



Advancing Security and Transparency for Critical Raw Materials Governance in Central Asia

Presentation of the project findings

19 March 2026

Sheraton Hotel, Astana, Kazakhstan



Launch of the project report *Advancing Security and Transparency for Critical Raw Materials Governance in Central Asia*

A transversal OECD effort to promote secure, transparent, and inclusive mineral supply chains.

- Support to Kazakhstan, the Kyrgyz Republic and Uzbekistan with the development of a critical raw materials (CRM) sector that attracts high quality investment and supports long term, sustainable and inclusive growth.
- **Focus on three policy areas:**
 - Responsible Business Conduct (RBC).
 - Environmental risk management.
 - Tax policy and illicit financing.
- **Outputs:**
 - Three country-specific workshops.
 - A dedicated CRM session during the 2026 OECD Eurasia Week.
 - The project report.

Three Core Pillars

1

Economic and policy analysis

Country, regional and subnational research

2

Establishing global standards

Work with Members and Partners to identify policy gaps and develop effective standards

3

Levelling the global playing field

Deepening competitiveness and resilience of critical mineral supply chains

Setting the scene: Central Asia's CRM endowment and potential

Kazakhstan, the Kyrgyz Republic and Uzbekistan inherited large mining industries and hold significant CRM reserves that are still largely untapped.

- Central Asia holds: 39% of global manganese ore reserves, 31% of chromium, 20% of lead, 13% of zinc, 9% of titanium, 6% of aluminium, 5% of copper, 5% of cobalt and 5% of molybdenum.
- Kazakhstan is the world's largest uranium producer and can export 21 of the 34 CRMs on the EU list.
- The Kyrgyz Republic has the third largest antimony reserves globally.
- Uzbekistan has the 11th largest copper reserves and is starting to develop lithium and molybdenum.

Despite this, **investment is constrained** by limited post independence exploration, the persistence of Soviet era reporting systems, and issues related to the governance of domestic SOEs.

Recent reforms such as new geological data collection, transition to international reporting standards and legal updates **signal a shift towards attracting more foreign investment** and moving up the value chain to develop processing capabilities.

Responsible Business Conduct

Responsible Business Conduct (RBC) awareness is growing in Central Asia's mining sector, with Kazakhstan, the Kyrgyz Republic, and Uzbekistan progressively adopting international standards on corruption, due diligence, labour safety and community engagement.

- **The mining sector in each country is dominated by a small number of SOEs.** This concentration creates risks: conflicts of interest, weak separation of ownership and regulation, low transparency in public procurement, and corruption concerns.
- **Governments are trying to improve transparency and dialogue**, for example through participation in the Extractive Industries Transparency Initiative (EITI) in the case of Kazakhstan and the Kyrgyz Republic.
- **Initial steps to integrate ESG principles into law and SOE practice are visible**, but insufficient oversight of occupational health and safety still leads to accidents.
- **Legal provisions for community consultation** and compensation exist but implementation **could be improved**.

Environmental Risk Management

All three countries have economy-wide climate and decarbonisation strategies, but **mining-specific targets are limited or missing. Kazakhstan is somewhat an exception**, as it has set quantitative GHG emission reduction targets for Qarmet-, Kazakhmys- and Kazzinc-owned mining and metallurgical complexes.

Legal frameworks for environmental assessment of mining projects **are in place**:

- They typically combine **Strategic Environmental Assessments (SEA)** and project level **Environmental Impact Assessments (EIA)**.
- Mining laws require impact assessment and pollution prevention, but enforcement needs to improve.

Legacy mining waste and tailings pose serious risks. Managing legacy waste and tailings should be treated as a core element of future CRM strategies

Tax policy

The **CRM sector** builds on extractives' historic role in domestic revenue mobilisation but **remains vulnerable to fiscal leakages**.

Three key Base Erosion and Profit Shifting (BEPS) risks identified during the project are:

- **under-pricing of related-party mineral exports,**
- **uncommercial intra-group financing that shifts profits via interest deductions, and**
- **offshore indirect transfers of mining licenses, allowing untaxed capital gains.**

Kazakhstan, the Kyrgyz Republic and Uzbekistan are gradually aligning tax rules with international standards, but loopholes in pricing rules, interest limitation regimes and oversight of offshore licence transfers **still allow profit shifting**.

Further progress will depend on tightening legislation, expanding transfer pricing documentation and information exchange, and investing in specialised tax administration capacity.

Advancing Responsible Business Conduct (RBC) standards in mineral supply chains in Central Asia

Egor Polishchuk

Policy Analyst, Central Asia team, OECD Global Relations and Co-operation Directorate



Agenda

- OECD standards on responsible business conduct (RBC)
- Governance in the mineral sector
- Labour rights
- Stakeholder engagement with local communities
- RBC at the nexus of more resilient critical mineral supply chains



OECD standards on responsible business conduct (RBC)

Setting the expectations: The OECD Guidelines for MNEs on RBC

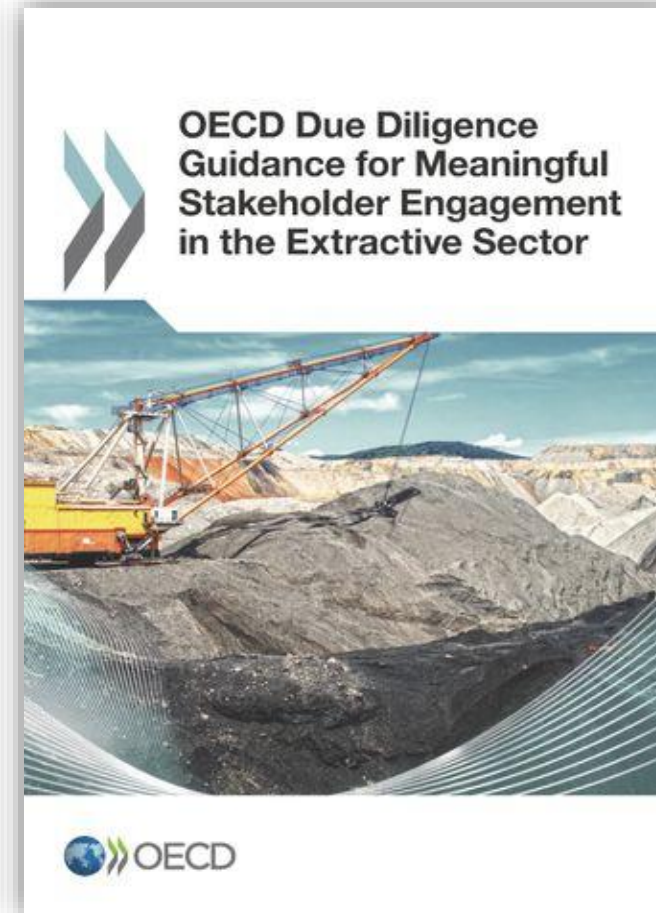
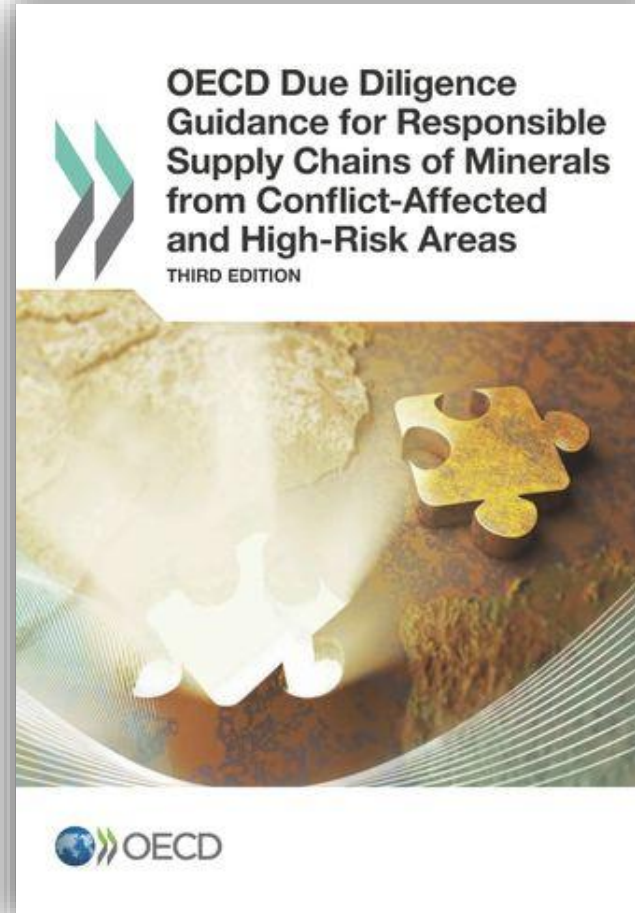
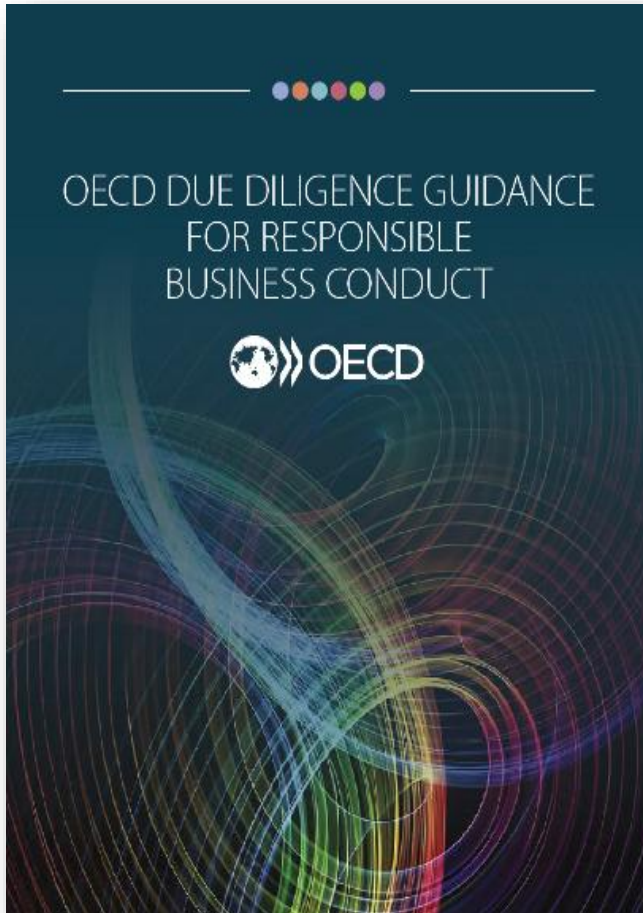
The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct are the leading international standard for how companies and investors should address their impacts on people, the planet and society. They apply to businesses and investors of all sectors, sizes and ownership structures, and cover all key sustainability issues. The Guidelines help enterprises prevent and address negative impacts of their activities, while contributing to the sustainable development of the countries and communities in which they operate.

