

Kazakhstan edition of 22nd Annual Global CEO Survey 2019

Ambiguous stability

1445

CEOs from 91 countries

67

CEOs from Kazakhstan



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A message from Dana Inkarbekova, Managing Partner, PwC Kazakhstan



We are pleased to share results of the Kazakhstan edition of the PwC Annual Global CEO Survey. This year, the annual survey has 1,445 respondents from 91 countries, including 67 CEOs from Kazakhstan. In order to gain a comprehensive view of the business environment in the country, we have involved senior executives from a wide range of industries.

Most executives in Kazakhstan predict declining growth for the global economy, nevertheless, CEOs are quite confident about the prospects for revenue growth of their own companies in both the short and long run. Chief executives in Kazakhstan similarly to their global peers point to an 'increase in operational efficiencies' and 'organic growth' as the main activities to drive their business development and increase profitability.

Exchange rate volatility remains to be seen as a top threat by CEOs in Kazakhstan. The global business community is more concerned about economic uncertainty, over-regulation, trade conflicts, and protectionism. The top business threats continue to include availability of key skills, which impairs standards and quality and means organisations spend more than expected, and this in turn affects their ability to innovate effectively. In Kazakhstan and globally, CEOs see 'significant retraining and upskilling' as the best answer to closing the skills gaps. It should be noted that the survey participants are frustrated about a 'lack of analytical talent' and Big Data specialists.

Kazakhstani CEOs and their peers around the world are keeping a close eye on digital development, including development of artificial intelligence (AI). Regardless of generally positive feedback, there are still a range of concerns about implementation, application and regulation of new AI-based solutions. More than 75% of respondents in Kazakhstan and globally agree that governments should develop the AI strategy and policy nationwide and control its impact on society. In the meantime, governments and businesses face a challenging issue of retraining or providing support for workers whose skills are to be replaced by AI technology.

Traditionally, the survey has a special part of CEOs' opinion on government cooperation. Just as last year, respondents still see the following as development priorities: anti-corruption and anti-bribery, improving investment attractiveness of the country and ensuring the rule of law across government activities. The situation remains stable in terms of business' commitment to cooperation with the government. Just over half of CEOs (51%) are willing to cooperate with the government to improve the investment attractiveness of the country; 49% of respondents are ready to assist in training and developing of highly-skilled adaptable personnel. Generally, no significant developments are observed on the matter.

We would like to express our deepest gratitude to all participants of our CEO Survey for the time they found to share their opinions, visions, and plans. We hope that our joint efforts will contribute to a deeper understanding of relevant processes, topical issues and the huge potential of our country. We hope you will find this edition to be useful and interesting.





