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**AN ACTION AGENDA FOR  
INTERNATIONAL DONOR SUPPORT FOR  
ICT DEVELOPMENT IN KAZAKHSTAN**

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## AN ACTION AGENDA FOR INTERNATIONAL DONOR SUPPORT FOR ICT DEVELOPMENT IN KAZAKHSTAN

### 1.0 Introduction

On November 6-7, 2002, USAID and the Kazakhstan Ministry of Transport and Communications sponsored **THE US-KAZAKHSTAN CONFERENCE ON ELECTRONIC COMMERCE**. The goal of the conference, which was held on in Almaty, Kazakhstan, was to help government and private sector participants better understand the potential for e-commerce and create a "checklist" of reforms or initiatives that are needed in various areas to enhance the development of e-commerce in Kazakhstan.

The conference agenda and a summary of the conference findings can be found on the conference website located at <http://www.agis.org/kazakhstan>. The conference summary prepared earlier by BearingPoint, together with the background report on *e-Commerce in Kazakhstan*<sup>1</sup> prepared by the Pragma Corporation, describe the current state of ICT and e-commerce development in Kazakhstan and ways in which ICT and e-commerce can contribute support economic growth and improved governance in Kazakhstan.

The purpose of this report is to analyze next steps that USAID and other international donors could take to support ICT development in Kazakhstan, through existing projects or new initiatives.

### 2.0 Workshop Findings:

#### 2.1 Role of ICT in Kazakhstan's economic development strategy

The conference participants discussed the important role that ICT development and e-commerce can play as a core part of Kazakhstan's economic development strategy. These contributions, which are described in more detail in the two reports cited above, include:

1. Opportunities to use ICT/e-commerce solutions to improve the competitiveness of business enterprises, open up new market channels, link buyers and suppliers, and improve access to critical support services.
2. Faster and more effective delivery of technical assistance in a variety of sectors – including SME development, trade and investment promotion, agriculture, distance education, telemedicine, environmental management, and governance.
3. Opportunities to improve the effectiveness and transparency of government services, introduce cost-saving technologies, and improve service delivery to businesses and citizens.
4. Increased employment opportunities in the ICT service sector and related or dependent industry clusters.

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<sup>1</sup> See Barton and Beklemishev, *e-Commerce in Kazakhstan*, Pragma Corporation, SME Trade and Investment Policy Project, USAID, Almaty, Kazakhstan, July 2002. ([http://www.agis.org/kazakhstan/ecommerce\\_report.htm](http://www.agis.org/kazakhstan/ecommerce_report.htm)).

5. Opportunities to attract increased levels of foreign direct investment and domestic investment.

- Telecommunications and ICT is a major area of investment in Kazakhstan and the rest of the Central Asia Region.
- Telecommunications and ICT investments can drive development in other areas.

## 2.2 Problems and constraints

In spite of the many areas in which enhanced ICT capabilities could contribute to Kazakhstan's economic development prospects, ICT has not yet been addressed adequately as part of the country's economic development agenda. ICT development continues to be constrained by several key factors, including:

- The low level of awareness of ICT applications and benefits (within government in particular)
- A lack of a national strategy for ICT development
- Weaknesses in the policy and regulatory environment needed to support ICT development
- Slow progress with respect to telecommunications reform and privatization of Kazakh Telekom.
- A lack of focus on ICT as part of the strategies of international donors providing development assistance to Kazakhstan.

## 2.3 Specific opportunities

Conference participants discussed some of the particular opportunities for using ICT to support economic development initiatives in Kazakhstan that are present in the areas of e-procurement, e-government, e-commerce applications for SME development.<sup>2</sup>

E-Commerce: B2B e-commerce applications offer new ways of linking small and medium enterprises in Kazakhstan to regional and international buyers and suppliers. The smetradecenter.net website that is currently being developed by Pragma Corporation under USAID's Enterprise Development Project provides an excellent example of how this area of e-commerce could be facilitated.

E-procurement by large corporate buyers and government procurement agencies appears to be another particularly promising area for development over the next 1-3 years. Such systems could provide cost savings to corporate and government buyers and open up new opportunities for small and medium enterprises in Kazakhstan to sell through these channels.

E-government applications could improve the efficiency of many government operations (such as customs operations and procurement) and improve the responsiveness of the government to its citizens.

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<sup>2</sup> In addition to e-commerce and e-government applications, there are an abundant array of applications available to facilitate e-learning, improve the delivery of health care, support agricultural development, improve environmental management, or support the development of civil society and improved governance. Our focus in this paper, however, is on e-commerce and related e-government applications.

Providing cross-cutting support to other development initiatives: Efforts to solve some of the pressing policy and regulatory problems that are constraining ICT development – in particular, widespread, affordable access to the Internet – could have an immediate impact on the effectiveness of development assistance efforts in traditional sectors – including education, health care, agriculture, and environmental management.

### **3.0 USAID and Other Donor Options for Supporting ICT Development and e-Commerce in Kazakhstan**

Participants in the November 2002 e-commerce conference discussed various ways in which Government, the private sector, NGOs, and the donor community could promote ICT development and e-commerce in Kazakhstan. These recommendations are summarized in the conference summary report (see <http://www.agis.org/kazakhstan/summary.htm>).