Disclosure	Human Rights	Employment & Industrial Relations
Environment	Consumer Interests	Science, Technology and Innovation
Combating Bribery and Corruption	Taxation	Competition



Flyer on the Guidelines:
<https://mneguidelines.oecd.org/OECD-Guidelines-RBC-Flyer.pdf>

Operationalising the MNE Guidelines: OECD Due Diligence Guidances for RBC



- Explain in plain language what due diligence means and how it should be undertaken
- Contain recommendations and practical actions to help businesses, including in specific sectors
- Implementation through multi-stakeholder process

Governance and supply chain

Strong progress amid persistent governance and supply chain risks

Governments in Central Asia and SOEs are strengthening mining sector governance through closer alignment with international RBC standards.

- Kazakhstan adheres to the OECD RBC Guidelines and has established a National Contact Point, while major companies (Kazzinc, Kazakhmys) meet LBMA Good Delivery standards, and Ulba JSC being audited by RMI.
- Uzbekistan is advancing through a presidential RBC decree and a National Action Plan on Business and Human Rights, with NMMC and AMMC holding LBMA membership, AMMC undergoing CopperMark.
- Kazakhstan and the Kyrgyz Republic implement EITI.

Anti-corruption frameworks are expanding, yet implementation gaps persist.

- Kazakhstan's 2022–2026 Anti-Corruption Action Plan addresses governance risks, but conflicts of interest in licensing remain.
- In the Kyrgyz Republic, institutional reforms have begun with continued room for improvement.

Efforts to curb illegal mining continue, but supply chain vulnerabilities from third party sourcing may be significant.

- Kazakhstan identified over 1,800 illegal sites in 2025; limited central-regional coordination and insufficient oversight hinder sector formalisation.
- Persistent and wide discrepancies between declared exports to trade partners and partners declared imports from Central Asia, especially in gold.

Governance in the mineral sector in Central Asia: Recommendations



Anti-corruption

- ❖ Close gaps on lobbying, conflict of interest, asset declaration, and institutional independence.
- ❖ Strengthen enforcement beyond legal reforms, including whistleblower protections and monitoring compliance.



Supply Chain and responsible sourcing

- ❖ Enhance due diligence of mineral sourcing from third countries to mitigate conflict financing and high-risk supply chain exposures.



Enhancing conditions for responsible business conduct

- ❖ Strengthening the enabling environment for meaningful civil society participation
- ❖ Gradually raise awareness and promote implementation of relevant OECD RBC standards

Labour rights

Standards are improving, but unsafe working conditions and freedom of association need prioritisation

Labour safety and worker protection in the mining sector remain an area of evolving government reform.

- Kazakhstan has revised its Labour Code, strengthened OHS training requirements, and adopted the 2024–2030 Safe Labour Concept to reduce workplace accidents.
- Uzbekistan has ratified several ILO conventions and updated its Labour Code in 2023, increasing funding for labour inspections and introducing digital safety monitoring in mines.

Workplace and discrimination risks persist, including industrial accidents, unsafe working conditions, wage inequalities, and discriminatory practices towards migrant.

- In Kazakhstan, 688 workplace accidents were recorded between 2019 and 2022, and 46 miners died in the 2023 methane explosion at the Kostenko coal mine;
- In the Kyrgyz Republic, deadly mining accidents are reported annually, alongside reported discriminatory practices by some foreign companies.
- In Uzbekistan, gender inequality remains significant, with a gender gap of around 39%.

Limited freedom of association and weak grievance mechanisms further constrain workers' ability to address concerns.

- Collective bargaining and the right to strike need to be more comprehensively protected in Kazakhstan;
- Union formation remains restrictive in Uzbekistan;

Labour rights in the mineral sector in Central Asia: Recommendations



Workplace safety:

- ❖ Enhancing overall safety oversight and increase transparency in incident reporting
- ❖ Define clear minimum operational safety standards with proportionate enforcement
- ❖ Empower labour inspection bodies with greater capacity and a clear mandate for unannounced inspections



Grievance mechanisms:

- ❖ Make complaint and grievance mechanisms more accessible and effective, including in local languages
- ❖ Ease restrictions on trade union formation and support independent operation of unions

Meaningful engagement of local communities

Meaningful engagement of local communities in the mineral sector in Central Asia

Governments have established legal and institutional frameworks to involve local communities in mining projects and provide access to grievance mechanisms

- Kazakhstan requires EIAs with at least 30 days of public consultation and has a National Contact Point and a Law on Mediation covering environmental and human rights disputes.
- The Kyrgyz Republic relies on Social Package Agreements to formalise dialogue between mining companies and local authorities.
- Uzbekistan has introduced mandatory public consultations and relies on the Ombudsman (over 26,000 appeals in 2025), while SOEs must maintain internal grievance procedures.

However, meaningful engagement of local communities in mining projects across Central Asia can be strengthened. Transparency gaps, weak enforcement, and centralised decision-making limit accountability and hinder trust.

- In Kazakhstan, hearings are sometimes poorly advertised and community input is not systematically reflected in decisions, while Community Development Agreements exclude affected populations.
- In the Kyrgyz Republic, consultations are often seen as perfunctory and EIA reviews are advisory only.
- In Uzbekistan, consultations are largely non-binding and communities rarely influence final decisions.

Meaningful engagement of local communities in the mineral sector in Central Asia: Recommendations



Ensure ongoing community dialogue

- ❖ Promote ongoing public dialogue between local communities, public authorities and mining companies.
- ❖ Ensure mining companies maintain engagement with communities beyond the early project stages and enforce penalties for noncompliance.



Strengthen institutions and transparency

- ❖ Strengthen enforcement agencies and support local authorities to conduct regular, accessible public consultations with full documentation.
- ❖ Involve local communities and relevant NGOs during negotiations for more transparent allocation of social contributions.