Table of content



1
06 Growth of Global Economy and Private Business in Kazakhstan



2
14 Threats and Opportunities



3
29 Data as a Basis for Decision Making



4
35 Talent pool and Artificial Intelligence Epoch



5
47 Cooperation with the Government



6
50 The Best in 2018



52 Meet the CEOs

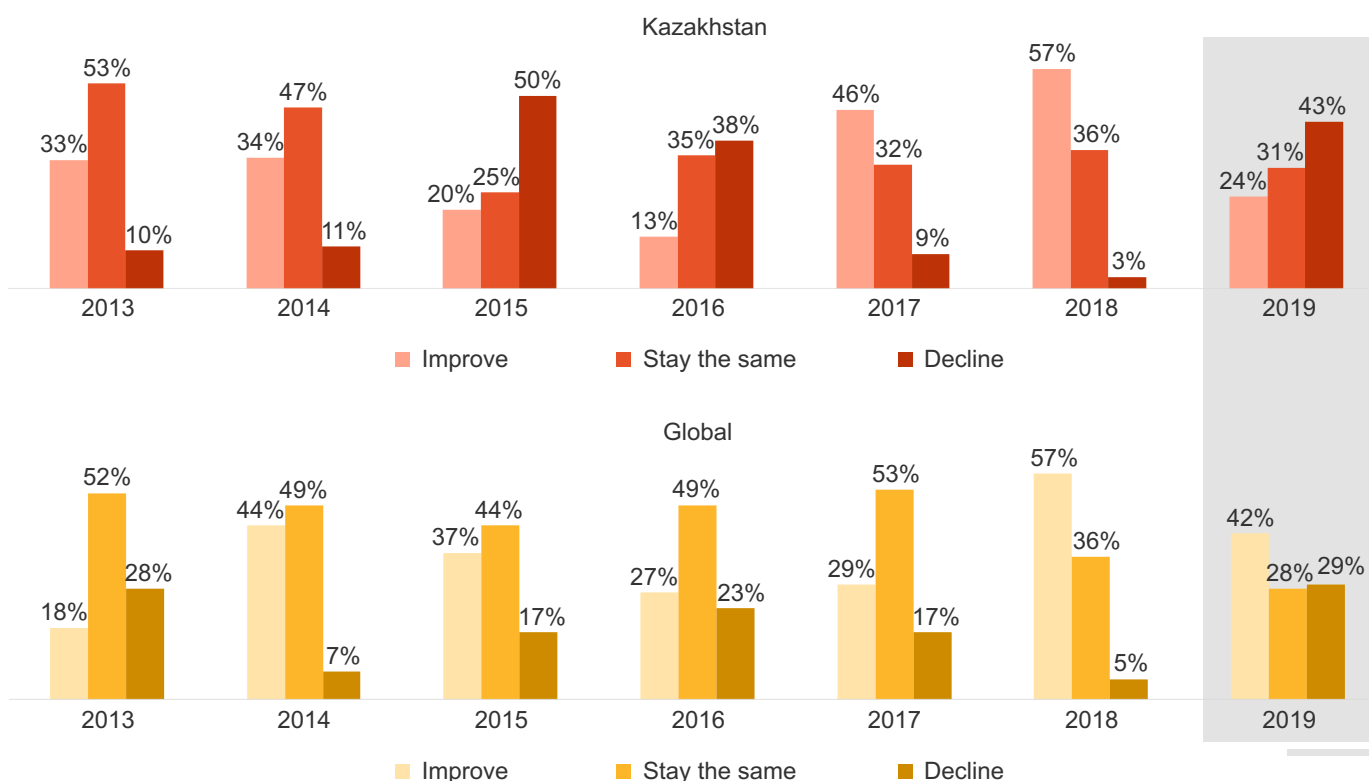


54 Research Methodology

Growth of Global Economy and Private Business in Kazakhstan

This year, the number of CEOs in Kazakhstan expecting growth in the global economy has substantially decreased (from 57% to 24%). Contrary to the record optimism last year, the proportion of businessmen expecting a significant slowdown of the global economy has increased in 2019. Having a look at the 2018 survey results (Kazakhstan as compared to the world), the economic forecasts were almost identical. However, the results of the 2019 survey (Kazakhstan as compared to the world) are completely opposite. It appears that the world is more optimistic with respect to the growth rates.

Accelerated growth expectations for the world economy in the next 12 months



“There is a feeling that a rather long growth cycle is coming to an end, we are at the stage of a gradual decline in growth rates.”

Alexey Sidorov
Silkway Ventures Group

“The growth rates will remain at the same level. They will definitely not rise because so far the USA cannot agree with China, the situation with Venezuela is not resolved, anti-Iranian sanctions are in effect. Every day something new happens in different parts of the world. As soon as the share prices start to grow, as soon as the optimism in the markets appears, it then turns out that there are still global disagreements. In the presence of such volatility in the markets, given that we constantly expect storms from

different sides, the phrase “it will remain at the same level” is not bad after all.”

Nurlan Smagulov
Astana Group

“The growth rates will remain at the same level. Objectively, there are no significant prerequisites for an accelerated growth of the world economy. Moreover, 2019 is a turbulent year because the U.S. – China and the U.S. – Russia relations introduce certain ambiguities. Emerging markets, such as ASEAN will create dynamics. However, there may be the reverse - a slowdown brought, for example, by China.”

