery and equipment sector was roughly estimated at approximately \$500 million, of which \$300 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, Kamaz-Engineering JSC, SemAZ LLP, Hundai Truck and Bus.

As a result of Kazakhstan's entering into the Eurasian Economic Union created based on the Customs Union an increase in the 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 15% by 2018.

Live stock

To increase livestock efficiency and strengthen the country export potential in 2018 Kazakhstan adopted new programs for beef and dairy cattle industries development. According to the Ministry of Agriculture it is planned that the implementation of the beef industry program will increase a number of farms up to 20 thousand, the number of cattle to 15 million heads, and production of beef and mutton to 1,6 million tons. Within the dairy industry program, it is planned to increase the number of family farms to 930 and large dairy

farms to 170. 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.

WTO accession

Accession of Kazakhstan to the WTO in 2015 imposes the country to perform certain obligations. The legal basis for the assumption of the obligations in agriculture commitments is the WTO Agreement on Agriculture.

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.

Web Resources

[Kazagrofinance](#)

[Kazagromarketing](#)

[Ministry of Agriculture](#)

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

Franchising

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

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 (Burger King, Hard Rock Cafe, KFC, Lacoste, Marks & Spencer, Saks Fifth Avenue). In 2016, McDonald's and Starbucks entered the market to great fanfare in Almaty and Astana at multiple locations. 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 fairly new business concept in Kazakhstan, it is drawing increased interest from entrepreneurs. At the moment, there are more than 495 franchises 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 recently opened its first restaurant in the country in 2014 and McDonalds and Starbucks launched their outlets in 2016. Starbucks already opened more than 10 outlets in Almaty and Astana and plans to continue the expansion.

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 close to 500, estimated to equate to over 3,000 franchising outlets and employ over 30,000 people, with an estimated annual turnover of \$2.5 billion. It is estimated that those 5000 franchisers will rise to 550 by 2020. Domestic franchising is just starting to develop with 30 local franchises and 200 franchising outlets. Kazakhstan is characterized by a large number of 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, 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 \$ 20 billion, in

2017 the indicator grew by 26.3% reaching about \$25 billion, while in the previous three years its growth did not even exceed 13%. Thus, the retail sector is currently under rise. It is worth to mention that the local retailers are gaining a 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. 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. The majority of non-U.S. foreign franchises in Kazakhstan are from Russia and Western Europe, mainly the U.K, France, Germany, Spain, and Italy.

U.S. franchisors should focus marketing efforts on the growing middle class, estimated to be as high as 15-20% of the population and responsible for purchasing 50-70% of the financial value of all goods sold in Kazakhstan. 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 growing expatriate communities.

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 up new opportunities for franchisors. In the past ten years, about twenty new hypermarkets opened in Almaty and Astana. 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 on the scene is German Metro hypermarkets were opened in Almaty in 2008 and grew to 7 stores across Kazakhstan. Carrefour opened in 2016 had to close its operations shortly after with the main reasons cited being the 2015 devaluation of the national currency and the intensity of local competition. At the time of its opening, three new local chain supermarkets opened in Almaty, Kazakhstan's business capital, in the area where the Carrefour store opened.

A few larger malls are under construction or planned for development in Kazakhstan. Almaty, the largest city, and Astana, the capital, account for more than half of retail sales in the country, and with competition becoming fierce, some developers are targeting other regions.

Web Resources

Eurasian Kazakhstan Franchising Association	www.kazfranch.kz
Ministry of Industry and Trade of Kazakhstan:	www.mit.kz
National Institute for Intellectual Property (Kazpatent):	www.kazpatent.org
Small Business Development Fund:	www.fund-damu.kz
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

This section should give a basic, broad overview of the sector.

	2015	2016	2017	2018 estimated
Total Local Production	85	65	60	63
Total Exports	3	2	2	2
Total Imports	9,000	6,000	5,000	7,000
Imports from the US	600	350	300	400
Total Market Size	9,085	6,065	5,060	5,763
Exchange Rates				

(total market size = (total local production + imports) - exports)

Units: \$ millions

Source: *Unofficial estimates based on Kazakhstan customs data and industry sources.*

Kazakhstan is ranked 11th in the world in terms of proven oil reserves (and is the second largest oil producer among the former Soviet Republics after Russia, producing 1.65 million barrels per day (bpd) in 2016. In 2017 Kazakhstan produced 1.73 million bpd of crude oil. In 2018 projections are 1.75 bpd.

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 Kazakhstan, 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 a lot 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.

In 2016, Kazakhstan's oil production dropped to 1.65 million bpd from 1.72 million bpd in 2014, due to challenges including low crude oil prices and changing market conditions. However, in 2017 crude oil production increase to 1.73 million bpd, with production reaching 1.84mn bpd in 2019.

The national oil and gas company, KazMunaiGas (KMG), is largely responsible for arranging the licensing tenders for oil and gas blocks. It also plays a role in almost all contracts with foreign oil and gas companies. Kazakhstan's share of the Caspian Pipeline Consortium (CPC) is also included in KMG's portfolio. 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.

Kazakhstan attracts significant investment in its vast upstream oil and gas resources, and it is more crucial than ever that the Government multiplies its efforts to increase the attractiveness of its investment climate. For example, by the time the huge offshore Kashagan project started commercial production in October 2016 after years of delays, investment in the project was estimated at \$50 billion. Despite this large project, overall investment in Kazakhstan's oil and gas industry declined to \$12 million in 2016, from \$18 million in 2013. Kazakhstan plans to increase investment in the oil and gas sector through innovation development and investment stimulation measures that will be set forth in the new Subsoil Use Code and in the Tax Code.

Oil production at the Kashagan field started in October 2016 and reached 190,000 bpd in March 2017. Oil and gas from the Kashagan field is processed at the onshore Bolashak plant. 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) owned by Agip Caspian Sea B.V. (16.81%), ExxonMobil Kazakhstan Inc. (16.81%), KMG Kashagan B.V. (8.44%), National Wealth Fund Samruk-Kazyna (8.44%), Inpex North Caspian Sea Ltd. (7.56%), Shell Kazakhstan Development B.V. (16.81%), Total EP Kazakhstan (16.81%) and CNPC Kazakhstan B.V. (8.33%). The consortium is considering further investment of around USD2.0bn into the project, which would lift the output to around 450,000b/d.

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.

Leading Sub-Sectors

Opportunities remain for U.S. companies in virtually every sub-sector associated with oil and gas 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; 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.

There are significant opportunities for companies producing oil and gas field equipment and machinery such as drilling and wellhead equipment, Christmas trees, valves, pumps, motors, compressors, electrical submersible and jet pumps, underwater repair equipment, and oil spill containment equipment. Good

prospects also exist for firms offering downstream engineering and services such as fabrication, welding, engineering services and testing in accordance with API and ASME standards.

Opportunities

Despite low global crude oil prices and Kazakhstan's commitment to reduce oil production in coordination with OPEC's production cut, there are still significant opportunities for companies supplying oil and gas field equipment and services.

[TengizChevrOil's](#) Future Growth Project and the Wellhead Pressure Management Project (FGP-WPMP) is an expansion project of \$37 billion and presents opportunities for U.S. equipment suppliers and service providers. TengizChevrOil JV (TCO) invested about \$5 billion in the FGP-WPMP in 2017. The project will increase crude oil production at the Tengiz oil field by 260,000 bpd to reach the annual production of 850,000 bpd. FGP-WPMP are two integrated projects that are being executed simultaneously to expand Tengiz production and to maintain full production rates at the existing Tengiz facilities.

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.

TRADE EVENTS

[KIOGE 2018](#)

26th Kazakhstan International Oil & Gas Exhibition and Conference

26-28 September 2018, Almaty, Kazakhstan

[XII KAZENERGY Eurasian Forum](#)

1-3 October 2018, Astana, Kazakhstan

[Global Oil & Gas Atyrau Exhibition 2019](#)

18th Global Oil&Gas Atyrau Exhibition

9-11 April 2019, Atyrau, Kazakhstan

Web Resources

[Caspian Pipeline Consortium](#)

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

[Kazakhstan International Oil & Gas Exhibition and Conference \(KIOGE\) 2016](#)

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

[KazEnergy Association](#)

[KazMunayTeniz](#)

[KazStroyService](#)

[KazTransGas](#)

[KMG](#)

[KMG Exploration Production](#)

[North Caspian Operating Company](#)

[TengizShevrOil \(TCO\)](#)

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

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

Mining equipment

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

Overview

This section should give a basic, broad overview of the sector.

	2015	2016	2017	2018 estimated
Total Local Production	40	30	25	30
Total Exports	2	1	1	1
Total Imports	820	690	680	720
Imports from the US	50	30	35	42
Total Market Size	860	720	705	750
Exchange Rates				

(total market size = (total local production + imports) - exports)Units: \$ millions

Source: *Unofficial estimates based on Kazakhstan customs data and industry sources.*

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 2017 hard minerals and metals made up approximately 20% of the country's exports by value. For example, last year the country earned \$2.3 billion from exports of refined copper to non-EAEU countries, \$792 million from zinc exports, \$538 million from silver, \$369 million from aluminum, \$251 million from lead, and \$121 million from titanium. Kazakhstan is the world's leading producer of uranium with its 23,390 tons of output in 2017 representing about 40% of global production and earning \$1.3 billion in export revenue.

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 particular 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.

In 2017, the production of iron ore in Kazakhstan achieved 39.1 million tones. In 2016, the production of iron ore in Kazakhstan increased to 25.94 million tons with compared to 2015 - 25.53 million tons. According to the Kazakhstan Statistics Committee, in 2017 there was 95 million tons of copper ore extracted. Kazakhstan increased coal production to 111 million tons in 2017, which is 7.8% more than in 2016, and plans to produce 107 million tons in 2018. In 2016, coal production in Kazakhstan decreased by 4.6%, totaling 107.83 million tons, including coal concentrate. Kazakhstan is currently the world's 10th largest producer of coal and has the 8th largest iron ore reserves with 12.5 billion tons. The nation ranks second in manganese ore reserves with an estimated 600 million tons. Kazakhstan boasts 30% of worldwide chromite ore deposits. The country is also a significant producer of beryllium, tantalum, barite, cadmium, and uranium. Kazakhstan is interested in further developing its gold mining (ranked 10th globally) and uranium mining (25% of world reserves) if commodity prices rise and will need to attract foreign investment in order to expand current production.

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, have ceased their operations. Lack of transparency, poor financial incentives, unclear and arbitrary laws which favor local investors, bureaucracy, and unclear land tenure made it impossible to continue their operations. The government, in turn, claims that many investors failed to deliver on promised commitments. As a result, under the current system, few foreign companies are willing to risk investment, with or without a local partner.

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, 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.

KAZ Minerals (listed on London Stock Exchange) increased copper cathode production to 259,000-tons in 2017. In 2016, the company produced 140,300 tons of copper cathode equivalents. KAZ Minerals' total expansionary capital expenditure guidance for 2018 is set at \$630 million.

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 \$16 million in further development of the industrial complex Nurkazgan, the company has told Interfax-Kazakhstan. 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 Nurkazgan with capital expenditures of 5 billion tenge, according to the company. 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 3.5 million tons per year while the company has plans to increase the volume to 4 million tons.