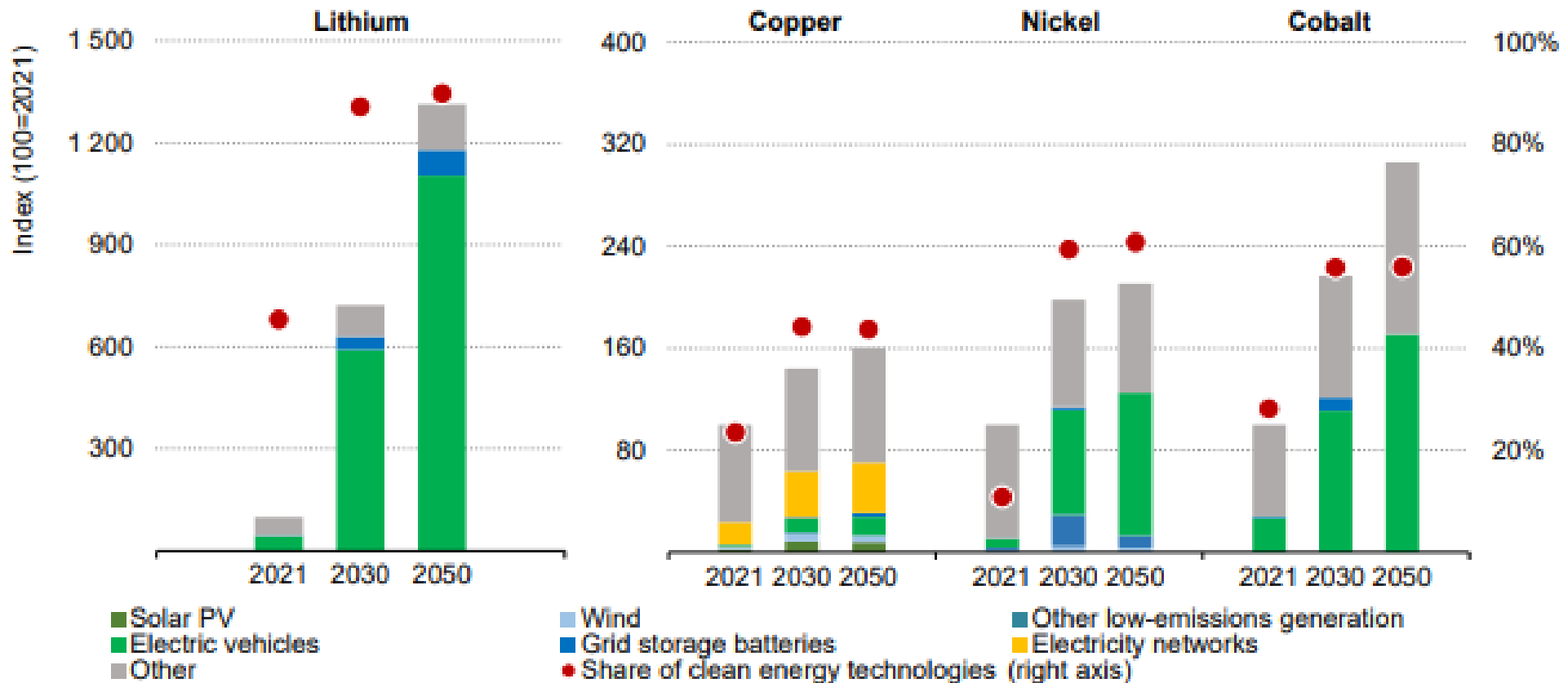
Incorporate consultation results

- ❖ Require mining companies to consider public hearing outcomes and provide explanations if suggestions are not implemented.

RBC at the nexus of more resilient critical mineral supply chains

Demand for critical minerals is projected to grow

Figure 1: Forecast global transition mineral demand by end use in the IEA's Net Zero Scenario



Source: (IEA 2023a)

Mining, RBC and Investment opportunities in Central Asia

Central Asia has a strategic mineral importance

- ❖ Significant mining sector, not just in gold but also CRM
- ❖ At a time with a need for resilient supply chains for energy transition, defence, digitalization.

Government initiatives are supporting market integration

- ❖ blended finance, strategic stockpiling, collaboration with commodity traders
- ❖ Alignment with G7 standard for CRM markets

Foreign investment & SOE expectations

- ❖ SOEs still dominate, but foreign public/ private investment is growing (graphite in Kazakhstan, antimony in Kyrgyz Republic, copper in Uzbekistan)
- ❖ MoUs with UK, US, EU on CRM with Kazakhstan and Uzbekistan

Dual role of RBC

- ❖ Align with expectation on decent work, environment, integrity and supply chain responsible business conduct
- ❖ Unlock access to diversified international investment and more stable supply chains

There is an opportunity for Central Asia to align national policies with OECD standards, already embedded in market requirements such as LME



Overlooking RBC risks can disrupt investment



Prospect for RBC stimulating investment

Обеспечение адекватных инвестиций в различные новые источники поставок КВМ будет ключевым фактором для обеспечения безопасности поставок...

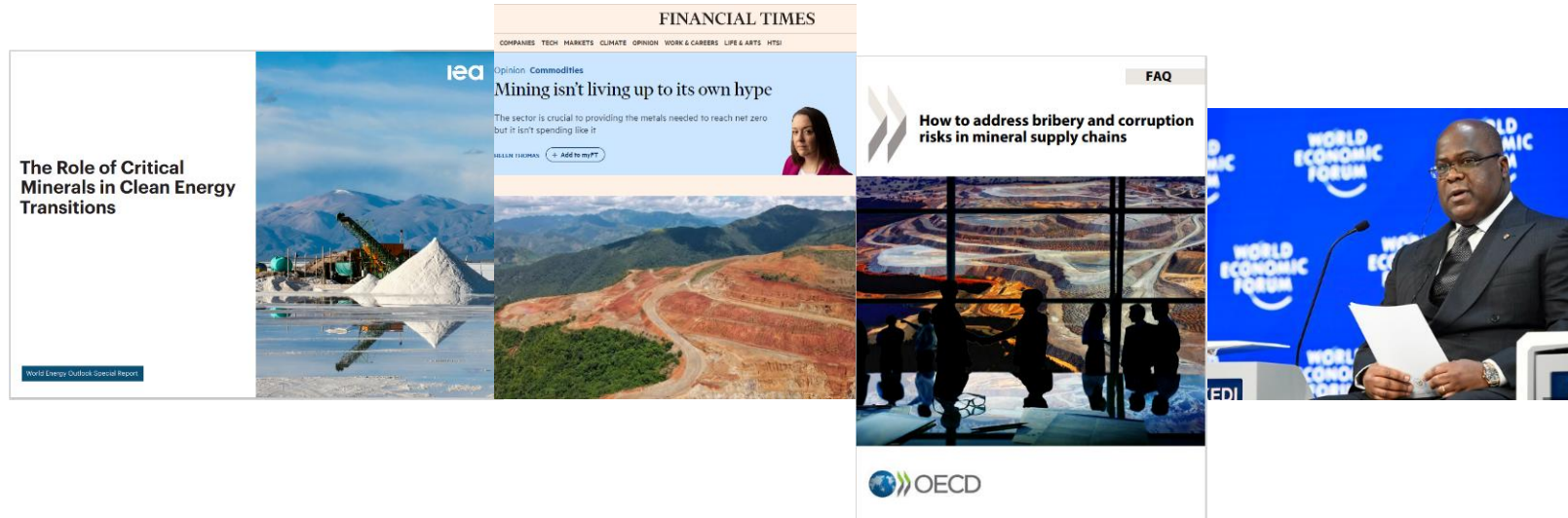
... однако уровень инвестиций намного ниже необходимого, особенно в некоторых юрисдикциях с резервами КВМ

Ошибочная цель избегания рисков препятствует инвестициям в сложные юрисдикции с резервами КВМ

ESG риски, например, связанные с коррупцией, безопасностью и правами человека, могут нарушить поставки и подорвать «социальную лицензию на деятельность»

Сделки «инфраструктура в обмен на ресурсы» подвергаются более тщательному изучению со стороны стран-производителей в связи с неравномерным распределением прибыли

Страны могут использовать стандарты ОВБ в области должной осмотрительности, чтобы обеспечить более значительные инвестиции в сложные юрисдикции, одновременно снижая разрушительные ESG-риски и предлагая более привлекательные условия для стран-производителей КВМ



Thank you





Advancing Security and Transparency for CRM Governance in Central Asia

Gender-Responsive Mining Policies
Findings and way forward

Grégory Lecomte, Head of Central Asia Unit, OECD Global Relations and Co-operation Directorate



Key facts

- **Gender equality is increasingly recognised as a key component of responsible mining**, especially as efforts to improve labour conditions continue in the sector. Globally, **women account for about 15% of the mining workforce**.
- **Historically, women were prohibited from underground and hazardous mining work**, a restriction formalised under the ILO Underground Work (Women) Convention, 1935 (No. 45), which remained in force in 68 ILO Member States as of 2021 and was finally abrogated only in 2024.
- **The ongoing digital and green transitions are reshaping labour demand in mining** and creating new opportunities to expand women's participation.
- **In Central Asia, hazardous mining environments reinforce persistent gender inequality**. For decades, restrictive labour codes in most Central Asian countries directed women toward the services sector. **Although several states have recently amended or repealed prohibitions on women's employment in hazardous industries, none guarantee equal access to employment in the construction, manufacturing and mining sectors**.