Maksim Ageev
Schneider Electric

“A lot will depend on the geopolitical situation. So far we have made our budget based on the assumption that the growth rates of the world economy will remain at the same level if we look at the figures in dollar equivalent.”

Azamat Osmanov

Magnum Cash & Carry

“The growth rates of the world economy will slightly decline. If we assess all the factors affecting the system, it then becomes clear that there are considerable geopolitical processes which are substantially stronger than technological innovations and economic changes. There are not many new markets available for discovery and expansion; therefore, the laws of competition force us to focus on the redistribution of the existing markets, and such redistributions are often accompanied by losses. At the same time, the influence of the geopolitical factor will increase, and we can already witness this in the form of an increased number of sanction wars. They adversely affect international trade, and a deceleration in trade leads to a slowdown in economic growth.”

Konstantin Kulinich

Mary Kay Kazakhstan

“I'm an optimist and I think that the rates of the world economy growth will slightly increase. I truly hope that the rationality will prevail, despite of all the risks that exist today. I read a lot of predictions that there will be a global crisis stronger than the crisis of 2008, there will be a lot of trade wars and so on. However, I see some positive signs: Russian stocks are up, sanctions against Russia are softened, the USA and China come to the negotiation table, Trump has opponents in Congress and not all new bills will be easy for him to execute.”

Umut Shayakhmetova

Halyk Bank

“Recently, the information about the historical slowdown of the growth rates of our big neighbour was posted. Furthermore, we also see conservative predictions of the International Monetary Fund. My personal expectation is a slight decrease in growth rates.”

Dmitry Zabello

VTB Bank Kazakhstan

“I think they will slightly decrease. Now is a period of reorganisation in the global economy. The old system is dated, the new one is just being formed, and there is no clear understanding which way we are going.”

Yerem Arutyunyan

Mechta Market

“The growth rates of the world economy will remain at the same level. In my opinion, over the last one or two years, many large countries have been involved in geopolitics too much. The more geopolitics prevails over common sense, the more difficulties it will be for the economy, especially for the export one.”

Evgeny Pitolin

Kaspersky Lab

“The growth rates of the world economy will slightly increase. Oil prices have been stabilised, the economy of many countries has revived. We witness it by the activity of our market and the markets of our partners.”

Farrukh Makhmudov

Orbis Kazakhstan

“I believe that it will improve moderately, because there can be seen an increase in global technological changes and production efficiency. Nevertheless, all political events including the trade conflict between the USA and China, sanctions against Russia and unrest in the Middle East are all affecting the global economic growth.”

Ismail Hakki Tok

Fashion Retail Kazakhstan

“Overall, the US economy is showing positive results. That, as a rule, affects the rest of the world. I believe that the global growth will continue. In 2018, I believe that the global economy growth was 3.5%. I could be wrong, but my prediction is that current year growth will be around 2-2.5%. However, there are some geopolitical concerns, such as oil prices, uncertainties in relation to Brexit, and also trade conflict between China and the United States. I think that the US economy growth would be a little bit slower than last year – around 2-2.5%. Last year, China grew at 6-6.5%, but I expect that it will slow down in 2019. I think European

economic growth will be around 2%. The same with Russia - about 2%.”

Ranga Welaratne

Sanofi Kazakhstan

“The growth rates will remain at the same level, because there are no fundamental, tectonic changes observed. The growth rates may increase or decrease a little, but the level of imbalances that resulted in the global crisis in 2000s has changed the entire world economy to a new mode of volatility. This is no longer about the Kondratiev waves of 48 years in duration, or about what we got used to previously, when the world economy is adjusted every 7-8 years through crises. Now the adjustments are made by a series of regular small and medium-sized crises. What is more, these are the regional crises.”