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.

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

Astana, Kazakhstan

Organized by ITE Group PLC, Iteca LLP

[MiningWorld Central Asia 2019](#)

25rd 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](#)

[KaztomProm Corporation](#)

[Kazakhmys](#)

[Mining World Central Asia Expo](#)

[MinTek Kazakhstan](#)

[Tau-Ken Samruk](#)

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

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

Infrastructure

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

Overview

Kazakhstan's construction sector is expected to improve in 2018, continuing its rebound after the 2015-2016 economy slowdown. According to 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.

There are residential, office, commercial and multi-functional projects developing in Astana, Almaty and Atyrau. In addition, large infrastructure and industrial projects are planned for Western Kazakhstan. The construction sector significantly influences the national economy as well as social judgments. 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.

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.

According to 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. 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. 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 Astana, 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

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 \$4 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).

The city of Almaty, the commercial and financial center of Kazakhstan, has been at the center of Kazakhstan's economy. The city is dynamically developing. New business centers, hypermarkets, cultural centers, and roads are under construction. Intensive construction in the country's new capital, Astana, has been going on since 1997 and the demand for machinery, construction equipment and materials is constantly increasing. A large part of the investment has gone into developing construction and transportation infrastructure, including airports, sports facilities, supermarkets, apartment houses, and highways. Although most official buildings have already been built, there is still strong demand for modern office space and housing in this once small city in the middle of the Kazakh steppe. The new capital is also awaiting construction of sport and entertainment centers, shopping malls and hotels, as well as of a highway system connecting Astana to other parts of the country.

TRADE EVENTS

[KazBuild 2018](#)

25th Kazakhstan International Building & Interiors Exhibition

4 - 6 September 2018

Almaty, Kazakhstan

Organized by ITE Group PLC, Iteca LLP

[ShymkentBuild 2019](#)

5th South Kazakhstan International Building & Interiors Exhibition

13- 15 March 2019

Shymkent, Kazakhstan

Organized by ITE Group PLC, Iteca LLP

[AtyrauBuild 2019](#)

18th North Caspian Regional Building and Interiors Exhibition

9 - 11 April 2019

Atyrau, Kazakhstan

Organized by ITE Group PLC, Iteca LLP

[AstanaBuild 2019](#)

21st Kazakhstan International Building & Interiors Exhibition

22 - 24 May 2019

Astana, 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:	www.atyraubuild.kz/en/	
Construction web gate for Kazakhstan:	http://building.bk.kz/	Kaz
KazBuild 2018:	www.kazbuild.kz/	
Kazakhstan Academy of Architecture and Construction:	www.kazgasa.kz/	
Kazakhstan Construction Association:	http://www.azk.kz/	
Kazakhstan legal website:	http://www.zakon.kz/	
Kazakhstan Statistic Agency:	www.stat.kz/	

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

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 seven GMP certified pharmaceutical manufacturers in Kazakhstan.

Entrance to the Customs Union has affected the pharmaceutical market as customs fees for imported pharmaceuticals into CU member countries increased from zero to 5.7-12% depending on a 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 2017 data on the amount of funds allocated from State and local budgets for the purchase of pharmaceutical products are not yet available. Based on figures from previous years, government purchases of pharmaceuticals account for approximately 50% of the total market. Local production accounted for only 12.3 % of the market in 2017. It is expected to account for 13% of the total market in 2018. 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 \$3,000 to \$5,000. Generally, the manufacturer pays the registration fee.

From 2016 to 2017, the market for pharmaceuticals in Kazakhstan increased by an estimated 8%. The U.S. market share was approximately 18% last year, valued at over \$200 million. Pharmaceutical imports in 2018 are expected to slightly increase by about 6%, reaching an estimated \$1.24 billion. Likewise, U.S. imports are predicted to increase slightly to an estimated \$220 million, keeping U.S. market share roughly the same.

	2015	2016	2017	2018 estimated
Total Local Production		0.14	0.16	0.18
Total Exports		0.018	0.02	0.022
Total Imports		1.1	1.16	1.24
Imports from the US		0.20	0.21	0.22
Total Market Size		1.2	1.3	1.4
Exchange Rates				

(total market size = (total local production + imports) - exports)

Units: \$ millions

Source: *Unofficial estimates based on Kazakhstan customs data and industry sources*

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 94% by 2017. The remaining 6% of pharmaceuticals is directly purchased by hospitals and consists mainly of items less frequently used. In 2017 the single distributor bought pharmaceuticals worth approximately \$340 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.

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

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

Overview

- Over 496,209 students in higher education institutions in Kazakhstan
- 145,000 high school students graduate on an annual basis on average
- Over 40,000 students study abroad and over 1,700 study in the U.S.
- Education technology; secondary, vocational and higher education are key priority areas
- Government budget expenditures on education amounted to 1.4 billion U.S. dollars, an increase of 25% from previous year
- The program for the Development of Education and Science budget is 4.4 billion U.S. dollars for 2016-2019 period

According to Kazakhstan's Committee on Statistics, there are 496,209 students enrolled in higher education institutions in 122 universities nationwide in Academic Year 2017-2018, with the highest concentrations of students in Almaty, Shymkent, Astana and Karaganda. Additionally, slightly more than 85% of the students are self-funded and 14.7% 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 \$9.4 billion on education for 2015-2017, with \$2.7 billion allocated for 2015, \$3.3 billion for 2016, and \$3.4 billion for 2017.

The Unified National Testing

In 2018, 147,023 students graduated from Kazakhstani high schools. Students finishing high schools take the final examination in schools that grant the completion of high school. Those who proceed to enter higher education institutions take the 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 are taking the test in 2018, leaving 44,576 students to self-fund or seek scholarships in order to study abroad.

Local Higher Education Institutions

Higher education institutions in Kazakhstan include universities, academies, and technical institutions. From 122 higher education facilities in Kazakhstan, the number of mostly private or partly private universities decreased to 86 in 2017, 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 Astana 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. Nazarbayev Intellectual Schools are a group of 20 existing schools in Kazakhstan. Uniquely, the children in Nazarbayev Intellectual Schools 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 30,000 self-funded Kazakhstani students studying overseas. In 2016, there were more than 15,000 people studying in Russia, 10,000 in China, 3,000 and nearly 5,000 in Europe and USA. The rest are studying in other countries such as Australia, Canada, Czech Republic, Germany, Japan, Netherlands, Poland, Singapore, South Korea, Sweden, Switzerland, Turkey, and other European countries. Less than 10% of all the students studying abroad are awarded with the Bolashak Scholarship, and the rest are self-funded. Fewer than 5% of potential Kazakhstani applicants are studying in the U.S.

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 \$1.6 million for building and reconstructing education facilities

Over 50% of Kazakhstan's educational institutions has joined e-learning projects in 2015 and 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 enter this market. At the moment, fewer than 5% of potential Kazakhstani studying overseas are studying in the U.S., and out of 30,000 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. 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.

U.S. Five-year Visa Regulation for the Kazakhstani Citizens

Starting from January 1, 2017 the United States began issuing the first-ever ten-year visas to citizens of Kazakhstan for travel to the United States. That fact is a great benefit for future students wishing to study in the U.S. as it will reduce their travel costs and encourage parents and relatives to visit. This is generally viewed to have a positive impact on the U.S. educational industry.

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.

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 11,126 Kazakhstan students have received Bolashak Scholarship with a capacity of 1,200 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 200 educational institutions worldwide, of which 47 in the United States.

Requirements for foreign universities have been raised – first 200 positions in QS ranking, Times Higher Education (THE) and Academic Ranking of World Universities (ARWU) international rankings, first 30 positions in national rankings and in QS 50 under 50, Times Higher Education 100 under 50 rankings.

New Split-PhD program has been integrated in the educational process of state universities chosen as leading institutions of training professionals for country's industrialization. Since 2015 scholars take language courses in accordance with "6+6" model – six months in Kazakhstan, another six months – abroad. At the VIII International Going Global Conference in Miami in 2014, Bolashak Scholarship has been named the best one among 11 academic mobility programs worldwide. It is considered a good partner by U.S. universities.

Web Resources

Ministry of Education and Science of the Republic of Kazakhstan: www.edu.gov.kz/en

Committee on Statistics of the Republic of Kazakhstan: www.stat.gov.kz

Bolashak Program:

www.bolashak.gov.kz

World Bank for Technical and Vocational Education Project:

www.worldbank.org

For more information contact Commercial Specialist Aliya Shaikhina

Customs, Regulations & Standards

Trade Barriers

Include the barriers (tariff and non-tariff) U.S. companies face when exporting to this country, such as:

- Particularly high tariffs for certain products
- Restrictions on selling to the government of the country
- Import licensing requirements
- Anti-dumping and countervailing duty measures
- Products bans
- Any quarantine measures for agricultural products

Identify barriers to entry for U.S. service providers, if applicable. Describe any measures used to protect domestic industry.

For more information and help with trade barriers please contact:

[International Trade Administration Enforcement and Compliance](#)

(202) 482-0063

ECCommunications@trade.gov

Import Tariff

From January 2015, the Customs Union (CU) between Russia, Kazakhstan and Belarus was further integrated into the Eurasian Economic Union's (EEU) legal framework and was enlarged to include Kyrgyzstan and Armenia. As a result, the average import tariff rate almost doubled and has reached 9.2%. Member countries opened their markets to each other, exposing domestic producers to more competition and forcing Kazakhstan to raise their customs duties to non- CU-members, which led to price hikes on goods coming from outside of the union.

Currently, about 85% of tariffs are harmonized, although all tariff lines must be harmonized by 2025. The tariff lines cover pharmaceuticals, medical equipment, aluminum foil, rail wagons, and prefabricated buildings. In addition, a CU Party can increase tariffs for up to six months on selected goods without the consent of the other CU Parties. Agricultural combines and tractors will be exempt from customs duties if the import is financed through state programs.

The full Customs Union schedule can be found (in 6 official languages, including English) at the websites of the Eurasian Economic Commission www.eurasiancommission.org and at the Kazakhstan Customs Control Agency www.keden.kz.

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. Taxpayers need to have a VAT registration in Kazakhstan if their turnover during the calendar year exceeds \$ 208,971.65. 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.

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.

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).

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 (123 out of 189) on the World Bank's "Trading Across Borders" indicator.

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.

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 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 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 70,500 rules and norms, including 16,110 representing international standards (International Organization for Standardization) and 2,295 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 Investments and 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

Firms can subscribe to SNIP, which publishes monthly updates to technical regulations and standards in use in Kazakhstan.

“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. (www.nist.gov/notifyus) 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. 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. U.S. exporters have criticized the trade-limiting effects of these TRQs, and the way they are calculated and distributed. In October 2017, Kazakhstan developed new rules for allocating TRQs that establish clear deadlines and delineate responsibility among government agencies.

According to its WTO commitments, Kazakhstan will lower 3,512 import tariff rates to an average of 6.1 percent by 2020. Since January 2016, Kazakhstan has applied a lower-than-Customs Union tariff rate on food products, cars, airplanes, lumber, medicine, and jewelry.