Kazakhstan

- **In 2023, women represented about 17.8% of the mining and quarrying workforce in Kazakhstan** (above the world average), with participation highest in metallurgy (26%) and metal ore mining (23.6%).
- **In 2021, Kazakhstan's Labour Code was amended** to lift occupational restrictions for women in industrial jobs previously classified as hazardous. Large mining companies such as ERG and KAZ Minerals have reaffirmed their commitment to eliminating gender-based discrimination.
- **Nevertheless, structural and educational factors continue to influence progress toward full gender parity.** In 2024, women comprised 31.1% of STEM graduates (down from 35.1% in 2016). STEM-educated women often do not pursue mining and other STEM-related careers, due to societal norms and expectations.
- **Gender-disaggregated employment data for the mining sector remain difficult to access.**

Other countries covered by the project

Kyrgyz Republic

- **In 2022, women made up 6.54% of all employees in the extractive sector in the Kyrgyz Republic.** In this context, the Kyrgyz Republic Strategic Development Programme for Critical Minerals through 2030 aims to raise women's participation in the critical minerals sector to 15%.
- **Amendments to the Kyrgyz Labour Code in 2025** removed employment restrictions for women in underground mining.
- **Gender-disaggregated data on employment in the mining sector is accessible.**

Uzbekistan

- **Women currently represent 16% of the workforce in Uzbekistan's mining sector.** Since 2019, occupational restrictions for women have been lifted in several industries.
- **The government and leading mining companies** have begun promoting gender equality initiatives.
- **Gender-disaggregated data on employment in the mining sector remain difficult to access.**

Key challenges

- **Women are primarily employed in tertiary sectors such as real estate, education, and healthcare, which tend to pay lower average wages**, while men are more prevalent in industrial sectors, including construction and mining.
- **Relatively few girls in Central Asia pursue studies in mining and engineering**, resulting in a limited pool of qualified female candidates in these sectors.
- **Data on women's employment in the mining sector is not easily accessible** in Kazakhstan and Uzbekistan.

Policy considerations

Advancing women's participation in mining requires addressing both remaining legal barriers and broader structural constraints. Governments and companies could consider:

- strengthening the implementation of gender-equal labour regulations,
- encouraging fair recruitment practices, including the use of structured or automated hiring tools that can help reduce bias, and
- fostering workplace environments that better support inclusion.

Easier access to gender-disaggregated data in mining statistics would allow for more detailed information on women's participation and roles in the mining sector, as well as information regarding the challenges they are facing.

Thank you !

Contact details

William Tompson

Head of Division, Eurasia

william.tompson@oecd.org

Grégory Lecomte

Head of Unit, Central Asia

gregory.lecomte@oecd.org

Céleste Laporte Talamon

Policy Analyst, Central Asia

celeste.laportetalamon@oecd.org

Egor Polishchuk

Junior Policy Analyst, Central Asia

egor.polishchuk@oecd.org

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ADVANCING CRITICAL MINERALS POLICIES FOR SUSTAINABLE GROWTH

*Aligning investments in critical minerals with
climate and sustainability objectives*

19 March 2026



Thank you!

Peline Atamer
Head of Unit, Sustainable Infrastructure and Green Growth
Eurasia Division
Global Relations and Co-operation Directorate
peline.atamer@oecd.org

Guy Halpern
Policy Analyst
Finance, Investment and Global Relations Division
Environment Directorate
guy.halpern@oecd.org

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Weak Environmental Policy Frameworks can undermine Investment in Critical Minerals

GHG emissions and air pollution

Water stress and pollution

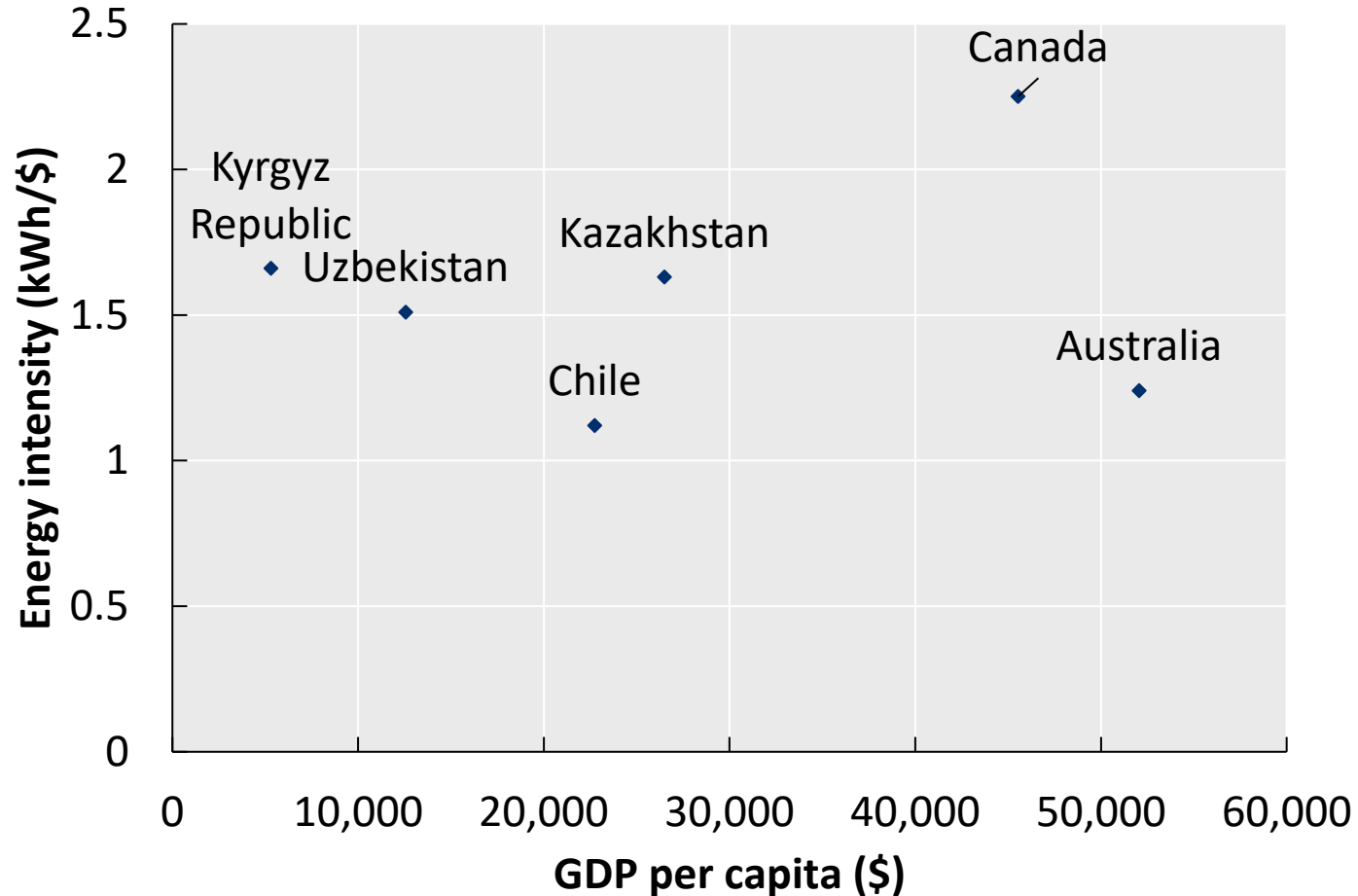
Mining waste



- Mining operations are responsible for a **range of environmental issues**
 - Emissions of GHG and other air pollutants
 - Chemically and radiologically hazardous waste, tailings
 - Aggravation of water scarcity
 - Water pollution, with consequences far beyond mine territory
 - Biodiversity loss and ecosystem degradation
- **These lead to social risk...** (notably local conflicts)
- **... and corporate risks...**
 - Reputational risk
 - Disruptions due to extreme weather events
 - Higher cost of capital
 - Uncertain regulatory and business environments
- **... which can translate into reduced flow of investment**



The Mining and Climate Nexus



In Kazakhstan:

- In 2021, emissions from mineral extraction (excluding coal) and basic metal production accounted for an estimated 60% of all industrial GHG emissions

In Kyrgyzstan:

- Manufacturing, mining and quarrying sectors together account for 28% of total CO2 emissions
- Mining and quarrying is the sector with the highest share of coal use

In Uzbekistan:

- Scope 1 emissions from the industry represent 13% of total national GHG emissions
- Including scope 2 → raises to ~1/4th of total emissions



Beyond climate, mining poses broader environmental risks in Central Asia

Tailings and waste management

- Developing new critical mineral sites will create **larger volumes of chemically and radiologically hazardous waste**, intensifying the risks to ground and surface water.
- Significant amount of waste already exist in **legacy mining sites**, continuing to pollute due to inadequate remediation.
- **Improper storage or disposal of reagents** amplifies environmental and health hazards.

Biodiversity Loss and Ecosystem Degradation

- Mining often located in ecologically sensitive regions that support **unique flora and fauna**.
- Habitat destruction (including alpine/steppe/riverine ecosystems) from open-pit mines, access roads, and infrastructure **fragments ecosystems and reduces species richness**.
- Loss of biodiversity also impacts arable land and fisheries, **undermining local livelihoods**.

Water availability and pollution dispersion

- Mining enterprises in the upper part of the watersheds have **environmental impacts downstream**.
- Particulate emissions from blasting, crushing, transport, and tailings drying increase local PM and deposit toxic particles (metals) on water and soil.
- Contaminated water, food chains (through irrigated crops, livestock), and air exposure **increase health risks for nearby communities**.