Kairat Mazhibayev

Resmi Group

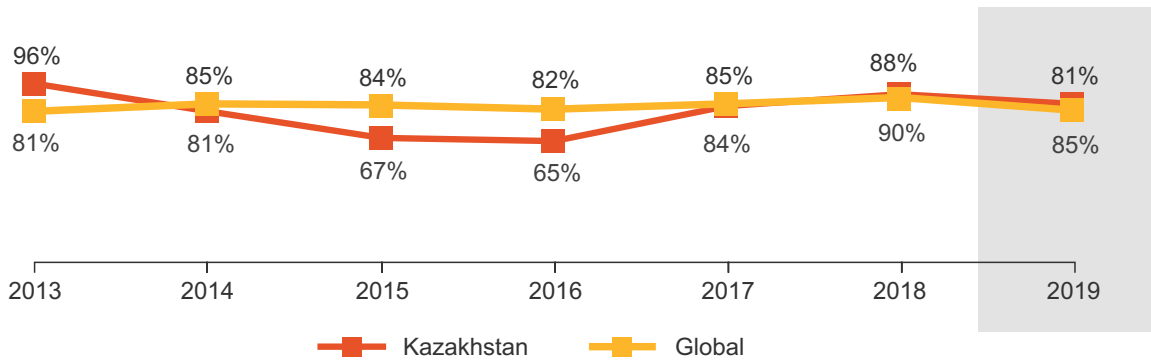
“For the next twelve months, it is maybe a bit down than in 2018, yet more or less at the same level. But beyond 12 month there is a risk of break down.”

Paramjit Kahlon

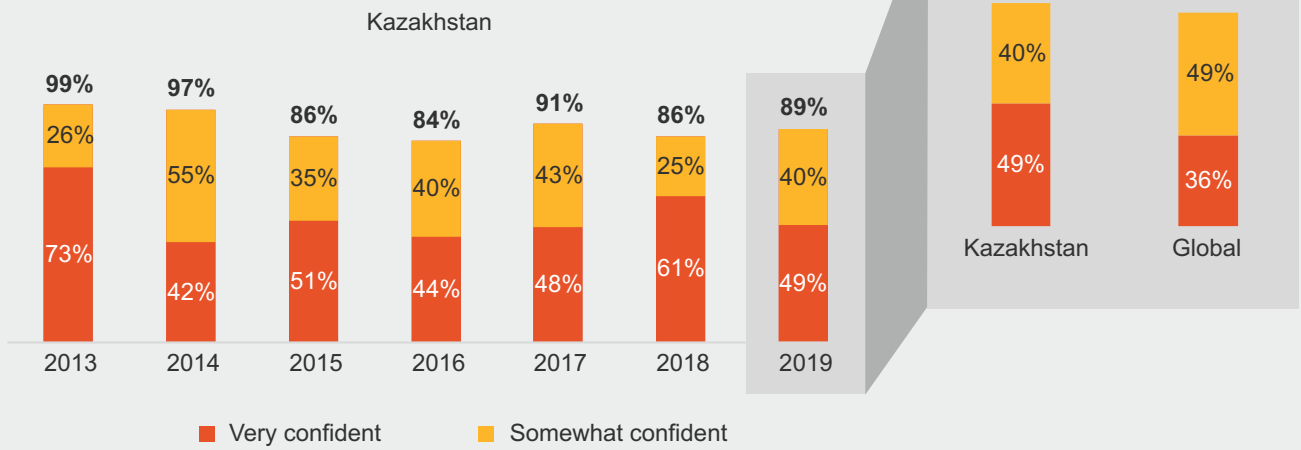
ArcelorMittal Temirtau



Confidence in your company's revenue growth in the next 12 months



Confidence in your company's revenue growth in the next three years



"I am not quite sure about the increased revenue of my company within 12 months. Firstly, this is linked to a decrease in the purchasing power of the population. Secondly, Kazakhstan is entirely integrated in the global economy and, if there are changes in the strategy of large funds that have placed their money in emerging countries such as Kazakhstan, and are now withdrawing these funds, this may adversely affect the Tenge/Dollar exchange rate. The third cause of uncertainty is that we are seriously integrated with the Russian economy, which is affected by the sanctions and which indirectly affect us. Another reason is the lack of a precise macroeconomic policy within the country, including diversification and monetary policies. This affects the future revenue of the country, population and so on. Therefore, I am not quite sure about the increased revenue of my company over the next 12 months, but I am pretty sure that there will be growth within the next three years. This is because we, as a company with great experience in the conditions of devaluations and other shocks have learned to adapt to them. Moreover, we are doing serious work to improve efficiency in our company and these "home exercises" have already brought tangible results in terms of the increased revenue, increased margins, and so on."