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. In May 2018, Kazakhstan joined an agreement establishing an interim free trade area between Iran and the EAEU.

Investment Climate Statement

Executive Summary

Since its independence in 1991, Kazakhstan has made significant progress toward creating a market economy and has achieved considerable results in its efforts to attract foreign investment. As of January 1, 2018, the stock of foreign direct investment in Kazakhstan totaled USD 161.7 billion. The majority of foreign investment is in the oil and gas sector, and the United States is a leading source of investment capital with around USD 27.28 billion (FDI stock) invested in Kazakhstan as of January 1, 2018.

While Kazakhstan's vast hydrocarbon and mineral reserves remain the backbone of the economy, the government continues to make incremental progress toward its goal of diversifying the country's economy by improving the investment climate. Kazakhstan's efforts to remove bureaucratic barriers – including through a new “single window” – have been moderately successful and the World Bank in 2018 ranked the country 36 out of 190 in its annual *Doing Business Report*.

The government maintains an active dialogue with foreign investors, through President Nazarbayev's Foreign Investors Council, the Prime Minister's Council for Improvement of the Investment Climate, and the Investment Ombudsman.

Kazakhstan joined the WTO in 2015 and began to lift local content requirements per its WTO accession commitments. In June 2017, Kazakhstan joined the OECD Declaration on International Investment and Multinational Enterprises and became an associated member of the OECD Investment Committee.

Despite institutional and legal reforms, concerns remain about corruption, bureaucracy, and arbitrary law enforcement, especially at regional and local levels. The government's tendency to challenge contractual rights, legislate preferences for domestic companies, and intervene in companies' operations continue to discomfit foreign investors. Foreign firms cite the need for improved transport and logistics infrastructure, a more open and flexible trade policy, and a more favorable work-permit regime.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	122 of 180	https://www.transparency.org/news/feature/corruption_perceptions_index_2017

World Bank's Doing Business Report "Ease of Doing

2018	36 of 190	http://www.doingbusiness.org/rankings
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Global Innovation Index

2017	78 of 127	https://www.globalinnovationindex.org/
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U.S. FDI in partner country (M USD , stock positions)

2014	USD 15,528	http://www.bea.gov/international/factsheet/
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World Bank GNI per capita

2016	USD 8,810	https://data.worldbank.org/indicator/ny.gnp.pcap.cd
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Openness to and Restrictions upon Foreign Investment

Policies Toward FDI

Kazakhstan has attracted significant foreign investment since independence. As of January 1, 2018, the total stock of foreign direct investment (by the directional principle) in Kazakhstan totaled USD 147.1 billion, primarily in the oil and gas sector. Kazakhstan is considered to have the best investment climate in the region, and many international firms have established regional headquarters in Kazakhstan.

In June 2017, Kazakhstan joined the OECD Declaration on International Investment and Multinational Enterprises and became an associate member of the OECD Investment Committee.

In 2017, the government adopted a new 2018-2022 National Investment Strategy, developed in cooperation with the World Bank, which outlined new coordinating measures on investment climate improvements, privatization plans, and economic diversification policy. The strategy aims to increase total FDI inflow by 25 percent by 2022.

Kazakhstan's government has incrementally improved the business climate for foreign investors and national legislation does not discriminate against foreign investors. Corruption and excessive bureaucracy, however, remain serious obstacles to foreign investment.

The Investment Committee of the Ministry of Investments and Development is in charge of developing an attractive investment climate. The Minister of Investments and Development also serves as the Investment Ombudsman. In 2017, the government established the national company "KazakhInvest" to facilitate the activities of foreign investors in Kazakhstan.

The government maintains a dialogue with foreign investors through the Foreign Investors' Council chaired by the president, as well as through the Council for Improving the Investment Climate chaired by the Prime Minister. Investment advisor positions in Kazakhstan's overseas embassies also promote Kazakhstan as a destination for foreign investment.

Limits on Foreign Control and Right to Private Ownership and Establishment

By law, foreign and domestic private firms may establish and own business enterprises.

While no sectors of the economy are legally closed to investors, restrictions on foreign ownership exist, including a 20 percent ceiling on foreign ownership of media outlets, a 49 percent limit in domestic and international air transportation services, and a 49 percent limit in telecommunication services. The government indicated it will remove restrictions in the telecommunications sector upon Kazakhstan's accession to the World Trade Organization (WTO), though this has not yet happened. No constraints limit the participation of foreign capital in the banking and insurance sectors, but foreign bank and insurance company branches are prohibited from operating in Kazakhstan until 2020, when this restriction will be lifted in compliance with the country's WTO commitments. The government currently requires foreign banking and insurance companies to form subsidiaries incorporated in Kazakhstan and restricts foreign ownership of agricultural land.

Foreign investors have complained about the irregular application of laws and regulations, and interpret such behavior as efforts to extract bribes. Some investors report harassment by the tax authorities via unannounced audits, inspections, and other methods. The authorities have used criminal charges in civil disputes as a pressure tactic.

Many foreign companies say they must defend investments from frequent decrees and legislative changes, most of which do not "grandfather in" existing investments. Penalties are often assessed for periods prior to the change in policy. Foreign investors also complain about arbitrary tax inspections, problems finalizing contracts, and delays and irregular practices in licensing. Foreign companies report that local and national authorities arbitrarily impose high environmental fines, arguing the fines are assessed to generate revenue rather than for environmental protection. Government officials have acknowledged the system of environmental fines requires reform and parliament passed legislation in March 2016 reducing maximum penalties for

environmental violations. The Ministry of Energy plans to submit a revised version of the Environmental Code, compliant with OECD standards, to parliament in 2019 and is meeting with businesses and other stakeholders on the new Code's development.

Foreign Investment in the Energy & Mining Industries

Despite substantial investment in Kazakhstan's energy sector, companies remain concerned about the risk of the government legislating or otherwise advocating for preferences for domestic companies, and creating mechanisms for government intervention in foreign companies' operations, particularly in procurement decisions. (For more details, please see Section 5. Performance and Data Localization Requirements.)

In April 2008, Kazakhstan introduced customs duty on crude oil and gas condensate exports, revenue from which does not go to the National Fund, but rather to the government's budget. Companies that pay taxes on mineral or crude oil exports are exempt from export duties. The government adopted a 2016 resolution that pegged the export customs duty to global oil prices.

The 2010 Subsoil Law gave the government a preemptive right to acquire all exploration and production contracts. The 2014 Amendments restrict this right to "strategic" deposits and areas, which helped to reduce significantly the approvals required for non-strategic objects. The December 2017 Subsoil and Subsoil Use Code, effective July 2018, provides criteria for strategic deposits and areas. The government approves the list of strategic deposits, published on the Ministry of Investments and Development's website (<http://depnedra.mid.gov.kz/ru/pages/postanovlenie-pravitelstva-respubliki-kazahstan-ot-4-oktyabrya-2011-goda-no-1137-ob>). The Code entitles the government to terminate a contract unilaterally "if actions of a subsoil user with a strategic deposit result in changes to Kazakhstan's economic interests in a manner that threatens national security." The Article does not define "economic interests." The new Subsoil and Subsoil Use Code, if properly implemented, appears to be a step forward in improving the investment climate, including for its streamlining of procedures to obtain exploration licenses and to convert exploration licenses into production licenses. The Code, however, appears to retain burdensome government oversight over mining companies' operations.

The Ministry of Energy announced in April 2018 Kazakhstan is ready to launch a CO2 emissions trading system. (A previous trading system launched in 2013 was later abandoned.) It is unclear, however, when actual quota trading will begin. In January 2018, the government adopted a National Allocation Plan for 2018-2020, and in February 2018 the Ministry of Energy announced the creation of an online CO2 emissions reporting and monitoring system. As of April 2018, the system is not operational. Some companies have expressed concern Kazakhstan's trading system will suffer from insufficient liquidity, particularly as power consumption and oil and commodity production levels increase.

Other Investment Policy Reviews

Kazakhstan announced in 2011 its desire to join the Organization of Economic Cooperation and Development (OECD). To meet OECD requirements, the government will need to continue to reform its institutions and amend its investment legislation. The OECD presented its second Investment Policy Review of Kazakhstan in

June 2017 (<http://www.oecd.org/countries/kazakhstan/oecd-investment-policy-reviews-kazakhstan-2017-9789264269606-en.htm>).

The OECD review recommended Kazakhstan undertake corporate governance reforms at state-owned enterprises (SOEs), implement a more efficient tax system, further liberalize its trade policy, and introduce responsible business conduct principles and standards. OECD also said it is carefully monitoring the country's privatization program that aims to decrease the SOEs' share in the economy to 15 percent of GDP by 2020.

Business Facilitation

The 2018 World Bank's Doing Business Report ranked Kazakhstan 36 out of 190 countries in the category "Ease of Doing Business" and 41 out of 190 in the category of "Starting a Business." The report noted Kazakhstan strengthened protections for minority investors and improved contract enforcement. The World Bank identified obtaining construction permits and trading across borders as areas for improvement.

Foreign investors have access to a "single window" service, which simplifies many business procedures. Investors may apply for these services here: http://invest.gov.kz/enguide/child/enterprise_registration.

According to the World Bank, it takes 9 procedures and 34 days to establish a foreign-owned limited liability company (LLC) in Almaty. This is slightly longer than the IAB (Investing Across Borders) average for Eastern Europe and Central Asia, but faster than the IAB global average. In addition to the procedures required for domestic firms, a foreign company establishing a subsidiary in Almaty must authenticate its parent company documents and register its charter capital contribution to the new company with the National Bank of Kazakhstan within 10 business days of registration.

The government supports women's entrepreneurship by providing access to credit. State-owned fund DAMU, local banks, and international donor organizations have special programs supporting women in business.

Outward Investment

The government neither incentivizes nor restricts outward investment.

Bilateral Investment Agreements and Taxation Treaties

The United States-Kazakhstan Bilateral Investment Treaty came into force in 1994, and the United States-Kazakhstan Treaty on the Avoidance of Double Taxation came into force in 1996.

Since independence, Kazakhstan has signed treaties on the avoidance of double taxation with 53 countries (<http://kgd.gov.kz/ru/content/konvencii-ob-izbezhanii-dvoynogo-nalogooblozheniya-i-predotvrashchenii-ukloneniya-ot>) and bilateral investment protection agreements with 47 countries. (<http://invest.mid.gov.kz/ru/pages/soglasheniya-o-pooshchrenii-i-vzaimnoy-zashchite-investitsiy>)

Kazakhstan is also party to the Eurasian Economic Union mutual investment protection agreement, which came into force in 2016. Some foreign investors allege Kazakhstani tax authorities are reluctant to refer double taxation questions to the appropriate resolution bodies.

Eurasian Economic Integration and WTO

Kazakhstan joined the WTO in November 2015. Kazakhstan 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. The EAEU is governed by the Eurasian

Economic Commission, a supra-national body headquartered in Moscow, and is expected to further integrate the economies of its member states, and provide for the free movement of services, capital and labor within their common territory.