Aggravating factors:

Arid climate, climate change, seismic activity, proximity to communities, transboundary waterways,



Countries need a Holistic Approach to Address Climate Risks from Mining Operations

Sectoral climate objectives

- Sectoral GHG emission targets in national climate strategies
- Explicit climate targets in mining development plans
 - GHG reduction targets
 - Clean energy, EE targets

Environmental standards and regulations

- Strategic Environmental Assessments (SEA) and Environmental Impact Assessments (EIA) integrating climate change
- Air pollution standards
- Carbon tax, emission caps in ETS
- Energy efficiency targets and benchmarks

Non-regulatory approaches

- Subsidies and non-financial incentives for low-carbon / sustainable technology innovation and investments
- Technology and knowledge transfer policies
- Capacity building



Highlight Recommendations for Central Asian Countries

Sectoral climate objectives

- Include **mining targets** in existing climate plans and strategies (NDC, LT-LEDS, adaptation plans)
- Embed **climate objectives into CRM strategies**
- Enhance cross-ministry and public-private **cooperation**

Environmental standards and regulations

- **Align environmental regulations with OECD standards** (e.g. polluter-pay principle, energy efficiency standards, etc.)
- Enhance implementation of legal **SEA and EIA** provisions, including robust public consultation processes
- Consider **carbon pricing instruments** applying to mining
- Enforce requirements for **credible mine closure and reclamation**

Non-regulatory approaches

- **Align incentive systems** with climate targets
- Embed **sustainable technology and knowledge transfer** in investment promotion approaches
- Provide **capacity-building** to industrial stakeholders
- **Develop plans to tackle legacy tailings sites**, prioritised on risk, and build domestic capacity for remediation

Thank you!

Peline Atamer
Head of Unit, Sustainable Infrastructure and Green Growth
Eurasia Division
Global Relations and Co-operation Directorate
peline.atamer@oecd.org

Guy Halpern
Policy Analyst
Finance, Investment and Global Relations Division
Environment Directorate
guy.halpern@oecd.org

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TACKLING TAX CHALLENGES ASSOCIATED WITH THE CRM SECTOR



Overview of this session

Part 1: BEPS Risk and Challenges faced in Central Asia, particularly Kazakhstan, with critical raw minerals (CRM)

- 1: Discussion of the main findings of the OECD report –Common BEPS risks and recommendations in the CRM Sector for Central Asia
 - Inputs and reactions from representatives of the State Revenue Committee of Kazakhstan
 - Inputs and reactions from representatives of Uzbekistan and the Kyrgyz Republic
 - Inputs and reactions from representatives of the private sector
- 2: Discussion of the main findings of the OECD report –Specific recommendations for Kazakhstan
 - Inputs and reactions from representatives of the State Revenue Committee
 - Inputs and reactions from representatives of Uzbekistan and the Kyrgyz Republic
 - Inputs and reactions from representatives of the private sector

Coffee-Break

Part 2: Opportunities and Challenges for the CRM Sector from a Private Sector Perspective



**Part 1:
BEPS Risks and
Challenges faced in
Central Asia,
particularly
Kazakhstan, with
CRM**

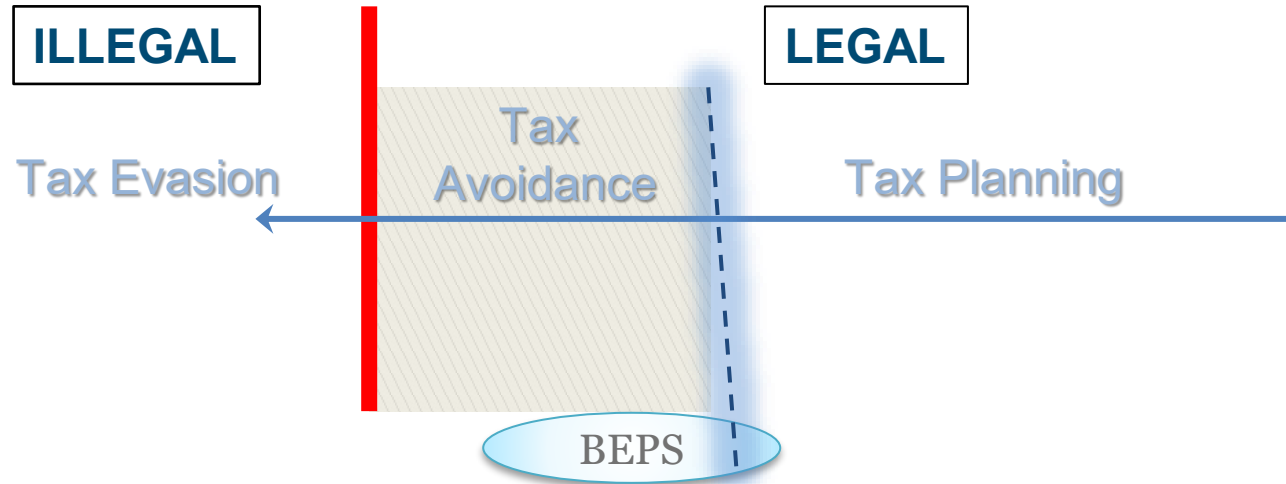


WHAT IS BEPS AND WHY IS IT A PROBLEM?



BEPS = Base Erosion and Profit Shifting

The extractive sector plays an important role in Kazakhstan's economy, accounting for approximately 43% of government revenue, and 14% of GDP (EITI)



BEPS refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to locations with no/low tax rates and no/little economic activity. As a result:

- Multinational Enterprises **pay little or no corporate tax**, and
- BEPS practices cost countries USD100 to 240 billion in lost revenue annually, equivalent to 4 to 10% of global corporate income tax revenue.

BEPS practices in the CRM sector has the potential to **diminish or even fully undermine** the potential for domestic resource mobilisation of host countries.



The CRM project report identified three key BEPS risks

- **The OECD reviewed the tax legislation of Kazakhstan, the Kyrgyz Republic and Uzbekistan** to identify legislative gaps leading to BEPS risks in the CRM sector.
- Three key risks clearly stand out. These relate to legislative gaps that allow for abusive BEPS practices involving:
 - the under-pricing of mineral sales;
 - the use of abusive financing structures for CRM projects; and
 - the structuring of mining licence sales in a manner that avoids taxation, most often via offshore indirect transfers
- The report identifies ways in which national tax frameworks can be strengthened to address these BEPS risks, and how alignment with international tax policy standards and best practices may help to mitigate the risks