Raimbek Batalov
Raimbek Group

"I am completely confident about the next 12 months and more or less confident about the next three years. We see quite a good dynamics of development in Kazakhstan. The strategies of digitalization of the economy and industry declared in Kazakhstan at the national level are consistent with Schneider Electric development strategy in global and local perspectives. We see a lot of opportunities for business development in Kazakhstan and so far it provides good growth."

Maksim Ageev
Schneider Electric



“Until 2020, we are at the stage of active growth. Along with organic growth, business is expanding, thus, I am fully confident in the growth of the company within 12 months and the next three years. I am fully confident that we will grow by 25% within 12 months and 2.5 times within the next three years.”

Azamat Osmanov
Magnum Cash & Carry

“I am fully confident because we have learned to adapt to the “environment”. When everything is sold - we earn money, because we get paid to sell more. When it is not sold - we earn money because we get paid to sell. For us the question is different: how much we will grow - by 40% or by 80%.”

Nikolay Babeshkin
Kolesa Group

“If we talk about the market of Kazakhstan, then there are four major players in the country. Kazakhtelecom acquired Kcell. Kcell was our key client, so that is a real challenge for us in terms of how to keep revenue at the same level. For these purposes, our strategy is to become a global operator running both in Europe and Asia. The main competitive advantage is that the shortest way from Europe to Asia goes through Kazakhstan. We have already announced and are selling TNS Express product, from Hong Kong to Frankfurt - 153 milliseconds. We have communication nodes in both in Hong Kong and in Frankfurt, but there, of course, the

profit margins are lower than in Kazakhstan. Taking into account our current market share in Kazakhstan and Central Asia (around +50%), the main strategy will be to preserve the market share. Currently, due to competition among the players, the market share is held or acquired mainly due to the price. Therefore, in the next three years, we expect revenues at the level of 2018.”

Tungyshbek Battalkhanov
TNS Plus

“In 2019, the bank marks the tenth anniversary. We entered this anniversary year with very good results. We have a record profit in all years of the bank’s history. We have made all of our global business lines profitable, that is, we separately keep records of the profitability of large business, medium, small and retail segment. We have managed to achieve a balance in all indicators and we have demonstrated a very good business performance. Therefore, I am fully confident in the revenue growth, but we are mindful of the existing external factors. It should be noted that this is the final year of the previous three-year strategic plan, and we are starting to form the next one covering up until 2022, which reckons for earnings growth.”

Dmitry Zabello
VTB Bank Kazakhstan

“For Sanofi I expect the growth in Kazakhstan, although not as high as in 2018. Last year, Sanofi business grew approximately by 10%,

predominantly due to the optimization of the portfolio and focus on the specific areas. Yet again, if we take a look at the overall rate of access to medicine, it is at a great level now. Nevertheless, the overall spending per capita on healthcare as a share of GDP is still quite low. The government of Kazakhstan spends around 4% of GDP on healthcare. To compare, the US spends around 18%. The average world index is usually about 8-10%. Therefore, I think that over the next 3-5 years Kazakhstan healthcare spending will continue growing and provide access to innovative medicines.”