Kazakhstan's trade policy has been heavily influenced by EAEU regulations. While Kazakhstan asserts the EAEU agreements comply with WTO standards, since joining the Customs Union Kazakhstan doubled its average import tariff and introduced annual tariff-rate quotas (TRQs) on poultry, beef, and pork. Per its WTO commitments, Kazakhstan will lower 3,512 import tariff rates to an average of 6.1 percent by 2020, and since January 2016 has applied a lower-than-Customs Union tariff rate on food products, cars, airplanes, lumber, medicine, and jewelry.

Kazakhstan is a signatory to the Free Trade Agreement with CIS countries, and as a member of the EAEU, is party to the EAEU-Vietnam Free Trade Agreement.

Legal Regime

Transparency of the Regulatory System

Kazakhstan law sets out basic principles for fostering competition on a non-discriminatory basis.

Kazakhstan is a unitary state, and national legislation accepted by the Parliament and President are equally effective for all regions of the country. The government, ministries, and local executive administrations in the regions ("Akimats") issue regulations and executive acts in compliance and pursuance of laws. Kazakhstan is a member of the EAEU and decrees of the Eurasian Economic Commission are mandatory and have preemptive force over national legislation. Publicly listed companies adhere to international financial reporting standards.

The government consults on some draft legislation with experts and the business community; however, the legal and regulatory process remains largely opaque. Draft bills are available for public comment, but the process occurs without broad notifications and some bills are excluded from public comment altogether. All laws and decrees of the President and the government are available in Kazakh and Russian on the website of the Ministry of Justice of the Republic of Kazakhstan: <http://adilet.zan.kz/rus>.

Implementation and interpretation of commercial legislation sometimes creates confusion among foreign and domestic businesses alike. In 2016, the Ministry of Health and Social Development introduced new rules on attracting foreign labor, some of which (including a Kazakh language requirement) created significant problems for foreign investors. After an active intervention by the international investment community through the Prime Minister's Council for Improving the Investment Climate, the government canceled the most onerous rules.

The non-transparent application of laws remains a major obstacle to expanded trade and investment. Foreign investors complain of inconsistent standards and corruption. Although the central government has enacted many progressive laws, local authorities may interpret rules in arbitrary ways for the sake of their own interests.

In 2015, President Nazarbayev announced five presidential reforms and the implementation of the "100 Steps" Modernization program. The reforms include the creation of a modern, transparent, and accountable state, strengthening of the rule of law, and industrialization and economic growth. The program calls for the formation of a results-oriented public administration system, a new system of audit and performance evaluation for government agencies, and introduction of an open government system with better public access to information held by state bodies. Initial implementation of this plan has already helped to improve

accountability. For example, in addition to the Audit Committee that monitors government agencies' performance, ministers and regional governors now hold annual meetings with local communities.

The "100 Steps" plan emphasizes the importance of foreign investment for the country and has objectives to attract transnational corporations in the local processing industry, transport and road infrastructure, agriculture, energy saving, and tourism.

International Regulatory Considerations

Kazakhstan is the part of the Eurasian Economic Union and EAEU regulations and decisions supersede the national regulatory system. Kazakhstan became a member of the WTO in 2015. It regularly notifies the WTO Committee on Technical Barriers to Trade about drafts of national technical regulations. Kazakhstan ratified the WTO Trade Facilitation Agreement (TFA) in September 2015, notifying its Category A requirements in March 2016, and requesting a five-year transition period for its Category B and C requirements. In January 2018, the government established an intra-agency trade facilitation committee to implement its TFA commitments.

Legal System and Judicial Independence

Kazakhstan's Civil Code establishes general commercial and contract law principles. Under the constitution, the judicial system is independent of the executive branch, although the government likely interferes in judiciary matters. According to Freedom House's *Nations in Transit* report for 2016, public trust in the impartiality of the judicial system was low, and citizens held little expectation that justice would be dispensed professionally in court proceedings. The Department of State's Report on Human Rights 2017 noted that business entities were reluctant to approach courts because foreign businesses have a historically poor record when challenging government regulations and contractual disputes within the local judicial system. Judicial outcomes were perceived as subject to political influence and interference due to a lack of independence. Regulations or enforcement actions are appealable and adjudicated in the national court system. Monetary judgments are assessed in the domestic currency.

Parties of commercial contracts, including foreign investors, can seek dispute settlement in Kazakhstan's courts or international arbitration, and Kazakhstani courts will enforce arbitration clauses in contracts. Any court of original jurisdiction can consider disputes between private firms as well as bankruptcy cases.

The Astana International Financial Center, set to open in July 2018, includes its own arbitration center and court based on British common law and independent of the Kazakhstan judiciary. The court is led by former Lord Chief Justice of England and Wales Harry Woolf, and several other Commonwealth judges have been appointed.

Laws and Regulations on Foreign Direct Investment

The following legislation affects foreign investment in Kazakhstan: the 2015 Entrepreneurial Code; the Civil Code; the Tax Code (in force since January 2018); the Customs Code of the Eurasian Economic Union and the Customs Code of Kazakhstan (both in force since January 2018); the Law on Currency Regulation and Currency Control; and the Law on Government Procurement. These laws provide for non-expropriation, currency convertibility, guarantees of legal stability, transparent government procurement, and incentives for priority sectors. Inconsistent implementation of these laws and regulations at all levels of the government, combined with a tendency for courts to favor the government, create significant obstacles to business in Kazakhstan.

The 2015 Entrepreneurial Code outlines basic principles of doing business in Kazakhstan and relations of entrepreneurs with the government. The Code reinstates a single investment regime for domestic and foreign investors, and thus, in principal, codifies non-discrimination for foreign investors. The Code contains incentives and preferences for government-determined priority sectors, providing customs duty exemptions and in-kind grants detailed in Part 5.2, Performance Requirements and Investment Incentives. This law also provides for dispute settlement through negotiation, use of Kazakhstan's judicial process, and international arbitration. U.S. investors have expressed concern about the law's narrow definition of investment disputes and its lack of clear provisions for access to international arbitration.

Competition and Anti-Trust Laws

The Entrepreneurial Code regulates competition-related issues such as cartel agreements and unfair competition. The Committee for Regulating Natural Monopolies and Protection of Competition and Consumers' Rights under the Ministry of National Economy of the Republic of Kazakhstan is responsible for reviewing transactions for competition-related concerns.

Expropriation and Compensation

The bilateral investment treaty between the United States and Kazakhstan requires the government to provide compensation in the event of expropriation. The Entrepreneurial Code allows the state to nationalize or requisition property in emergency cases, but fails to provide clear criteria for expropriation or require prompt and adequate compensation at fair market value.

Dispute Settlement

ICSID Convention and New York Convention

Kazakhstan has been a member of the International Center for the Settlement of Investment Disputes (ICSID) since December 2001 and ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1995. By law, any international award rendered by the ICSID, a tribunal applying the UN Commission on International Trade Law Arbitration rules, Stockholm Chamber of Commerce, London Court of International Arbitration, or Arbitration Commission at the Kazakhstan Chamber of Commerce and Industry is enforceable in Kazakhstan.

Investor-State Dispute Settlement

The government is a signatory to bilateral investment agreements with 47 countries. The United States and Kazakhstan signed a bilateral investment treaty in 1994. Post does not have any information on if there have been claims by U.S. investors under the agreement.

Although the local courts do recognize arbitral awards by law, Post is not aware of any cases of enforcing arbitral awards against the government. The 2015 Entrepreneurial Code defines an investment dispute as "a dispute ensuing from the contractual obligations between investors and state bodies in connection with investment activities of the investor," and states such disputes can be settled by negotiation, litigation or international arbitration. Investment disputes between the government and large investors fall to the Astana City Court and are appealable at a special investment panel at the Supreme Court of Kazakhstan.

A number of investment disputes involving foreign companies have arisen in the past several years linked to alleged violations of environmental regulations, tax laws, transfer pricing laws, and investment clauses. Some disputes relate to alleged illegal extensions of exploration schedules by subsurface users, as production sharing agreements with the government usually make costs incurred during this period fully reimbursable. Some disputes involve hundreds of millions of dollars. Problems arise in the enforcement of judgments, and ample opportunity exists for influencing judicial outcomes given the relative lack of judicial independence.

In an effort to encourage foreign investment, the government has developed dispute resolution mechanisms aimed at enabling aggrieved investors to seek redress without requiring them to litigate their claims. The government established an Investment Ombudsman in 2013, billed as being able to resolve foreign investors' grievances by intervening in inter-governmental disagreements that affect investors. According to the Ministry of Investments and Development, since 2017 the Investment Ombudsman successfully addressed 50 investors' requests.

Kazakhstani law provides for government compensation for violations of contracts guaranteed by the government. However, where the government has merely approved or confirmed a foreign contract, the government's responsibility is limited to the performance of administrative acts (e.g., the issuance of a license or granting of a land plot) necessary to facilitate an investment activity. Disputes arising from such cases may require litigation or arbitration.

International Commercial Arbitration and Foreign Courts

The 2011 law on mediation offers ways of alternative (non-litigated) dispute resolutions for two private parties. The 2016 law on arbitration defines rules and principles of domestic arbitration. As of April 2018, Kazakhstan had 17 local arbitration bodies unified under the Arbitration Chamber of Kazakhstan (<https://palata.org/about/>). The government noted that the 2016 law brought the national arbitration legislation into compliance with UNCITRAL model law, the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and the European Convention on the International Commercial Arbitration.

Judgements of foreign arbitrations are recognized and enforceable under local courts. Local courts recognize and enforce court rulings of CIS countries. Judgement of other foreign state courts are recognized and enforceable by local courts, when Kazakhstan has bilateral agreement on mutual judicial assistance with respective foreign country or applies a principle of reciprocity.

When SOEs are involved in investment disputes, domestic courts usually find in the SOE's favor. By law, investment disputes with private commercial entities, employees, or SOEs are in the jurisdiction of local courts. According to EBRD's 2014 Judicial Decision Assessment, judges in local courts lacked experience with commercial law and tended to apply general principles of laws and civil code provisions with which they are more familiar, rather than relevant provisions of commercial legislation.

Even when investment disputes are resolved in accordance with contractual conditions, the resolution process can be slow and require considerable time and resources. Many investors therefore elect to handle investment disputes privately, in an extrajudicial way.

A 2017 investment dispute began when the Kazakhstani government declined to extend a U.S. company's 20-year concession to operate two hydropower plants, returning the assets to the government's control while allegedly failing to compensate the company for its substantial investments. The case is now in international arbitration.

Bankruptcy Regulations

Kazakhstan has a bankruptcy law from 2014. The law protects the rights of creditors during insolvency proceedings, including access information about the debtor, the right to vote against reorganization plans and the right to challenge bankruptcy commissions' decisions affecting their rights. The bankruptcy is not criminalized, unless the court determines the bankruptcy premeditated.

The 2014 bankruptcy law improved the insolvency process by permitting accelerated business reorganization proceedings, extending the period for rehabilitation or reorganization, and expanding the powers of (and making more stringent the qualification requirements to become) insolvency administrators. The law also eased bureaucratic requirements for bankruptcy filings, gave creditors a greater say in continuing operations, introduced a time limit for adopting rehabilitation or reorganization plans, and added court supervision requirements.