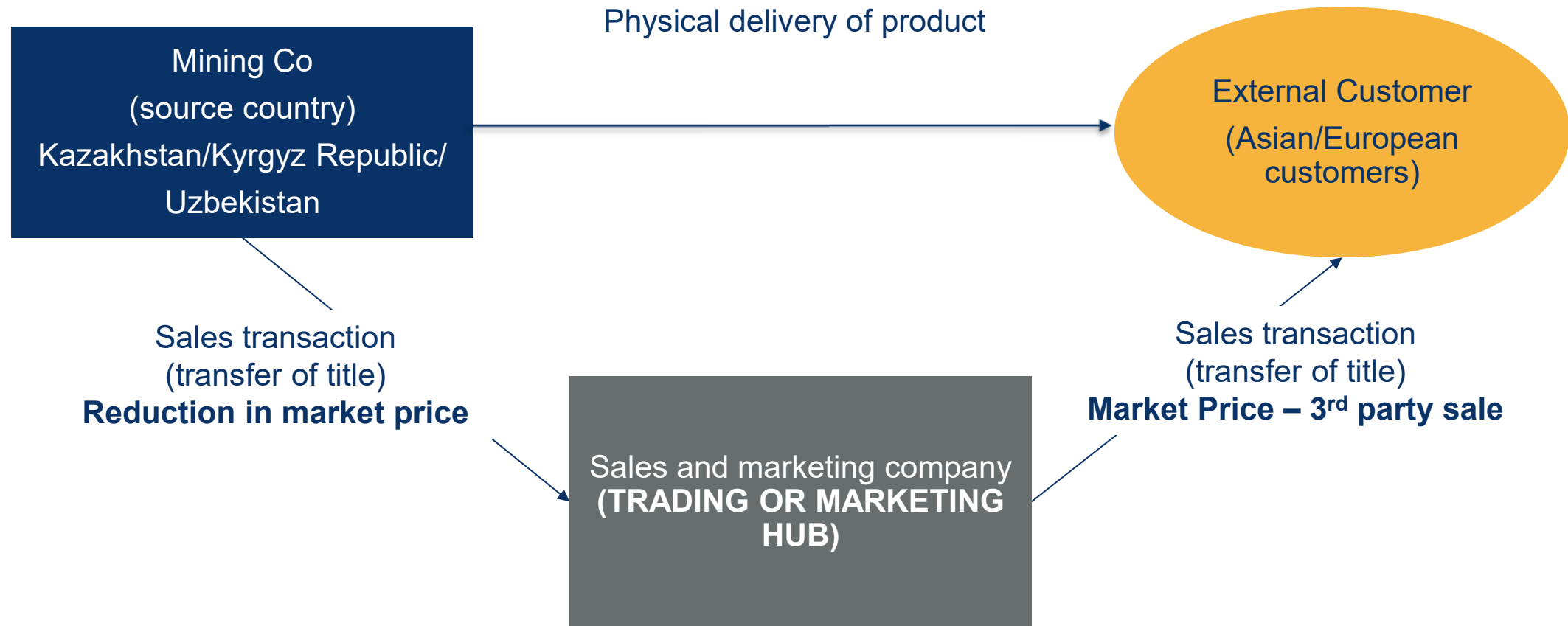


BEPS risk 1: Under-pricing of mineral sales

- Under-pricing of minerals is a common risk observed globally in many resource-rich countries such as Australia, Canada and Mongolia
- Rather than selling minerals directly to independent buyers at market prices, companies may sell them to related parties located in low- or no-tax jurisdictions at below market prices, which then on-sell the minerals at market value
 - These are called offshore trading or marketing hubs
- This shifts a portion of the profit out of the producing country into these low-or no tax jurisdictions.
- Results in a reduction of taxes payable in the country where the minerals are extracted or processed
 - Corporate income tax, royalties, mining rent taxes, withholding taxes



BEPS risk 1: Example of an offshore trading hub





BEPS risk 1: Hypothetical revenue impacts from the under-pricing critical minerals

Critical mineral shipment	Arm's length price (USDm)	Mineral priced at 10% below the arm's length price (USDm)	Mineral priced at 10% below the arm's length price, and where no gold is declared (USDm)
Gross value of cargo (20,000 megatonnes) [A]	39.50	35.55	32.70
Production costs [B]	22.50	22.50	22.50
5% royalty payable [5% x A = C]	1.98	1.78	1.64
Corporate income tax base [A – B -C = D]	15.03	11.27	8.57
25% Company tax payable [25% x D = E]	3.76	2.82	2.14
Total tax revenue per shipment from CIT and royalty [C + E]	5.73	4.60	3.78
Revenue loss per shipment		1.14	1.96
Revenue loss – 50 shipments per year		56.78	97.75
5% Withholding tax (WHT) on dividend (5% x [D-E])	0.56	0.42	0.32
WHT loss - one shipment per year		0.14	0.24
WHT loss - 50 shipments per year		7.04	12.11
Total Revenue Loss – 50 shipments per year		63.82	109.86



BEPS risk 2: Use of abusive financing structures for CRM projects

- Abusive financing refers to financing arrangements between related parties that are structured in a manner to achieve BEPS outcomes i.e. to shift profit.
- Such arrangements typically seek to **artificially inflate an entity's debt-related deductions** (in the form of interest or equivalent payments), by
 - treating *de facto* equity funding as debt
 - injecting an excessive level of debt
 - contractually establishing an excessive interest rate
 - some arrangements may also rely on hybrid mismatch outcomes

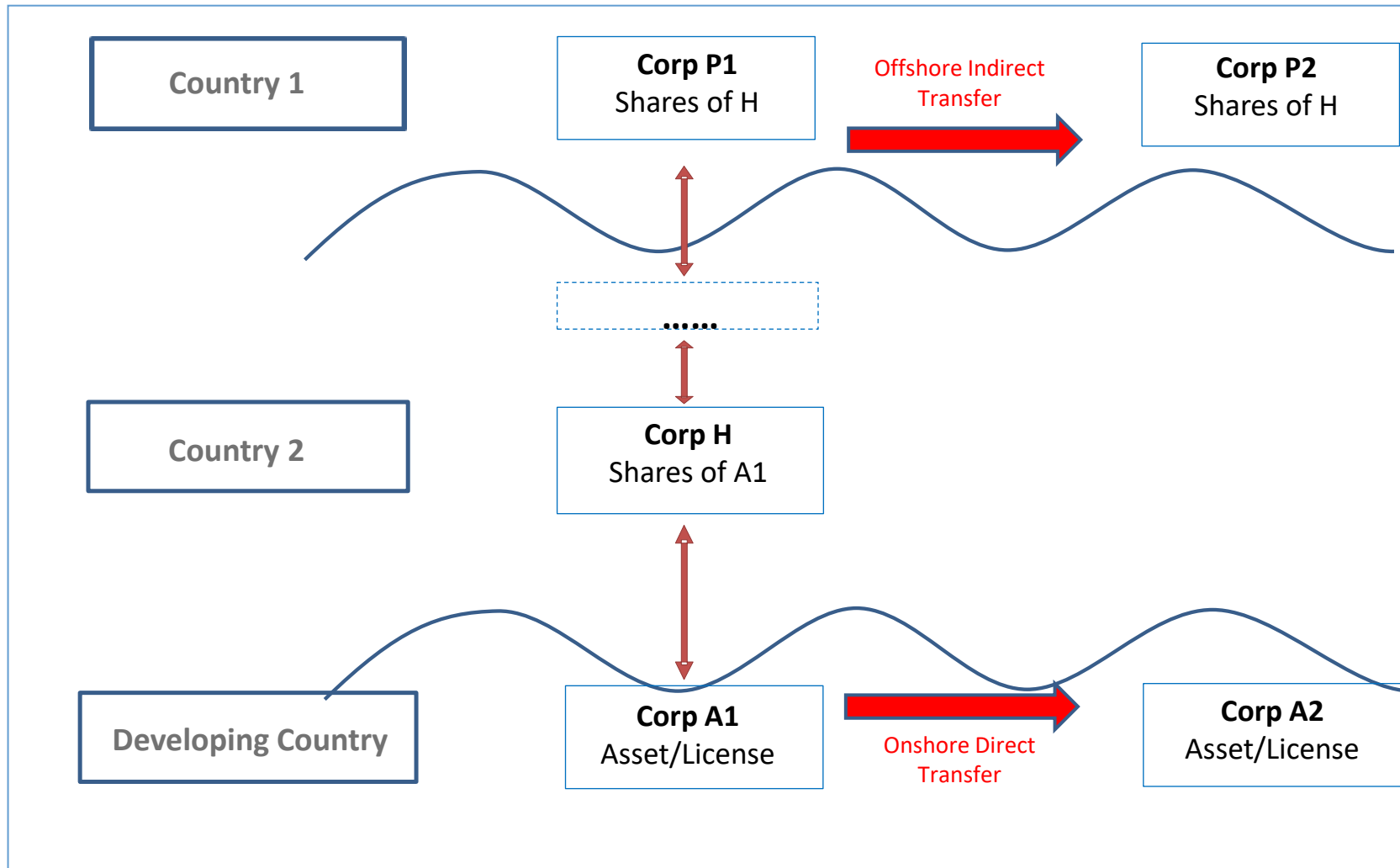


BEPS risk 3: Offshore indirect transfers of mining licenses

- Where the project discovery is successful there can be a significant increase of value of the mining licence
 - When sold, this can result in a capital gain which can be significant
- The offshore indirect transfer (OIT) of a mining licence involves the sale of shares in a foreign holding company that owns the shares of a local company, which in turn owns the mining licence
- Sales of mining licences done in this way can prevent the exercise of taxing rights by the jurisdiction in which the mineral deposit is located

