

June 27, 2022

The session starts at 10.00 am.

**Performance at 10.25 am.**

«Bloomberg Hall», AIFC,  
block C3.3 (entrance via C4.1)

**Report of the Minister of National Economy of the Republic of Kazakhstan Alibek Kuantyrov in the Fifth Plenary Session of the CICA Business Council** (*Conference on Interaction and Confidence-Building Measures in Asia*) **"Opportunities for cooperation between CICA members in the areas of digitalization of business processes in small and medium-sized enterprises and food security"**

**Dear session participants,**

**Dear guests,**

I am glad to welcome you to the 5th plenary session of the CICA Business Council dedicated to the prospects of cooperation between the CICA members in the areas of digitalization of business processes in small and medium-sized enterprises!

It just so happens that today we often compare our lives before and after the "pandemic" associated with COVID-2019.

In case of digitalization, **the pandemic was also a trigger**. Digitalization became an integral part of our lives, even before Covid. Kazakhstan was no exception.

**The spread of broadband Internet** made digitalization happen.

By 2019, the number of Internet users in the world was 4 billion people. The Government of Kazakhstan and entrepreneurs represented by the main communication providers, invested a lot of money and efforts to speed up the "internetization" of our large country.

**For reference:** *"Digital Kazakhstan" Program (GDRK No. 827 of 12.12.2017) identified the development of broadband Internet as a priority. The program provides reducing the gap in Internet access between urban and rural residents, including the launch of space communication systems "KazSat2" and "KazSat3" with a total bandwidth of 2,160 MHz, infrastructure development in rural regions and cities, and the expansion of the number of telecom operators.*

According to the results of 2019, the share of organizations with access to the Internet in Kazakhstan was 76.3%. The most "digital" organizations were concentrated in the capital - 97.6%, Shymkent-97.3% and Karaganda - 89.5%.

However, during the period of lockdowns and other restrictions, introduced to prevent infection, Internet and digital technologies, as well as the Internet-economy, has bared for all of us a special meaning.

**Forced digitalization** has become one of the most **vivid consequences of the pandemic**.

According to the OECD, in December 2020, compared to the same period in 2019, **the number of permanent subscriptions to fixed (wired) broadband Internet access**<sup>1</sup> in the OECD countries **increased by 21 million and amounted to 454 million**<sup>2</sup>. According to the WEF, worldwide Internet use increased by 30% in 2020, while e-commerce grew by more than 20%.

The pandemic has also had a positive impact on the growth of sales through B2C channels in our country.

According to the study "Analysis of the retail e-commerce market in Kazakhstan for 12 months of 2021", which was conducted by PwC Kazakhstan with the Digital Kazakhstan Association, for 2 years (2020-2021) **the volume of the e-commerce market in Kazakhstan increased from 327 billion (in 2019) to more than 1 trillion tenge (2021)**<sup>3</sup>. The vast majority of goods, as noted by respondents, including Mechta.kz, AliExpress Russia, Kaspi.kz, Leroy Merlin Kazakhstan, Halyk Market, Ozon Marketplace, was purchased via smartphones.

**Mobile Internet remains the main mean of Internet**

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<sup>1</sup> Фиксированный (проводной) широкополосный доступ обеспечивается технологиями xDSL; DOCSIS; Ethernet (применение оптического или коаксиального кабеля); FTTX; PLC (Power Line Communication). Заявленная скорость составляет не менее 256 Мбит/с.

<sup>2</sup> High-speed fibre overtakes DSL as OECD countries add 21 million fixed broadband connections in pandemic year. Доступно по эл. адресу: URL: <https://www.oecd.org/sti/broadband/broadband-statistics-update.htm>

<sup>3</sup> Объем рынка розничной электронной коммерции в Казахстане превысил 1 трлн тенге в 2021 году. Доступно по эл. адресу: URL: [https://forbes.kz/stats/obyem\\_ryinka\\_roznichnoy\\_elektronnoy\\_kommertsii\\_v\\_kazahstane\\_prevyisil\\_1\\_trln\\_tenge\\_v\\_2021\\_godu/](https://forbes.kz/stats/obyem_ryinka_roznichnoy_elektronnoy_kommertsii_v_kazahstane_prevyisil_1_trln_tenge_v_2021_godu/)

## communication in our country.<sup>4</sup>

**For reference:** the average fixed broadband subscription rate in OECD countries by 2022 was 33.2 per 100 people. The indicator is higher in the leading countries: Switzerland, France, Norway, Denmark, South Korea, it is close to 50 per 100 people. For comparison, in Kazakhstan, this figure in 2022 was only 14.

Broadband Internet infrastructure is developing, the gap between urban and rural residents regarding the availability of permanent Internet has become minimal, however, not in all parts of our country the network speed is equal or higher than 256 Mbit/s.

The country's Internet traffic remains much lower than in the leading countries.

**Development of digitalization** in the world has set a task **for Kazakhstani entrepreneurs to accelerate the implementation of digital solutions in key processes.**

Emphasis on IT technologies will allow many enterprises to "stay afloat".

**Mobile Internet**, which already covers almost 100% of economically active population of Kazakhstan, **as well as "medium" speed Internet, allow enterprises to develop Internet marketing and trade, switch to paperless document management technologies and use government and financial services.**

Kazakhstan made significant progress before and during the pandemic, and continues creating successful digital solutions. Here are some examples.

### **The first example. Development of a digital banking office.**

Today many second-tier banks have switched from standard banking structures to digital ones.