There are public and private credit bureaus. The National Bank subsidiary, the State Credit Bureau (www.mkb.kz), and the privately-owned First Credit Bureau (<https://www.1cb.kz/main/>) provide credit dossiers upon requests.

Industrial Policies

Investment Incentives

The government's primary industrial development strategies, such as the Concept for Industrial and Innovative Development 2015-2019 and the National Program to Attract Investments, aim to diversify the economy from its overdependence on extractive industries. Priority sectors include agriculture, metallurgy, chemical and pharmaceutical industry, manufacturing of agricultural machinery, construction materials, food production, oil refining, manufacturing of oil and gas machinery, transport, electric equipment, and mining. Priority sector industries receive tax and customs duty waivers, in-kind grants, investment subsidies, and simplified procedures for acquiring visas and work permits. The government's preference system applies to new and existing enterprises. The duration and scope of preferences depends on the priority sector and the size of investment. All information on priority sectors and preferences is available at http://invest.gov.kz/ru/guide/child/investment_preferences.

The 2015 Entrepreneurial Code and 2018 Tax Code also provide tax preferences, customs duty exemptions, investment subsidies and in-kind grants as incentives for foreign and domestic investment in priority sectors. However, the Investment Committee at the Ministry of Investments and Development makes decisions on each incentive on a case-by-case basis. The law also allows the government to rescind incentives, collect back payments, and revoke an investor's operating license if an investor fails to fulfill contractual obligations. In 2015, the Committee simplified application procedures by creating a "single window" for investors throughout the country, including at its headquarters in Astana and at district service centers in every region of Kazakhstan.

In order to facilitate the work of foreign investors, especially in targeted non-extractive industries, the government has approved visa-free travel for citizens of 52 countries, including the United States, Germany, Japan, United Arab Emirates, France, Italy, and Spain. Residents of these countries may stay in Kazakhstan without visas for 30 days.

Foreign Trade Zones/Free Ports/Trade Facilitation

The 2011 Law on Special Economic Zones allows foreign companies to establish enterprises in special economic zones (SEZs), simplifies permit procedures for foreign labor, and establishes a special customs zone regime not governed by Eurasian Economic Union rules. A system of tax preferences exists for foreign and domestic enterprises engaged in prescribed economic activities in Kazakhstan's eleven SEZs.

Performance and Data Localization Requirements

The government requires local employment and content, though the country's WTO accession commitments provide for abolition of most local content requirements over time. In 2015, Kazakhstan adopted legislative amendments to alter existing local content requirements to meet accession requirements. Pursuant to these amendments, subsoil use contracts concluded after January 1, 2015 no longer contain local content requirements, and any local content requirements in contracts signed before 2015 will phase out on January 1, 2021.

Kazakhstan's WTO accession terms require that Kazakhstan relax limits on foreign nationals by increasing the "quota" for foreign nationals to 50 percent (from 30 percent for company executives and from 10 percent for engineering and technical personnel) by January 1, 2021.

Despite these commitments, the government, particularly at the regional level, continues to advocate for international businesses to increase their use of local content. The USD 36.8 billion investment into the Tengiz oilfield by Tengizchevroil includes an agreement that 32 percent of total investment will flow toward local content. The Ministry of Energy announced in March 2017 that foreign companies providing services for the oil and gas sector will need to create joint ventures with local companies to continue to receive contracts at the country's largest oilfields. Some companies report these forced joint ventures or consortia lead to the creation of domestic monopolies, rather than stimulate a healthy domestic market of oil service providers. As another example, the Ministry of Energy and the Karachaganak Petroleum Operating Consortium reportedly agreed that a Kazakhstani design research company would carry out at least 50 percent of the design-work at the Karachaganak expansion project.

The government regulates foreign labor at the macro and micro levels. Foreign workers must obtain work permits, which have historically been difficult and expensive to obtain. While bringing both positive and negative changes, 2016 amendments to the Expatriate Workforce Quota and Work Permit Rules, which came into effect in January 2017, caused some confusion among international investors. Positive changes included eliminating special conditions for obtaining a work permit for foreign labor (e.g. requirements to train local personnel or create additional vacancies). The amendments also: (1) eliminated the requirement that companies conduct a search for candidates on the internal market prior to applying for a work permit; (2) reduced the timeframe for the issuing authority to make a decision to issue or deny a work permit from 15 to seven days. The amendments, however, contained several negative aspects, including limiting the validity of a work permit to one region of Kazakhstan.

In March 2018, the Ministry of Labor and Social Protection implemented other changes to the Expatriate Workforce Quota and Work Permit Rules, specifying three types of work permits for expats: (1) one-year work

permits without the possibility of extension for temporary jobs and for category four workers (certain skilled workers); (2) one-year work permits with the possibility of a three-year extension for category two (engineering and technical personnel) and three (specialists) workers; and (3) work permits for up to three years with the possibility of a three-year extension for category one workers (highly qualified expats).

Additionally, the 2015 amendments to the migration and employment law, effective January 1, 2017, liberalized foreign workers' access to the local labor market by waiving quotas and work permit requirements for expatriates coming to Kazakhstan on their own looking for work.

Electronic work permit applications can be processed at e-service centers, which are being used for an increasing number of licensing and payment transactions with the government. Under the new system, employers will pay the local government for expatriate work permits directly, creating a monetary incentive not to impose bureaucratic obstacles on the issuance process, which previously was one of the main barriers to employing foreign workers. In order to encourage the employment of highly skilled foreign workers, fees for work permits will vary depending on both the sector of economic activity and on worker qualifications. For example, highly skilled workers in critically-designated sectors pay lower fees.

The Ministry of Energy, Ministry of Investments and Development, and sovereign welfare fund Samruk Kazyna monitor local content compliance, and there are various enforcement tools for companies that do not meet performance requirements. Authorities may begin more frequent tax or sanitary inspections, suspend or revoke licenses, terminate contracts, or file lawsuits.

Protection of Property Rights

Real Property

Private entities, both foreign and domestic, have the right to establish and own business enterprises, buy and sell business interests, and to engage in all forms of commercial activity.

Secured interests in property (fixed and non-fixed) are recognized under the Civil Code and the 2003 Land Code. All property and lease rights for real estate must be registered with the Ministry of Justice through its local service centers. In 2014, Kazakhstan introduced new procedures aimed at expediting property transfer and registration. According to the World Bank's *Doing Business Report*, Kazakhstan ranks 17 out of 190 countries in ease of registering property.

Kazakhstan's constitution provides land and other natural resources may be owned or leased by Kazakhstani citizens. The 2003 Land Code allows citizens and Kazakhstani companies to own agricultural and urban land, including commercial and non-commercial buildings, complexes, and dwellings. Amendments to the Land Code in 2011 permit foreigners to own land to build industrial and non-industrial facilities, including dwellings, with the exception of land located in border zones. In 2015, the government proposed Land Code amendments that would allow foreigners to rent agricultural lands for up to 25 years. Mass protests in the spring of 2016 led the government to introduce a moratorium on these provisions until December 31, 2021. The moratorium is also effective on other related articles of the Land Code that regulate private ownership rights on agricultural lands.

The 2018 Land Code Amendments authorized the government to monitor proper use of leased agricultural lands, the results of which can affect the status of land-lease contracts.

The Land Code does not allow private ownership of: land used for national defense and national security purposes; specially protected nature reserves; forests, reservoirs (lakes, rivers, canals, etc.), glaciers, and swamps; designated public areas within urban or rural settlements, except land plots, occupied by private building and premises; main railways and public roads; land reserved for future national parks; subsoil use and power facilities; and social infrastructure.

Intellectual Property Rights

The legal structure for IPR protection is relatively strong, however, enforcement needs further improvement. Kazakhstan was last listed in the Special 301 Report in 2006. To facilitate its WTO accession and attract foreign investment, Kazakhstan continues to improve its legal regime for protecting intellectual property rights (IPR). The Civil Code and various laws, in principle, protect U.S. intellectual property. Kazakhstan has ratified 18 of 24 treaties endorsed by the World Intellectual Property Organization (WIPO). (http://www.wipo.int/members/en/details.jsp?country_id=97)

In 2015, Kazakhstan signed an Enhanced Partnership and Cooperation Agreement with the European Union, which includes a special section on IPR protection.

In 2015, Kazakhstan enacted two new IP laws enhancing the role and transparency of organizations for collective management of copyright royalty payments, and extending the original medicine patent protection period to six years, during which no new drug can be registered with reference to the test data and confidential information submitted under the original drug owner's patent.

The government has strengthened provisions against illegal generic pharmaceuticals in recent years, creating new administrative and criminal penalties for distributing illegal generics. The Criminal Code sets out criminal punishment for violations of copyright and related rights and for violations of rights for inventions, useful models, industrial patterns, selective achievements and integrated circuits topographies. The law authorizes the government to target internet piracy and shut down websites unlawfully sharing copyrighted material, provided rights holders register copyrighted material with Kazakhstan's IPR Committee. Despite these efforts, U.S. companies and associated business groups have alleged that 73 percent of software used in Kazakhstan is pirated, including in government ministries, and have criticized the government's enforcement efforts.

To comply with OECD IPR standards, draft legislation was introduced in 2016 to provide for a more convenient, one-tier system of IPR registration and provide right holders the opportunity for pre-trial dispute settlement through the Appeals Council at the Ministry of Justice. The legislation remains in Parliament.

Kazakhstan's authorities annually conduct a nationwide campaign called "Counterfeit," aimed at increasing public awareness about IP issues. The Ministry of Justice and law enforcement agencies regularly report the results of their inspections. According to them, in 2017 authorities seized 38,600 copies of counterfeited goods, including 38,200 CDs and DVDs, and 223 disks with pirated software.

Although Kazakhstan continues to make progress to comply with WTO requirements and OECD standards, foreign companies complain of inadequate IPR protection. For example, a U.S. beverage company successfully sued a Kazakhstani company for violating its trademark, but a local court blocked the enforcement after company merely changed its legal name.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en>.

Financial Sector

Capital Markets and Portfolio Investment

Kazakhstan has created a sound financial system and stable macroeconomic framework. Official policy supports credit allocation on market terms and the further development of legal, regulatory, and accounting systems that are consistent with international norms. However, capital markets remain underdeveloped and illiquid, with small equity and debt markets dominated by state-owned companies and lacking in retail investors. Most domestic borrowers obtain credit from Kazakhstani banks, although foreign investors often find margins and collateral requirements onerous, and it is usually cheaper and easier for foreign investors to use retained earnings or borrow from their home country. The National Bank of Kazakhstan (NBK) is Kazakhstan's main financial regulator, overseeing banks, insurance, pension system, stock market, microcredit organizations, debt collection agencies and credit bureaus.

The government actively seeks to attract foreign direct investment, including portfolio investment. Foreign clients may only trade via local brokerage companies or after being registered as members of the Kazakhstan's Stock Exchange (KASE). KASE, which has operated since 1993, is an insignificant source of investment capital. As the stock exchange is not fully developed, it has not greatly impacted financial markets or the overall economic situation.