In the remainder of this document, we will suggest specific ways in which USAID and other donors could offer increased support in this critical area.

#### **3.1 Doing more through existing projects**

The USAID assistance portfolio already includes a number of initiatives with significant ICT-related components.

As a first step in providing an increased level of support to ICT development in Kazakhstan, USAID should consider conducting a portfolio review to examine how ICT applications are being used in current projects and ways in which project initiatives are supporting the overall development of ICT infrastructure and the enabling environment on which longer term ICT development depends.

To undertake this and other ICT initiatives, we recommend that USAID establish an ICT working group. This group would be responsible for helping to coordinate ICT-related initiatives within the existing project portfolio, formulating a mission ICT development strategy, and identifying additional initiatives that could be undertaken to support an expanded ICT for development agenda.

To complement the internal ICT working group, we further recommend that USAID support the formation of an ICT Forum for its development partners involved in project implementation. This group would coordinate ICT initiatives across projects and program areas. It would seek ways of addressing systemic problems in areas such as the development of ICT infrastructure, improving Internet access, and developing a policy and regulatory environment that supports the development and use of ICT infrastructure and services throughout Kazakhstan.

The USAID ICT Working Group and the larger ICT Forum would examine ways in which existing USAID projects could support the ICT development by dealing with key problems and constraints. Participants in the ICT Forum would develop collaborative strategies for addressing various ICT development problems that fall within the scope of their project responsibilities.

##### **3.1.1 ICT infrastructure and policy**

Conference participants agreed that establishing a favorable policy and regulatory environment to facilitate the growth of e-commerce in Kazakhstan should be a high priority for the Government of Kazakhstan, the private sector, and the donor community. Of prime importance are policies and

regulations that support the growth of basic telecommunications infrastructure and stimulate competition in the supply of telecommunications and Internet services. A favorable enabling environment is also needed to foster the development of a wide range of ICT and non-ICT business services needed to support the development of e-commerce systems and their use by business organizations, government, and consumers. A more open, competition friendly policy and regulatory environment is essential for promoting broad-based ICT development in Kazakhstan and providing the foundation for improved Internet connectivity and access.

Possible areas for USAID and other donor support:

The SME Trade and Investment (TIP) project could help support the development of the recently formed Telecommunications Association. TIP support might include: providing assistance to the association to develop its business plan; supporting initial policy studies to that the association could sponsor to guide policy dialog and advocacy initiatives; supporting workshops and other events to promote public-private dialog; and assisting the association in developing a website and e-mail marketing initiatives to support information dissemination and advocacy campaigns.

TIP, in partnership with other programs with a strong ICT focus such as EdNet and those being implemented by the Eurasia Foundation and Soros could support studies to examine policy and regulatory constraints to ICT infrastructure development and investment. Such studies could suggest reforms that are needed to support increased trade and investment relationships between the U.S. and Kazakhstan.

### 3.1.2. Improving Internet access and the development of local content:

The Internet offers a revolutionary means of improving communications and information dissemination throughout Kazakhstan and linking Kazakhstan to the rest of the world. USAID and other donor programs can play an important role in improving Internet access and use.

Existing initiatives such as the Internet Access and Training Program are supporting increased Internet access and use through the establishment of public access facilities throughout Kazakhstan and other countries in Central Asia and the former Soviet Union.

These efforts could be augmented by efforts to provide Internet access and training through other projects. For example, the Enterprise Development Centers supported under USAID's SME Development Project could offer expanded Internet access and training to local businesses.

### 3.1.3. Strengthening private sector capabilities to deliver ICT and e-commerce services

Conference participants discussed the importance of strengthening the capabilities of local service providers to deliver ICT support and business services. To implement e-commerce and e-government initiatives, business and government organizations need ready access to a range of ICT services including: Internet access, web development, web hosting, systems integration and programming,

database integration, portal development, content management, graphics support, consulting services, online payment services, online security, and ASP applications such as e-marketplaces.

Current initiatives such as the SME Development Project are developing e-commerce support services through activities such as the SMEtradedcenter.net website. As initiatives such as this evolve, contractors responsible for project implementation should examine ways in which project initiatives could support the development of private capabilities for providing e-commerce and business development support. Care should be taken to ensure that USAID-funded project activities do not compete with the private provision of services.

In a similar vein, current projects could work with local consulting firms and training providers to offer ICT-related training to SMEs. Training of trainers programs could help improve the capabilities of local service providers. Voucher programs could be developed to subsidize some of the initial costs of such training and support the development of a market for training services

#### 3.1.4. e-Government applications

Current USAID projects in areas such as tax and fiscal reform, trade and investment policy and customs reform are currently working with the relevant government ministries on a number of ICT related initiatives such as developing automated data systems and procedures, website development, and provision of information services to businesses and citizens. Additional efforts through existing projects could help GOK ministries and local government units develop more advanced e-government capabilities. Examples might include:

- Developing intranets and extranets that would enable government ministries and local government units to access, manage and share information resources.
- Providing businesses with online access to current rules and regulations related to taxation, customs procedures, business registrations, and licensing requirements to increase transparency, reduce corruption, and encourage compliance.
- Providing online businesses and citizens with access to tax forms, business license applications, and other government forms.
- Developing systems for online payment of VAT, other business taxes, personal income taxes, or fees for permits and licenses.
- Developing systems for online entry of customs declarations.