**A significant breakthrough** in the development of services was made by **Kaspi bank**, which occupies 2/3 of the digital banking market, with more than 9.5 million customers (every second resident of Kazakhstan).

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<sup>4</sup> Источник данных – Digital Development Dashboard. Инструмент Международного союза электросвязи. Доступно по эл. адресу: URL: <https://www.itu.int/en/ITU-D/Statistics/Dashboards/Pages/Digital-Development.aspx>

Within its framework Kaspi.kz implemented such services as "Payments", "Marketplace", "Public Services", "Fintech", "Travel" and others that are integrated with the information systems of government agencies. Service "Marketplace" has more than 80,000 partners, mostly micro and small businesses.

In addition, some banks have recently introduced the "Digital Documents" service. Now Kazakhstanis have quick access to personal digital documents directly in banking applications, including Kaspi.kz.

### **The second example. Automation of public services.**

In addition to the banking sector, government agencies also contribute to digitalization.

Today, through **e-government**, you can register a legal entity and get a large amount of information about business-oriented public and private sector services.

Now we have a goal to provide "a full process from getting information about the service to obtaining final service product." According to the National Development Plan of the Republic of Kazakhstan, we will reduce redundant business processes and move to full digitalization till 2025.

Full transition to the digital format of interaction between the government and business is planned to be implemented through **the "Government for Business" portal**. Interaction through the portal on the principle of a "single window" will ensure transparency and reduce the direct influence of bureaucracy on decision-making.

The principle of operation of the portal provides for one-time registration on the site using an electronic digital signature (EDS) and further use of all the services like egov, e-license, online.damu.kz and services for providing state support, also gives access to four purchasing sites.

This will reduce the time spent by entrepreneurs to obtain about 600 public services (including financial, property and non-financial, infrastructure support).

In addition to the public services the unified "Government for Business" portal should allow 1.4 million business entities, the vast majority of which are small businesses, to use such commercial services as *ERP platform, CRM system, escrow-contracts, online sales register, B2B and B2C transactions, marketplaces, etc.*

The digital ecosystem of "Government for Business" portal provides integration with 215 databases and information systems. At the moment a pilot project has been launched, which does not allow to implement all the features. The government aims to fully implement the project not later than 2025.

**However, technologies that are inherent in "Industry 4.0"**, for example, *big data, the implementation of digital twins, the Internet of Things, virtual and augmented reality, 3D printing, quantum computing, blockchain and robotics, and other technologies* **require a high - speed stable Internet connection, efficient technical solutions and products, and technological advancement of enterprises.**

High-speed Internet in addition to traditional production needs: high-power electricity, water supply, access roads and other logistics solutions, in case of digitalization and "Industry 4.0" is a crucial need.

We have to meet this need not only in the company's offices, but also in the production facilities, including those located outside built-up areas.

**For this purpose, active work will continue** to develop a reliable, accessible and secure digital infrastructure. **By 2025, it is planned to provide 100% broadband Internet access.**

We also have to resolve the problem of technological development of our enterprises. Unfortunately, most Kazakhstani enterprises have not yet moved beyond the stage of "Industry 3.0", and sometimes even "2.0".

Today, the share of large and medium-sized enterprises using elements of Industry 4.0 is 5 %, and about 80% of enterprises still use semi-automated production.

In this regard, **the digital transformation of enterprises, the proactive introduction of elements of Industry 4.0, remains the prerogative of the Government of the Republic of Kazakhstan.** It is necessary to create a digital ecosystem, including the use of "digital" twins in production based on the principles of smart outsourcing (*innovation,*

*information content, flexibility, risk balance, etc.).*

This will make it possible to improve production processes, as well as optimize management decisions at the stages of planning, monitoring and analysis of both the enterprise as a whole and individual areas of activity.

**We also hope that large enterprises**, especially those that engaged in the extraction and processing of natural resources, fintech, and more integrated into global connections and, therefore, are well-developed, **will be able to support their SME partners in accelerated modernization and digitalization.**

Thanks to the efforts of the government, as well as the private sector (banks), high-tech solutions for the economy are being developed in Kazakhstan. However, for the most part, Kazakhstan continues to import digital solutions from abroad, which negatively affects the development of Kazakhstan's potential. I believe that the changing this state of play will be the next aim for our country.

**Technological modernization, the capabilities of digital platforms, artificial intelligence, and production automation require transformation of personnel training and human capital development.** At the same time, it is important not only to train personnel with IT competencies, but also to adapt the skills of working citizens to digitalization, to increase their digital literacy.

As part of the Comprehensive Plan to restore Economic Growth, the Government of Kazakhstan introduced improved non-financial support measures. For instance, we introduced new forms of training and testing (online) and supplementing modules with financial literacy programs and anti-crisis business management.

This makes it possible to develop human capital for the digital economy.

Digital economy provides opportunities for providing training materials based on virtual reality. Employees in manufacturing, agriculture and other industries have the opportunity to learn a new technological process on-the-job.

These main areas of digital business transformation allow us to create the necessary conditions for the digitalization of the economy.

The Government and industry leaders are actively working to successfully implement these areas.

Kazakhstan has big goals to achieve by 2025. They are:

the 20th place in the UN e-government Rating;

the 50th place in the B2C e-commerce index;

the 40th place in the ICT Development Index.

In general, we believe that we can achieve such ambitious goals while maintaining and developing the strategic partnership between the Government and the consolidated business community.

**Thank you for your attention!**