The number of listed companies dropped from 354 in 2010 to 154 in 2018. The government's 2013 decision to consolidate all pension savings into a single state-owned pension fund practically froze the stock market, as private pension funds, which until that time were Kazakhstan's main institutional investors, ceased to operate. Since 2013, the stock exchange has been gradually recovering thanks to a stable currency and improving macroeconomic conditions. In 2017, KASE obtained frontier market status from FTSE Russel, MSCI, and S&P Dow Jones Indices, and the number of issuers reached an historic high of 110. Traditionally, the foreign exchange market had dominated KASE, and the foreign exchange market is dominated by National Bank transactions. In 2017, around 49 percent of KASE trades were in foreign exchange, repo transactions comprised a further 49 percent, and government and corporate securities trading accounted for roughly 2.0 percent of KASE volume. By March 2018, the stock market capitalization was USD 57.8 billion, and corporate bond market volume was USD 26.25 billion.

The Single Pension Fund is the main source of local currency liquidity in the country and has accumulated USD 24.9 billion as of April 1, 2018. Its largest investment positions are in Kazakhstani government securities (44.0 percent) and foreign sovereign papers (13.78 percent), corporate bonds of Kazakhstan-based banks (15.51 percent) and bonds of Kazakhstan parastatal companies (10.03 percent). The Single Pension Fund is managed by the National Bank of Kazakhstan.

In July 2018, the government will open the Astana International Financial Center (AIFC), a regional financial hub modeled on Dubai with a focus on fintech, Islamic finance, and green finance. The AIFC will have its own stock exchange, regulator, and court (see Section 4). The AIFC has partnered with NASDAQ and the Shanghai Stock Exchange.

Kazakhstan is bound by Article 8 of the International Monetary Fund's Articles of Agreement, adopted in 1996, which forbids the government to restrict currency conversions or the repatriation of investment profits. No distinction is made between residents and non-residents in opening bank accounts, but all account holders must have a Kazakhstani tax identification number. Money transfers associated with foreign investments,

whether inside or outside of the country, are unrestricted. However, in 2015 NBK introduced a requirement for residents and non-residents to present a currency contract if the transfer exceeds USD 10,000.

Unlike to branch offices, a subsidiary of foreign-owned company registered in Kazakhstan is considered a domestic company for currency regulation purposes.

Money and Banking System

Kazakhstan has 32 commercial banks. As of March 1, 2018, the five largest banks (Halyk Bank, KazKommertsBank, Tsesna Bank, Sberbank-Kazakhstan and Forte Bank) held assets worth approximately USD 40.75 billion, or about 55.4 percent of the banking sector's total assets. Although Kazakhstan's banking system remains stable, it continues to be plagued by non-performing loans – legacies of the 2008 financial crisis and the 2015 tenge devaluation – and problems with self-dealing. While the share of non-performing loans is declining, dropping from 31.2 percent in January 2014 to 10 percent in February 2018, analysts believe the figure has always been much higher than reported. In 2016, the NBK introduced a policy of de-dollarization to help curb inflation. As result, the share of retail dollar-denominated deposits dropped from 80.3 percent in February 2016 to 45.7 percent in February 2018. In 2017, loan portfolio growth slowed due to decelerated economic growth. The government continues to support the banking sector through capital injections from the National Oil Fund and the Single Pension Fund. In 2017, the NBK launched a bailout facility, but stopped the program in February 2018, limiting it to five mid-sized banks.

The NBK continues its policy on consolidation of the banking sector. In 2017, the government facilitated the merger of Qazkom (formerly Kazkommertsbank) with Halyk Bank by taking around USD 7 billion in bad debts off Qazkom's books. The merger made Halyk Kazakhstan's largest bank with 35 percent of the country's banking assets.

The government's implementation of Basel III standards were postponed until 2021, though the NBK confirmed its commitment to move gradually toward this goal.

Foreign banks are allowed to establish operations in the country only through opening subsidiaries. This restriction will be removed by 2020 as a part of Kazakhstan's WTO commitments.

The NBK hails the use of block chain technology. In March 2018, the NBK launched its own "Invest Online" application, which is based on block chain technology. Users of this application may buy and sell NBK notes, which offer higher interest rates than tenge-denominated retail deposits. The NBK does not support cryptocurrency. In March 2018, Governor of the NBK stated that the regulator does not recognize cryptocurrency as a means of payment and a unit of value. The NBK is currently developing measures restricting exchange of tenge or tenge-denominated financial instruments for cryptocurrency and prohibiting any transactions in cryptocurrency.

Foreign Exchange and Remittances

Foreign Exchange

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 bill on currency regulation, introduced in parliament in December 2017, will not change the existing liberal regime of currency regulation, but would require branch offices of foreign companies to be treated as residents. Currently, foreign company branches are treated as non-residents, and can conduct transactions with both residents and non-residents, in foreign currency or the tenge. New currency legislation would remove this privilege and oblige all foreign branches, though with a few exceptions, to conduct all transactions in the tenge. The NBK maintains the draft law would help achieve its de-dollarization objectives, but foreign investors report the law would create onerous new requirements for them. Once the bill is approved, the provision on residency of foreign branch offices is scheduled to be enacted in December 2020.

Following the drop in oil prices and the ruble's devaluation in 2015, Kazakhstan abandoned its currency peg in favor of a free floating exchange rate and inflation targeting monetary regime in August 2015. The switch precipitated a large depreciation, and the National Bank admits to intervening in foreign exchange markets to combat excess volatility. Kazakhstan has managed to maintain its international reserves at a sufficient level; as of March 2018, international reserves totaled USD 90.4 billion, including foreign currency and gold reserves at the National Bank and National Fund Assets. The REPO rate is the NBK's main monetary policy mechanism, which is set every two months. Rates are published on the NBK's website, <http://www.nationalbank.kz>.

Remittance Policies

Post is not aware of any concerns about remittance policies or the availability of foreign exchange conversion for the remittance of profits. According to National Bank rules, foreign investors can receive investment returns after their subsidiary or partners in Kazakhstan present a contract to the bank. There are no time limitations on remittances and the wait period to remit investment returns depends on the internal procedures of the servicing bank.

Sovereign Wealth Funds

Kazakhstan's sovereign wealth fund is called the National Oil Fund, and was established by Presidential decree in 2000. The fund exists to reduce the country's budgetary dependence on fluctuating world oil prices and to accumulate savings to benefit future generations. The Fund receives all direct taxes and a percentage of revenues from the oil sector, revenues from the privatization of state property and assets of quasi-sovereign companies, proceeds from sale of state farm lands, and the Fund's investment income. The Ministry of Finance owns the National Fund, while the NBK acts as trustee and selects external administrators from internationally-recognized investment companies or banks to oversee the fund. Information on external administrators and the assets they manage is confidential. As of December 2017, the National Fund's assets totaled USD 58.3 billion, or approximately 36.9 percent of GDP.

In addition to preserving Kazakhstan's wealth for future generations, the Fund is also used to support the government's political and economic objectives. The Fund extended a USD 4 billion loan in 2012 to Kazakhstan's state-owned oil company KazMunayGas (KMG) to support its participation in the Kashagan oil field. The Fund also provides state budget support through annual official transfers. Under a December 2016 National Fund policy, transfers to the national budget should be gradually reduced from USD 8 billion in 2018 to USD 6.2 billion beginning in 2020. The President may also direct National Fund assets through "special purpose transfers." In 2014-2016, President Nazarbayev directed more than USD 20 billion in official and special purpose transfers for the "Nurly Zhol" fiscal stimulus program, focused on economic diversification, infrastructure development, and small businesses. In 2017 the President approved USD 3.4 billion as a special

purpose transfer for the recovery of the banking sector. The National Fund is required to retain a minimum balance of no less than 30 percent of GDP. Although domestic investments into the National Fund facilitate an increase of the state share in the economy, it does not have direct negative ramifications for U.S. investors.

Kazakhstan is not a member of the IMF-hosted International Working Group of Sovereign Wealth Funds.

State-Owned Enterprises

Officially, private enterprises compete with public enterprises under the same terms and conditions. In reality, SOEs generally enjoy better access to natural resources, credit, and licenses than private entities.

The law on state property defines various types of SOEs in Kazakhstan, including public institutions, state enterprises with the right to conduct economic activity, national companies, national holding companies, and national managing holding companies. Public institutions or state enterprises with the right to conduct economic activity are usually subsidiaries of government agencies, which render services to the public, such as hospitals, social rehabilitation centers, and research institutes. National companies or national holding companies are government-created joint stock companies that operate in “fundamental industries” or facilitate regional economic development, and in which the state holds a controlling interest. A 2015 OECD report estimated that there are over 7,000 public and state-owned companies in Kazakhstan. According to the Ministry of Finance, as of January 1, 2018, the government owns 3,617 entities, including all large national holding companies, national companies such as KazakhInvest, state universities, resorts, theaters, government subsidiaries, and natural reserves. The law requires all SOEs to publish annual reports and submit their books for independent audit. The lists of SOEs is available at: http://www.minfin.gov.kz/irj/portal/anonymous?NavigationTarget=ROLES://portal_content/mf/kz.ecc.roles/kz.ecc.anonymous/kz.ecc.anonymous/kz.ecc.anonym_activities/activities/statistics fldr.

National Welfare Fund Samruk-Kazyna (SK) is Kazakhstan's largest national holding company, and manages SOEs in the oil and gas, energy, mining, transportation, and communication sectors. SK has 404 subsidiaries and employs 327,000 people. By some estimates, SK controls around half of Kazakhstan's economy, and is the nation's largest buyer of goods and services. In 2016, SK reported USD 67.4 billion in assets and USD 1.33 billion of consolidated profit. Created in 2008, SK's official purpose is to facilitate economic diversification and to increase effective corporate governance; however, it spent its first two years spearheading the government's efforts to respond to the global financial crisis. The Prime Minister chairs SK's board of directors, and several other ministers and the Head of the Presidential Administration also serve on the board, alongside three independent directors. President Nazarbayev endowed SK with special rights, such as the ability to conclude large transactions between members of its holdings without public notification. SK enjoys a pre-emptive right to buy strategic facilities and bankrupt assets, and is exempt from government procurement procedures. Critically, the government can transfer state-owned property to SK, easing the transfer of state property to private owners. More information is available at <http://sk.kz/>.

Domestic and foreign companies can sell products and services to SK, although in the past local content requirements made this difficult. SK dropped local content requirements from its procurement rules in January 2016 as part of the government's efforts to comply with the WTO Agreement on Government Procurement, which Kazakhstan intends to join.

In addition to SK, the government created the national managing holding company Baiterek in 2013 to provide financial and investment support to non-extractive industries, drive economic diversification, and improve

corporate governance in government subsidiaries. Baiterek is comprised of the Development Bank of Kazakhstan, the Investment Fund of Kazakhstan, the Housing and Construction Savings Bank, the National Mortgage Company, the National Agency for Technological Development, Distressed Asset Fund, and other financial and development institutions. Like SK, the Prime Minister is Chairman of the Board, assisted by several cabinet ministers and independent directors. In 2016, Baiterek had USD 12 billion in assets and earned USD 142 million in net profit. Its loan investment portfolios totaled USD 7 billion and USD 1.5 billion respectively. Please see <https://www.baiterek.gov.kz/ru/>.