#### 3.1.5. e-Governance

The Internet offers powerful tools for enabling citizens to interact with government officials and support the growth of democratic governance systems and processes. ICT applications can improve public participation in budgetary and financial management, increase transparency and accountability of government operations, and engage citizens in advocacy campaigns to support policy and legal reforms.

In the near term, because of the low level of Internet access and use in Kazakhstan, opportunities for direct participation of citizens in e-governance initiatives is fairly restricted. Increased use of ICT in areas such as e-governance will ultimately depend upon the growth of commercial applications of the Internet for B2B or B2G applications. However, considerable scope exists for civic and business organizations to increase their use ICT tools to interact with each other and with government to help lobby for various types of political and economic reforms.

Current projects could do more to help business and civic organizations increase their ICT capabilities through training programs, assistance in developing websites, support for content development and knowledge management, and facilities support.

#### 3.1.6. Other forms of support

In addition to supporting ICT development and use in specific problems areas, such as SME development or trade and investment policy, USAID and other donor programs could play a useful role in several cross-cutting areas that are critical to stimulating increased use of the Internet and other ICT applications by clients served by donor-funded programs.

The development of local language web content is one area in which all donor funded projects could contribute. A growing volume of useful local language web content will help stimulate Internet use by citizens and businesses.

Training in Internet and ICT applications is a second area in which most donor programs could contribute. Training events, including workshops and seminars, are a standard component of most donor projects. Providing training on Internet and ICT applications to project clients would help develop ICT capabilities in a range of development disciplines and lead to increased use by business, government, and civic society clients.

Raising awareness of ICT uses and benefits is a final area in which most donor programs could participate. Project managers could use the information dissemination channels supported by their projects to publicize the ways in which their programs are using ICT applications to deliver services or support efficient project management.

### 3.2. Developing new ICT initiatives

A review of the development assistance strategies of international funding organizations currently being carried out by BearingPoint indicates that the emphasis on ICT applications, including e-commerce and e-government, is growing significantly.

International donor agencies are increasingly recognizing that the role of ICT in development strategies cannot be ignored. The problem of the digital divide is real and growing. Countries that lag behind in their efforts to join the digital revolution risk losing out on the benefits that new digital technologies offer and falling behind in the global competition for new market opportunities.

In Kazakhstan, it is not entirely evident that the Government has fully grasped the importance of ICT for the future growth and prosperity of the country. Judging from the Government's official policy statements and its behavior with respect to privatization and competition in key sectors such as telecommunications, we would have to conclude that the Government's position with respect to ICT

as a development tool is ambivalent at best. Donor encouragement and assistance could play an important role in changing the GOK's attitudes and approach toward this key area.

### 3.3 Priority areas for future donor assistance

1. To provide a foundation for ICT development in Kazakhstan, donor programs could play an important role in raising the awareness among government policy makers of the importance of ICT and the potential contributions of ICT to the country's development agenda.
2. Once key decision makers in the Government of Kazakhstan are convinced regarding the importance of ICT for the country's development strategy, the next step would be to support GOK efforts to develop a national ICT strategy. This initiative could help define development priorities and goals, determine what needs to be done to develop a supportive policy and regulatory environment, identify policy and program initiatives that should be pursued, and determine the relative roles of government, private sector, and civil society leaders in planning and implementing the agreed upon strategy. USAID could play an important role in helping the GOK formulate such a strategy.
3. In order to support ICT strategy formulation, awareness efforts, and other ICT initiatives, USAID should consider establishing a new ICT initiatives fund that would enable the mission to respond to GOK and private sector requests for assistance in undertaking ICT development programs. Such a fund could support new initiatives in high priority areas such as e-procurement and e-government.
4. USAID should encourage U.S. organizations to team with local private sector groups to form a Global Development Alliance for Kazakhstan-U.S. ICT initiatives. Such an approach would help mobilize private sector resources to support ICT partnerships and undertake specific ICT initiatives

## **4. Conclusions**

The Government of Kazakhstan has not yet recognized ICT development as a national priority. Progress toward privatization of the state telecom monopoly and the implementation of policies to allow open competition in the ICT sector has been slow and uneven.

The November 2002 conference on e-Commerce in Kazakhstan has served a useful purpose by raising awareness of ICT issues, bringing key private sector and government leaders together, identifying key constraints, and suggesting areas for follow-on actions.

USAID and other donors can play an important role in highlighting the importance of ICT in Kazakhstan's development strategy and encouraging policy and program initiatives to support more the use of ICT by government, businesses, and civic society. USAID should seek to maintain the momentum that has been generated through the November 2002 conference and actively seek ways of advancing the ICT development agenda in Kazakhstan, through existing and new program initiatives.