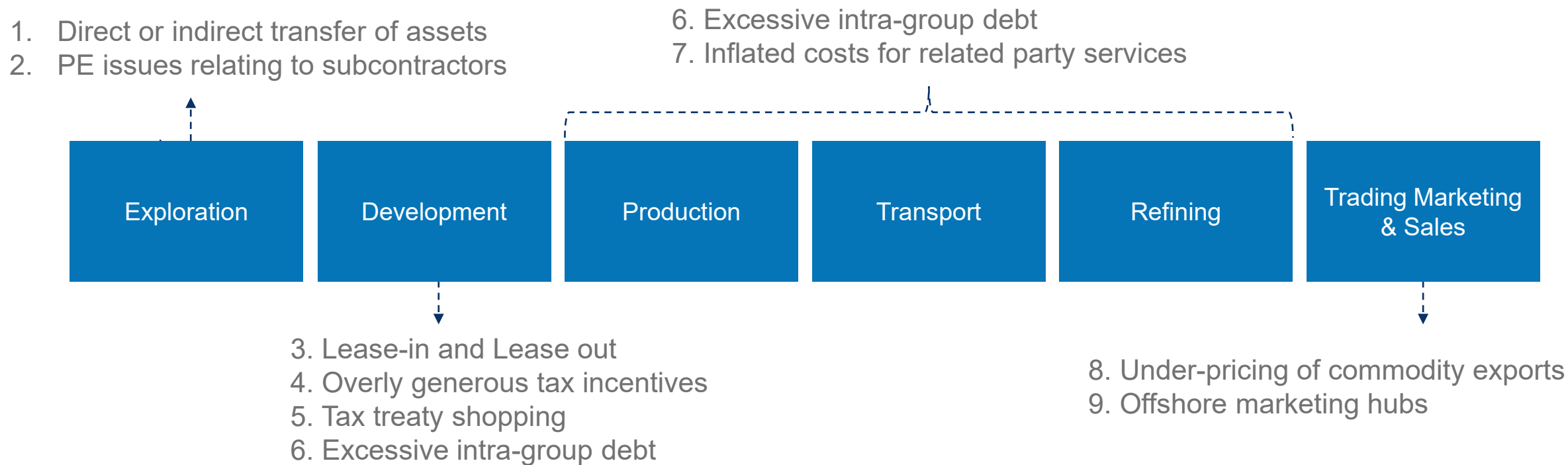


BEPS risk 3: OIT example





The BEPS risks occur all along the mineral value chain



PART I: COMMON RECOMMENDATIONS



1: Introduce robust laws that addresses BEPS risks

- **Recommendation:** Introduce and enforce robust legislation to address the BEPS challenges identified in this report
- Three BEPS challenges
 - Under-pricing of critical minerals: transfer pricing law
 - Best practice: alignment with the OECD Transfer Pricing Guidelines
 - Abusive financial transactions: interest limitation rules, transfer pricing law, debt/equity classification rules, hybrid mismatch rules
 - Best practice: alignment with the OECD/G20 BEPS Action 4 and 2; OECD Transfer Pricing Guidelines
 - Offshore indirect transfers (OIT): OIT specific rules
 - Best practice: alignment with recommendations in the Platform for Collaboration on Tax (IMF, OECD, UN, WBG) toolkit - The Taxation of Offshore Indirect Transfers



2: Strengthen MNE accountability

- **Recommendation:** Strengthen MNE accountability in responsible tax practices
- It is important that enterprises contribute to the public finances of host countries by making timely payment of their tax liabilities.
- MNEs should align their tax conduct with the principles set out in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct
 - The RBC guidelines encourage MNEs to contribute to sustainable development and to prevent or mitigate adverse impacts on people, the environment, and society.
- Chapter 11 on Taxation includes two recommendations:
 - 1: MNEs should comply with both the letter and spirit of the law
 - 2: MNEs should integrate tax governance and compliance into their overall risk management and corporate oversight frameworks



3: Ensure the tax administration can access relevant information

- **Recommendation:** Ensure transparency about the MNE operations and create a supportive framework to ensure targeted risk assessment and audits through an enhanced tax transparency framework.
- Require submission of documents to inform risk assessment and audit
 - BEPS Action 13 - Country-by-Country report, Master File, Local File
- Enable tax administration access to offshore information through implementing Exchange of Information processes and the MAAC
 - The MAAC allows countries to exchange tax information
 - The OECD's Global Forum provides support and training to developing countries on how to effectively use all forms of exchange of information



4: Ensure the tax administration has the skills to enforce complex laws

- **Recommendation:** Ensure high-skill capacities in tax administration by introducing suitable professional career conditions as well as policies that promote hiring and retention of skilled experts
- Identifying and auditing BEPS risks requires a highly skilled tax administration to detect and audit such practices – therefore, countries need to ensure that their tax administration is an attractive employer for high-skilled experts and professionals
- The tax administrations of Kazakhstan, the Kyrgyz Republic and Uzbekistan are at differing stages of development, yet their capacity to address international tax matters has been established only recently.
- Where the administrations do not invest in attracting, developing and retaining the expertise needed, taxpayers may take it as a sign that compliance with the law is not effectively enforced



Countries should be careful about providing overly generous tax incentives

- A review of tax incentives in these countries is outside of the scope of this chapter
- Central Asia faces fiscal challenges associated with the “race to the bottom”, which may be exacerbated by efforts to attract investment in the CRM sector
 - e.g. tax breaks, tax holidays and tax incentives
- Tax incentives can be effective in encouraging investment but come with risks and costs
 - If incentives are not properly designed, they can give significant tax relief for investment or activity that is happening or would have happened anyway
 - This results in forgoing tax revenue without creating additional investment

INPUTS AND REACTIONS FROM
REPRESENTATIVES OF THE STATE REVENUE
COMMITTEE
REPRESENTATIVES OF UZBEKISTAN AND
KYRGYZSTAN
REPRESENTATIVES OF THE PRIVATE SECTOR

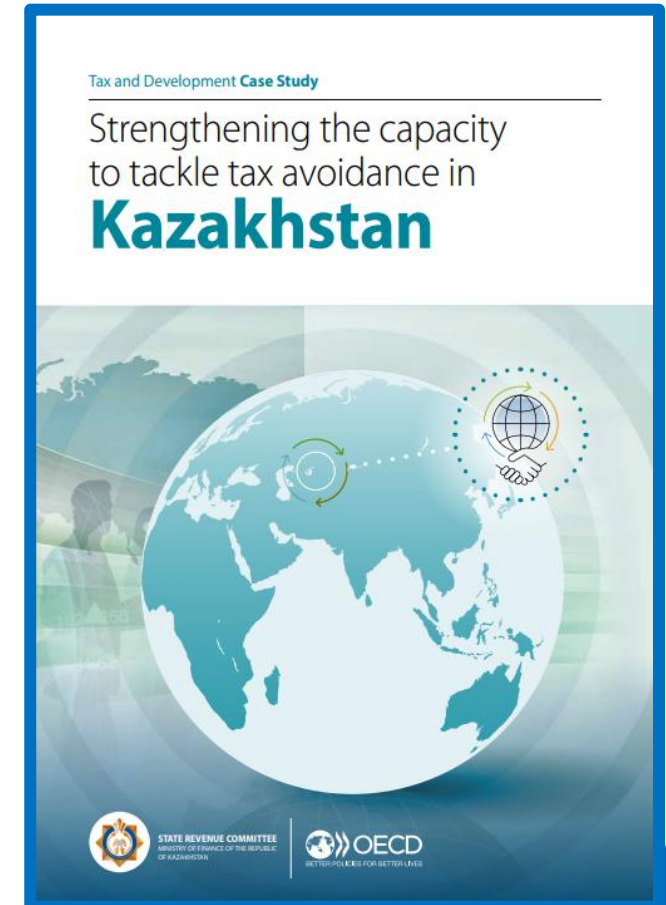
PART II: SPECIFIC RECOMMENDATIONS FOR KAZAKHSTAN



Kazakhstan's achievements in BEPS and international tax



- Kazakhstan engages actively with the OECD and is emerging as a leader in the region in international tax
- Improvements to transfer pricing legislation as well as the capacity building activities have enhanced the skills and abilities of the Transfer Pricing experts at State Revenue Committee.
- Other key achievements: signing and ratifying MAAC, BEPS MLI, amendment of harmful regimes, joining OECD Revenue Statistics Database, benefiting from broader tax policy advice, IFCMA



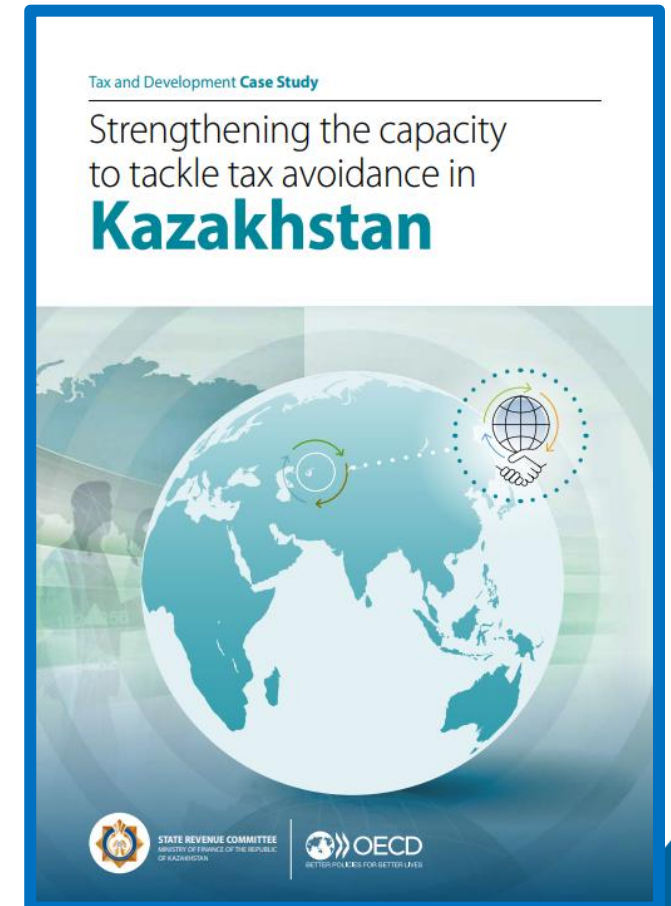
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Kazakhstan's updated transfer pricing laws are having strong fiscal results