Other notable SOEs include KazAgro, which manages state agricultural holdings such as the state wheat purchasing agent National Food Contract Corporation, farm equipment subsidy provider KazAgroFinance, the Agrarian Credit Corporation, and an agricultural insurance company (<http://www.kazagro.kz/>). The national holding company Zerde is charged with creating modern information and communication technologies and to stimulate investments in the communication sector (<http://zerde.gov.kz/>).

International investment ratings of national companies are usually tied to the country's sovereign rating. National holding companies and national companies pursue investment policies consistent with the government's official industrial policy. The government considers national companies tools for accomplishing its economic goals, and supports them accordingly. Government officials, including cabinet members and the Prime Minister, serve on SOEs' boards of directors. The government exercises its ownership rights for SOEs through the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan.

In pursuit of its long-term strategy to join the world's top 30 economies, Kazakhstan aims to decrease the SOEs' share in the economy to 15 percent by 2020, in line with OECD averages. The government enacted a 2015 law applying Yellow Pages Rules to limit state participation in the economy. The government is also conducting a large-scale privatization campaign. However, the current preferential status of parastatal companies remains unchanged; for example, parastatals enjoy greater access to subsidies and government support.

OECD Guidelines on Corporate Governance of SOEs.

In its Investment Review from 2017, OECD recommended Kazakhstani authorities identify new ways to ensure that all corporate governance standards applicable to private companies apply to SOEs. The OECD called Samruk-Kazyna an example of promising developments as it adopted a new Corporate Governance Code in 2015. The Code, which is applied to all SK subsidiaries, specified the role of the government as ultimate shareholder, underlined the role of the Board of directors and risk management, and called for transparency and accountability.

Privatization Program

By law and in practice, foreign investors can participate in privatization projects. The government and parastatal National Welfare Fund "Samruk-Kazyna" (SK) approved a comprehensive plan of privatization for 2016-2020. As of March 2018, SK managed to sell full or partial stakes in 140 legal entities out of 214 subsidiaries of large national companies operating in the energy, mining, transportation, and service sectors. SK plans also to offer institutional investors non-controlling shares in the seven largest national companies via

Initial Public Offerings (IPOs): state oil company KazMunaiGas, uranium mining company KazAtomProm, Air Astana, national telecom operator KazakhTelecom, railway operator Kazakhstan Temir Zholy, KazPost, and Samruk –Energy. IPOs for KazakhTelecom, Kazatomprom, and Air Astana are planned for 2018. Information on privatization of SK assets is available here: https://www.sk.kz/investors/privatization/index_en.php?sphrase_id=33443.

The government also sells small state-owned and municipal enterprises through electronic auctions. For more information, please see <http://privatization.gosreestr.kz/en>.

Responsible Business Conduct

Entrepreneurs, the government, and non-government organizations are aware of the expectations of responsible business conduct (RBC). Kazakhstan continues to make steady progress toward meeting the OECD Guidelines for International Investment and Multinational Enterprises, and the government promotes the concept of RBC. The OECD National Point of Contact is the Investment Committee under the Ministry of Investment and Development, see: <http://invest.mid.gov.kz/en/pages/national-contact-center-republic-kazakhstan>

A legal framework for RBC was introduced in 2015. The Entrepreneurial Code has a special section on social responsibility, which is defined as a voluntary contribution for the development of social, environmental, and other spheres. The Code says that the state creates conditions for RBC but specifies that it cannot force entrepreneurs to perform socially responsible actions. The Code considers donations to charity one of the key forms of social responsibility and envisions a tax deduction for the charitable giving, though no such rule exists.

In April 2015, the National Tripartite Commission on Social Partnership and Regulation of Social and Labor Relations adopted the National Concept on Social Corporate Responsibility, developed by the National Chamber of Entrepreneurs “Atameken” and the corporate fund Eurasia-Central Asia. The non-binding document covers human rights, environmental protection, consumer interests, RBC, corporate governance, and community development.

President Nazarbayev has repeatedly asked foreign investors and local businesses to implement corporate social responsibility (CSR) projects, to provide occupational safety, pay salaries on time, and invest in human capital. President Nazarbayev presents annual awards for achievements in CSR. Foreign investors report local government officials regularly pressure them to provide social investments to achieve local political objectives. Local officials attempt to exert as much control as possible over the selection and allocation of funding for the projects.

The government has signed on to the Extractive Industries Transparency Initiative (EITI). **Kazakhstan produces EITI reports disclosing revenues from the extraction of its natural resources. Companies disclose what they have paid in taxes and other payments and the government discloses revenue received; these two sets of figures are then compared and reconciled. In February 2018, the EITI Board determined Kazakhstan made meaningful progress in implementing EITI standards by providing additional information on local content, social investment, and transportation of oil, gas, and minerals.** The board gave Kazakhstan until August 2019 to implement certain corrective actions before EITI will carry out a second validation.

U.S. firms have cited corruption as a significant obstacle to investment. Foreign investors are occasionally pressured by law enforcement agencies, a practice made possible by the fact that many errors or omissions financial reporting that would constitute routine civil violations in OECD countries may be treated as criminal cases in Kazakhstan. The government and local business entities are aware of the legal restrictions placed on business abroad, such as the Foreign Corrupt Practices Act and the UK Bribery Act.

Corruption

Corruption is a common problem, despite measures to mitigate it. On December 26, 2014, President Nazarbayev signed into law the 2015-2025 anti-corruption strategy, focused on measures to prevent the conditions that foster corruption rather than fighting the consequences of corruption. A new Criminal Code came into force on January 1, 2015, toughening criminal liability and punishment for corruption. Under the new code, probation is no longer allowed for corruption crimes and a new penalty of a life ban on employment in the civil service was introduced, with mandatory forfeiture of title, rank, grade, and state awards.

The statute of limitations does not apply to persons charged with corruption. In 2015, President Nazarbayev signed a law entitled "On Countering Corruption," as part of his Five Institutional Reforms program, introducing broader definitions of corruption, corruption policy, and risks, anticorruption monitoring and analysis, and stronger financial accountability measures. The Agency for Civil Service Affairs and Countering Corruption presents its report on countering corruption annually. Kazakhstan ratified the UN Convention against Corruption in 2008. It has been a participant of the Istanbul Anti-Corruption Action Plan of the OECD Anti-Corruption Network since 2004, the International Association of Anti-Corruption Agencies since 2009, and the International Counter-Corruption Council of CIS member-states since 2013.

Resources to Report Corruption

Under the 2015 counter-corruption law, all government, quasi-government entities, and officials are responsible for countering corruption. Along with the anti-corruption agency, prosecutors, national security agencies, police, tax inspectors, military police, and border guard service members are responsible for the detection, termination, disclosure, investigation, and prevention of corruption crimes and for holding the perpetrators liable within their competence.

Transparency International (TI) maintains a national chapter in Kazakhstan.

Contact at the government agency responsible for combating corruption:

Alik Shpekbayev

Chairman

Agency for Civil Service Affairs and Countering Corruption

37 Seyfullin Street, Astana

+7 (7172) 75-34-19

anticorruption@nab.gov.kz

Contact at a "watchdog" organization:

Natalya Kovalyeva

Executive Director

Civic Foundation "Transparency Kazakhstan"

43 "A" Mynbayev Str.

+7 (7273) 79 84 50

nkovaleva@tikazakhstan.org

Kazakhstan's rating in TI's 2017 Corruption Perceptions Index is 31/100, ranking Kazakhstan 122 out of 180 countries rated – a relatively weak score but the best in Central Asia. According to the report, corruption remains a serious challenge for Kazakhstan, amplified by the instability of the economy. In its September 2017

report on the fourth round of monitoring under the Istanbul Action Plan, OECD stated Kazakhstan had not implemented any of the 19 previous recommendations in full and was partially compliant with 15 recommendations. Based on the results of its monitoring, the OECD issued 22 new recommendations, including recommendations to engage civil society in combat against corruption, to ensure independence of the anti-corruption agency, and to adopt a comprehensive legal framework to protect whistle-blowers.

Political and Security Environment

There have been no reported incidents of politically motivated violence against foreign investment projects, and politically motivated civil disturbances are infrequent. In June 2016, individuals described by the government as Salafist militants attacked a gun shop and a military unit, killing 8 and injuring 37 people in the Aktobe region of northwestern Kazakhstan. Kazakhstan generally enjoys good relations with its neighbors. Although the governments of Central Asia are actively discussing and seeking greater regional cooperation, including on border issues, Kazakhstan remains concerned that its borders could be vulnerable to penetration by extremist groups.

Kazakhstan held presidential elections in April 2015, with President Nursultan Nazarbayev, in office since 1991, winning 97.75 percent of the vote. President Nazarbayev's Nur Otan party received 82 percent of the vote in the March 2016 election for the Mazhilis (lower house of parliament), while the business friendly Ak Zhol party and the Communist People's party each received 7 percent. All three parties support Nazarbayev and his policies. Following the 2016 election for the lower house of parliament, the Organization for Security and Cooperation in Europe (OSCE) reported "Kazakhstan still has a considerable way to go in meeting its OSCE commitments for democratic elections." (<https://www.osce.org/odihr/248786>)

Investors are concerned about the potentially negative economic effects of a contested presidential succession. President Nazarbayev has not announced whether he will seek reelection in 2020.

Labor Policies and Practices

Kazakhstan has an educated workforce, although the proportion of highly technically competent workers is fairly small. Demand for skilled labor generally exceeds local supply. Technical skills, management expertise, and marketing skills are all in short supply. Many large investors rely on foreign workers and engineers to fill the void. The Kazakhstani government has made it a priority to ensure that Kazakhstani citizens are well represented in foreign enterprise workforces. In 2009, the government instituted a comprehensive policy for local content, particularly for companies in the extractive industries. The government is particularly keen to see Kazakhstanis hired into the managerial and executive ranks of foreign enterprises. In November 2015, the government amended the legislation on migration and employment that resulted in new rules for foreign labor starting January 2017 (please see details in Section 5. Performance and Data Localization Requirements). U.S. companies are advised to contact Kazakhstan-based law and accounting firms and the U.S. Commercial Service in Almaty for current information on work permits.

Kazakhstan joined the International Labor Organization (ILO) in 1993, and has ratified key ILO conventions pertaining to minimum employment age, prohibition on the use of forced labor and the worst forms of child labor, and prohibition on discrimination in employment, equal pay, and collective bargaining. In September 2017, the ILO expressed concern over Kazakhstan's compliance with the Freedom of Association and Protection of the Right to Organize Convention and the Right to Organize and Collective Bargaining Convention by calling on the government to amend the relevant legislation in order to (1) not limit the right of workers to form and join trade unions of their own choosing, (2) allow labor unions to benefit from joint projects with international organizations, and (3) allow financial assistance to labor unions from international organizations. The constitution and national labor law guarantee basic workers' rights, including the occupational safety and health, the right to organize, and the right to strike. In November 2015, the President signed a new Labor Code

that came into force on January 1, 2016. In contrast to the previous law, the new Labor Code leaves many labor-related issues at the discretion of employers and gives employers more rights, especially in relation to dismissals and layoffs. The Labor Code imposes tighter collective bargaining requirements and restrictions on employees involved in labor disputes.

