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Improving Framework Conditions for the Digital Transformation of Businesses

The case of Kazakhstan

OECD Eurasia Competitiveness Roundtable

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OECD Eurasia Competitiveness Programme

The digital transformation of Kazakhstan's economy is underway but remaining gaps weigh on private sector competitiveness

Digitalisation has become an important aspect of Kazakhstan's economic policy

- The **"Digital Kazakhstan" Programme (2018-2022)** aimed at **creating the conditions for the digital transformation of Kazakhstan's economy**

- Main policy focus has been on **developing ICT infrastructure and e-government services**
  - **"One-stop shop" for 237 e-services**, which have been used 30 million times in 2018
  - **Cheap broadband & mobile internet** by international standards, at 0.88% and 0.26% of monthly GNI per capita

Remaining gaps in framework conditions hinder the digital uptake of firms

- **Access**
  - Telecom infrastructure is **primarily located in large urban areas**
  - Only **11% of firms report using digital technologies**
- **Quality**
  - The **state of infrastructure** is impeding further progress (e.g. 4G, 5G)
- **Digital regulatory framework**
  - Gaps in the regulatory framework on digital issues (e.g. data, IPR, e-commerce)
  - A **low digital culture among private firms**

Kazakhstan can improve its digital framework conditions to support the digital uptake of firms

BARRIERS TO DIGITAL UPTAKE BY FIRMS IN KAZAKHSTAN		
Digital access	**Infrastructure development and evolution**	**Business regulatory framework**

POLICY ACTIONS

SHORT TERM

Address remaining digital connectivity gaps	Better regulate the telecom market to increase competition	Adapt the business regulatory framework to digital needs

MEDIUM-LONG TERM

Identify firms' needs and design support policies	Support investment for next generation communication networks	Help firms manage digital security risks

Quality and access of digital infrastructure and services	**Future-readiness of digital infrastructure and services**	**A supportive digital regulatory framework for firms**

OUTCOMES

Three series of recommendations were developed to improve digital framework conditions in Kazakhstan

Challenges	Recommendations
Remaining digital connectivity gaps slow firms' adoption of digital technologies	**Address remaining digital quality and connectivity gaps**
1. **Firms mostly use mobile internet** but its quality deteriorated & broadband connectivity remains limited in rural areas	1. **Mobilise the regional public sector** to improve quality and coverage of mobile and fixed networks
2. **Lack of data on firms' use of internet and related needs** limit the development of targeted support policies	2. **Improve the collection and use for policy development of data** on business use and needs in relation to digital services and infrastructure
High regulatory and economic barriers prevent upgrading the infrastructure network	**Improve competition in and investment attractiveness of the telecom sector**
3. **High degree of concentration in the telecom sector** slows down improvements in digital infrastructure	3. **Set-up an independent national telecom regulator** with a broad mandate for economic regulation
4. **Regulatory and economic barriers constrain financing** below the level required to develop "future proof" digital infrastructure	4. **Develop an investment attraction strategy** for next generation communication networks
The regulatory framework for firms is not yet adapted to the digital age	**Adapt the regulatory and policy framework for firms to new digital challenges**
5. **Gaps in the digital regulatory framework on data and IPR protection** create new barriers for firms	5. **Strengthen the legal and policy frameworks** for digital IPR and data protection
6. **A low digital culture among firms** leaves them vulnerable to digital security risks	6. **Develop advisory services, trainings, and tools for firms** on digital security risk awareness and management