- The correct application of the international standards on transfer pricing has a dual effect:
 - Creates a stable and predictable level playing field for MNEs investing and operating in Kazakhstan, and
 - Contributes towards strong revenue gains by encouraging MNEs to comply with transfer pricing rules:
 - Between 2022 and 2025, the total assessed tax amount reached approximately USD 566.4 million, of which around USD 363.6 million has been collected
 - A further approximately USD 73.7 million received from voluntary adjustments





1: Tax administration capacity still developing


- **Key issue 1:** Capacity to administer transfer pricing legislation is still developing
- Kazakhstan has a strong legal framework for mineral pricing
- Despite this, Kazakhstan continues to experience revenue loss from mineral underpricing, as evidenced by recent findings of the TIWB programme
- The State Revenue Committee made significant progress in 2022-2025 by building a dedicated transfer pricing team of nine experts at its headquarters
 - Further actions may be needed to expand these capacities to regional level
 - Instrumental to continue ensuring suitable policies and conditions to attract and retain talent
 - SRC competing for the same scarce talent with private sector



1: Tax administration capacity still developing


- **Recommendation:**

- Continue and sustain investments in building the capacity of the tax administration at both central and regional levels to apply transfer pricing legislation effectively.
- Further enhance risk assessment and monitoring tools and strategies to ensure early detection of deviations from the arm's length price and expand the voluntary compliance initiatives to guide taxpayers into compliance



2: MNEs are reducing taxes by using offshore trading hubs

- **Key issue 2:** The use of offshore trading hubs by MNEs remains widespread
- The key challenge detected during the TIWB programme relates to MNEs' continued use of offshore trading hubs
 - In most cases where non-compliance was identified, these trading hub entities claimed significant profit margins on the resale of the commodity, which did not correspond to the actual functions they perform, assets they use and actual risks they assume
- Kazakhstan has sound transfer pricing laws (especially for commodities), exchange of information



2: MNEs are reducing taxes by using offshore trading hubs

- **Recommendation:** Develop guidance on determining the appropriate remuneration of such offshore trading hubs to ensure that such entities are remunerated only for the actual economically significant risks they bear and actual value they create through their genuine economic functions, which may also be reflected in the operational costs borne by such entities in performing those functions



3: Kazakhstan needs to strengthen its interest limitation rules

- **Key issue 3:** Interest limitation rules are not aligned with international best practices
- Kazakhstan has interest limitation rules
 - Kazakhstan has thin capitalisation rules based on a debt-to-equity ratio of 4:1 for non-financial institutions
- This is not aligned with best practice, which is to have an interest limitation rule based on a company's EBTIDA, not equity (BEPS Action 4)
 - A taxpayer can easily manipulate the debt-to-equity ratio either with additional cash or asset contributions to equity or through asset valuations, ensuring a level of equity that will allow the deduction of all interest expense payments
- The existing rule (4:1 debt to equity ratio) is a high level of gearing for a non-financial entity
 - Interest limitation rules are intended to approximate a commercially justifiable level of leverage, allowing interest deductions only up to that level
 - This 4:1 ratio sets the deduction threshold at a level that does not effectively constrain excessive debt financing – 4x more debt than equity



3: Kazakhstan needs to strengthen its interest limitation rules

- Recommendation:
 - Adopt the international best practice approach to interest limitation, as outlined in BEPS Action 4 report, being a net interest deduction to the EBITDA ratio of 10-30%.
 - This addresses both the concern of the ratio being based on equity values, and the ratio being too generous



4: Ability to tax OITs may be undermined by exemptions in the law

- **Key issue 4:** The ability of the current legislation to tax OITs is undermined by exemptions in the law
- Kazakhstan has laws that can be applied to tax the disposal of mining licenses through offshore indirect transfers
 - The capital gain made from the sale of a non-resident entity is taxable in Kazakhstan if 50% or more of the value of the assets is derived from property located in Kazakhstan
- Exemption: the gain is **not** taxable where the share sale occurs through open bids on a stock exchange operating in Kazakhstan
 - Any exemptions from the general rule, despite having potentially sound policy rationale, may give rise to abuse as has been observed in other cases where premeditated transactions were carried out via stock-exchange transactions



4: Ability to tax OITs may be undermined by exemptions in the law

- **Recommendation:**
 - Design and implement risk assessment procedures to ensure the timely detection of indirect transactions executed through any Kazakhstan stock exchange and compliance with the existing rules
 - Where such abuse of this exemption or other special regimes (such as transactions structured via the Astana Financial Centre) is detected, Kazakhstan's tax administration may consider invoking the recently introduced General Anti-Avoidance Rule and/or rethinking the design the operation of such exemptions
 - Focus should also be on ensuring the full disclosure of the transaction details, where the transaction may be complex and involve multiple types of considerations, such as cash, exchange of shares, contingent payments or special mining royalties

OPPORTUNITIES AND CHALLENGES FOR THE CRM SECTOR FROM A PRIVATE SECTOR PERSPECTIVE

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COMMITTEE

OECD SUPPORT IN CAPACITY BUILDING AND USEFUL RESOURCES

Useful guidance materials on this issue

The 2022 OECD Transfer Pricing Guidelines

- CUP method is generally an appropriate transfer pricing method for commodity transactions.
- Paragraph 2.18 of the OECD TPG - commodities is a physical product for which a **quoted price** is used as a reference price to set prices in uncontrolled transactions. Under the CUP method, the arm's length price for a commodity transaction may be determined by reference to **comparable uncontrolled transaction** and/or to **comparable uncontrolled arrangements** represented by a 'quoted price'.

Mineral pricing toolkit published in November 2023 - [Determining the Price of Minerals | OECD](#)

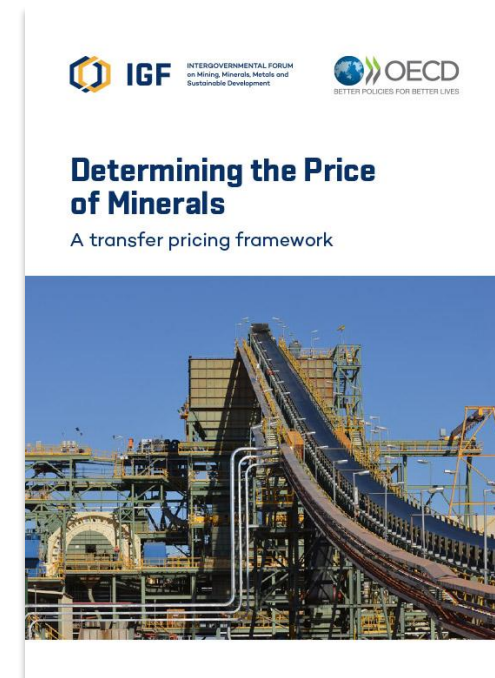
- This toolkit provides practical and meaningful guidance for developing countries to determine the price of minerals sold to related parties using the arm's length principle.

Specific minerals: applies the mineral pricing toolkit to specific commodities

- **Bauxite Pricing Toolkit** – [Determining the Price of Minerals: A Transfer Pricing Framework for Bauxite](#)
- **Lithium Pricing Toolkit** – [Determining the Price of Minerals: A transfer pricing framework for Lithium](#)
- **Copper pricing Toolkit** – To be finalised in 2026

Training available on the OECD Academy

- 8 module course of key BEPS related risks along the extractive value chain – delivered to 3 regions: Africa (EN and FR), LAC and Asia Pac in partnership with our regional partners (ATAF, CIAT and ADB)





Relevant OECD publications and websites

- **OECD Transfer Pricing Guidelines** - The OECD Transfer Pricing Guidelines provide guidance on the application of the “arm’s length principle”, which is the international consensus on the valuation of cross-border transactions between associated enterprises - [OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022 | OECD](#)
 - Transfer Pricing Guidance on Financial Transactions: [Transfer Pricing Guidance on Financial Transactions: Inclusive Framework on BEPS: Actions 4, 8-10 | OECD](#)
- **Pillar 2 GloBE Rules** - The GloBE Rules provide for a co-ordinated system of taxation that imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum rate. This publication delineates the scope and sets out the operative provisions and definitions of the GloBE Rules - [Tax Challenges Arising from Digitalisation of the Economy – Global Anti-Base Erosion Model Rules \(Pillar Two\) | OECD](#)
 - Minimum Tax Implementation Handbook (Pillar 2) - [Minimum Tax Implementation Handbook \(Pillar Two\)](#)
- **BEPS in Mining Program** - The OECD assists resource-rich developing countries with addressing base erosion and profit shifting (BEPS) related risks and challenges with a specific focus on the extractive sector. This hands-on practical assistance focuses on addressing transfer pricing risks, understanding mining industry practices, capacity building, and legal and policy advice - www.oecd.org/en/about/programmes/beps-in-mining.html



BEPS in Mining program



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