Article 46 of the Labor Code gives the right to an employer to change work conditions due to fluctuating market conditions with a proper and timely notification of an employee. Article 52 of the Labor Code envisages the right of the employer to cancel an employment contract in case of a decline in production that led to the deterioration of economic and financial conditions of the company. Article 131 of the Labor Code envisages severance of payment of average monthly wages for two months in case of layoffs for economic reasons. The Ministry of Labor and Social Protection is responsible for offering alternative job openings within state programs of the so-called Employment Road Map, alternative professional training, or temporary jobs to workers laid off for economic reasons.

Chapter 15 of the Labor Code describes a mechanism for resolution of individual labor disputes via direct negotiations with an employer, mediation commission, and court. Chapter 16 of the Labor Code identifies a mechanism for resolution of collective labor disputes via direct negotiations with an employer, mediation commission, labor arbitration, and court.

Two strikes in two weeks hit Karaganda region in late November-early December 2017. Around 300 workers mining copper for Kazakhmys LLP held an hours-long strike that ended with the management agreeing to increase workers' wages. On November 30, 2017, approximately 680 coal miners from Arcelor Mittal Temirtau (AMT) ended their four-day strike, started on December 11, 2017, soon after the City Court of Shakhtinsk (a satellite town of Karaganda) found in favor of AMT and ruled the strike illegal. AMT management promised to increase coal miners' wages by 30 percent and pay a one-time bonus of a month's salary.

Workers' rights to strike are limited by several conditions. Workers can strike if all arbitration measures defined by law have been exhausted. Strike votes must be taken in a meeting where at least half of workers are present, and strikers are required to give five days' advance notice to their employer, include a list of complaints, and tell the employer the proposed date, time and place of strike. Courts have the power to declare a strike illegal at the request of an employer or the General Prosecutor's office. Employers may fire striking workers after a court declares a strike illegal. The criminal code enables the government to target labor organizers whose strikes are deemed illegal. A Labor Union Law enacted in July 2014 and amended in November 2017 is generally considered to restrict workers' freedom of association. Under the law, any local (and potentially independent) labor union must be affiliated with larger unions, and the rights to freely establish and join independent organizations without prior authorization are restricted. Under the new law, in 2016 authorities did not allow the registration of one independent labor union and ordered its liquidation. In April 2018, the U.S. government initiated a review of Kazakhstan's compliance with the Generalized System of Preferences following a petition by the AFL-CIO, based on the country's alleged failure to afford internationally recognized worker rights. The AFL-CIO petition highlights the Law on Unions and also raises concerns about the use of Article 404 of the Criminal Code which appears to prohibit unregistered organizations.

Please see details at the Human Rights Report at <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/#wrapper>.

The official unemployment rate in Kazakhstan has been steady in recent years at or just below five percent. Independent analysts claim this rate is not accurate, given the large number of self-employed people or those whose companies have mandated part-time shifts or leave without pay.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) and the government of Kazakhstan signed an Investment Incentive Agreement in 1992, and OPIC has been active in Kazakhstan since 1994. In January 2018, OPIC President Ray Washburne signed a Memorandum of Understanding (MOU) with Chairman Saparbek Tuyakbayev to support U.S. investment in Kazakhstan and improve collaboration between the two countries. OPIC seeks commercially viable projects in Kazakhstan's private sector and offers a full range of investment insurance and debt/equity stakes. Kazakhstan is also a member of the Multilateral Investment Guarantee Agency (MIGA), which is part of the World Bank Group and provides political risk insurance for foreign investments in developing countries.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data		Year	Amount	Year	Amount	Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Host Country Gross Domestic Product (GDP) (M USD)	2016	USD 137,300	2016	USD 137,278		https://data.worldbank.org/country/kazakhstan
Foreign Direct Investment	2017	USD 27,204	2012	USD 12,512		BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (M USD, stock positions)	2017	USD 469	2015	USD -2		BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm

Total inbound stock of FDI as % host GDP 2017 102.2% 2015 55%

https://www.oecd-ilibrary.org/finance-and-investment/oecd-investment-policy-reviews-kazakhstan-2017/inward-fdi-stock-in-kazakhstan-2015_9789264269606-graph8-en

*The National Bank of Kazakhstan

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	USD 141,904	100%	Total Outward	USD 20,414	100%
Country Netherlands	USD 62,859	44%	Netherlands	USD 12,559	62%
Country United States	USD 24,035	17%	United Kingdom	USD 4,364	21%
Country France	USD 13,020	9%	Russian Federation	USD 1,238	6%
China P.R: Main land	USD 9,484	7%	Luxembourg	USD 1,181	6%
Country Japan #5	USD 5,812	4%	United States	USD 841	4%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets

Top Five Partners (Millions, US Dollars)

As of June,2017

Total			Equity Securities			Total Debt Securities		
All Countries	USD 65,512	100%	All Countries	USD 11,031	100%	All Countries	USD 54,481	100%
United States	USD 31,484	48%	United States	USD 5,725	52%	United States	USD 29,759	47%
Japan	USD 5,102	8%	Japan	USD 909	8%	Japan	USD 4,193	8%
France	USD 4,271	7%	United Kingdom	USD 860	8%	France	USD 3,82	7%
United Kingdom	USD 3,543	5%	Switzerland	USD 478	4%	Germany	USD 2,921	5%
Germany	USD 3,242	5%	France	USD 429	4%	United Kingdom	USD 2,683	5%

Contact for More Information on the Investment Climate Statement

Economic Section at the U.S.Embassy in Astana3, Koshkarbayev Str., Astana7 7172 -70 21 00InvestmentClimateKZ@state.gov

Country/Economy resources: the American Chamber of Commerce (AmCham) in Kazakhstan additional information: www.amcham.kz.

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 are finding it increasingly difficult to gain access to credit from local banks due to the decreased access to international financing available to these banks following the global economic crisis.

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 2017, the National Bank's refinancing rate is 11 %. This rate was established on the 11 April 2017 as a response of the National Bank to the high inflation rates in 2016 (8.29%)

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 32 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 acquired the functions of a financial regulator after merging with the Financial Supervision Agency in April 2011. 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.

Although prohibited from creating branches in Kazakhstan until 2020, foreign banks may establish subsidiaries, joint ventures, and representative offices. As of July 2018, 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 May 2017 Staff Report, the banking sector has long been clouded by poor lending and reporting standards, 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. Three other bailed-out banks defaulted and required restructuring. The government continues to struggle balancing systemic risk with moral hazard, and banks continue to have liquidity problems. In 2017, the National Bank announced a \$2 billion troubled asset facility, but abruptly closed it in February 2018, having limited participation to five mid-sized banks. The move followed public criticism from President Nazarbayev over the bailouts.

Banking sector recovery remains a top priority for the government, and the National Bank has adopted policies to strengthen oversight and capital requirements, de-dollarize, resolve bad assets, and encourage consolidation. The National Bank postponed plans to adopt Basel III standards until 2021, though confirmed its commitment to move gradually toward this goal. These policies have somewhat improved the situation. For example, the share of NPLs dropped from 31% in January 2014 to 9.1% in June 2018, although analysts believe the figure has always been much higher than reported. However, the sector has yet to fully recover – total bank assets and liabilities as of June 2018 remain less than half of their 2007 levels.

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 with other Kazakhstan residents 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 the law would help achieve its goal of "de-dollarizing" the economy, 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 barriers to currency conversion. The provision on branch offices will come into effect in December 2020. The NBK maintains the 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..

US Banks & Local Correspondent Banks

Citibank is the only "western bank" with a full-time presence in Kazakhstan servicing corporate clients.

CitiBank

41A, Kazybek Bi St, 2nd 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.

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 \$13 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. These projects, which require significant inputs of foreign equipment and technology, will help develop Kazakhstan's physical infrastructure. Feasibility studies typically assess the technical, economic, financial, and environmental aspects of a project to determine whether and how the investment project should be built.

The appropriate Kazakhstani sponsoring organization (government or private sector) must submit an official request for TDA assistance directly to TDA in writing. If a U.S. firm is already working with a Kazakhstani entity, the American partner should submit a separate proposal to TDA following an outline available from TDA. 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 \$8 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 has developed a new Kazakhstan Country Partnership Framework (CPF) for the period 2019-2023. The document is expected to be approved in the 2nd half of 2018 and will be aimed at helping the government of Kazakhstan improve the competitiveness of the economy 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 \$3.8 billion, of which \$2.4 billion, or 64% has been disbursed. Although over 85% of the commitments are concentrated in the two big South-West Roads Project and East-West Road Projects, 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, 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. Current themes include public-finance management reform, the implementation of international financial reporting standards, public-private partnerships, private sector competitiveness, and the country's social protection systems. International Finance Corporation

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 \$1.4 billion of IFC funds, including mobilization from partners of nearly \$300 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 \$142.3 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. IFC has recently provided financing to Eastcomtrans to help expand its railcar fleet, broadening commercial logistics services and helping develop the country's infrastructure for trade and industry. 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 the end of May 2018, the EBRD had disbursed more than €5.1 billion in Kazakhstan, with 42% of financing going to the private sector. Currently, EBRD's portfolio totals €2.5 billion with 119 active operations. Of the EBRD's loan portfolio, 46% is invested in the energy sector, 40% is directed to infrastructure projects, 10% 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 67 member countries, 48 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, loans, equity investments, guarantees, grants, and technical assistance.

Since joining the ADB in 1994, Kazakhstan has received \$4.9 billion in sovereign and non-sovereign loans, grants, and technical assistance. ADB funding has supported the agriculture, education, finance, transport, communications, water supply, sanitation, and irrigation sectors. Under its current Country Partnership

Strategy (CPS), ADB's \$1.6 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 \$1.5 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.

ADB is an active buyer of goods and services in Kazakhstan. Since 1994, ADB awarded 204 contracts worth \$2.12 billion to contractors and suppliers. For the same period, ADB also awarded 261 contracts worth \$12.88 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 2017, cumulative direct value-added co-financing commitments for Kazakhstan amounted to \$3.83 billion for five investment projects and \$2.95 million for five 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 (<http://export.gov/ebd>), the Asian Development Bank (<http://export.gov/adb>) and the World Bank (<http://export.gov/worldbank>).

Financing Web Resources

Commercial Liaison Office to the European Bank for Reconstruction and Development: <http://export.gov/ebd>

Commercial Liaison Office to Asian Development Bank: <http://www.export.gov/adb/>

Commercial Liaison Office to the World Bank: <http://export.gov/worldbank>

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, 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.

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 is located at
1401 16th Street NW
Washington, DC 20036
Telephone (202) 232-5488 or 550-9617,
Fax (202) 232-5845

The Consulate at
866 United Nations Plaza
Suite 586 A
New York, NY 10017
Telephone (212) 230-1900 or 230-1192
Fax (212) 230-1172

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 Astana 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 15-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 U.S.

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.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the State Department visa website, or contact the Consular Section in Kazakhstan.

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 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 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. Air Astana is currently the only airline that U.S Government employees are allowed to use. There is also a high-speed, overnight train between Almaty and Astana.

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. 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.

Local Time, Business Hours and Holidays

Eastern Kazakhstan (which includes Almaty and Astana) 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.