Ranga Welaratne
Sanofi Kazakhstan

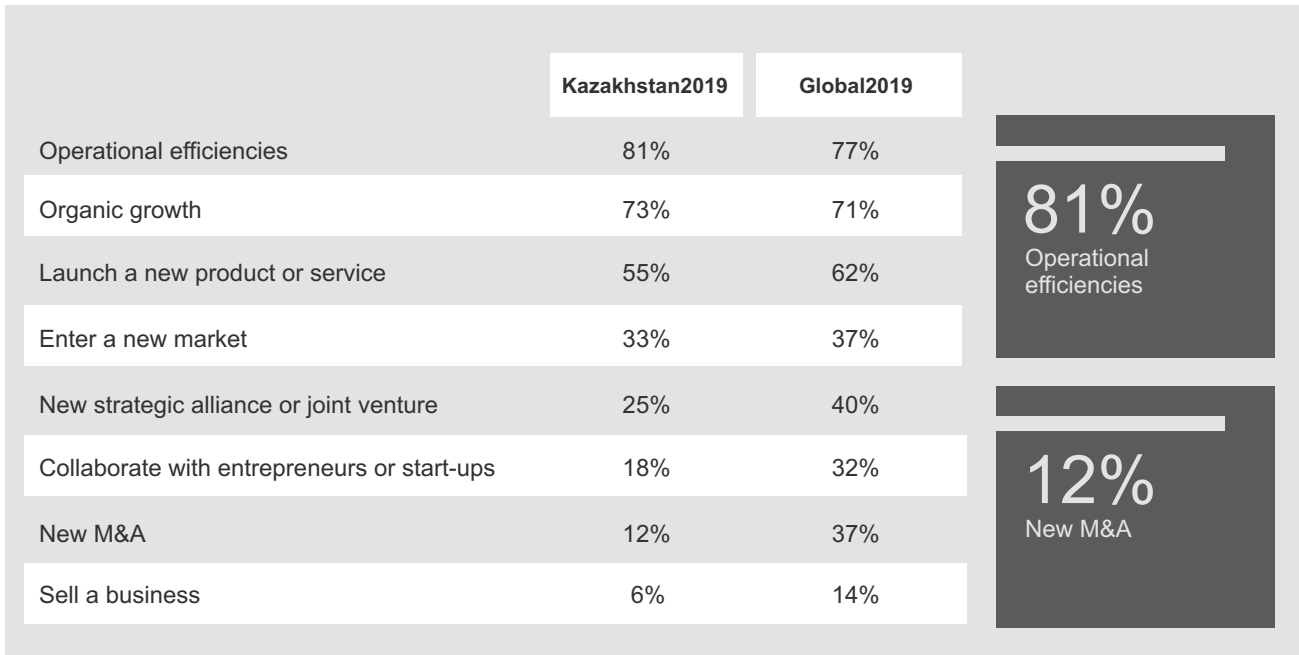
“I am highly confident in the growth of the company revenues. The Oil and Gas sector expects a natural growth driven by a number of factors. In the current environment of the field constraint capacity and favourable investment climate, new opportunities related to increasing production levels emerge. Herewith, oil price recovery leads to the establishment of stimulating business environment for capital investments in existing oil and gas fields. The medium-term regional outlook for the industry in general, and for our company in particular remains to be optimistic.”

Alexandra Bekisheva
ENGINEERING COMPANY
«KAZGIPRONEFTETTRANS»



Drivers for business growth and profitability in the next 12 months

Kazakhstan CEOs (like global CEOs) prefer increasing the operational efficiency and organic growth to increase the business profitability and further development. Mergers and acquisitions, according to our respondents, are less effective as an incentive for growth. Kazakhstan has a low transaction scheduling index (12%) as compared to the world (37%).



“Improvement of operational efficiency. This includes, inter alia, process automation and the ability to do more using less resources. Our business is such that as operational efficiency increases, we earn each additional Tenge of income incurring lower costs.”

Mikhail Lomtadze
Kaspi.kz

“We are planning to sell one of our products - Lensmark. As for entering new markets, in accordance with our strategy, in 2021 the company should make 70% of its revenue outside of Kazakhstan. We have historically doubled in size every year. Last year, in terms of the consolidated turnover, we have grown three times. We would like to maintain growth rates, but due to the size of the market we come to a deadlock in many segments. For example, in the travel segment we sell every fifth air ticket today. If, with a total market growth of 3-4% per year, we will double our growth, then in a year we will sell two out of five tickets, in one more year - four out of five, and at point all the opportunities for growth will be exhausted. The size of the market is found not to be as large as we would like it to be. Therefore, our challenge will be to go beyond Kazakhstan. This year we are aiming to take our first steps.”

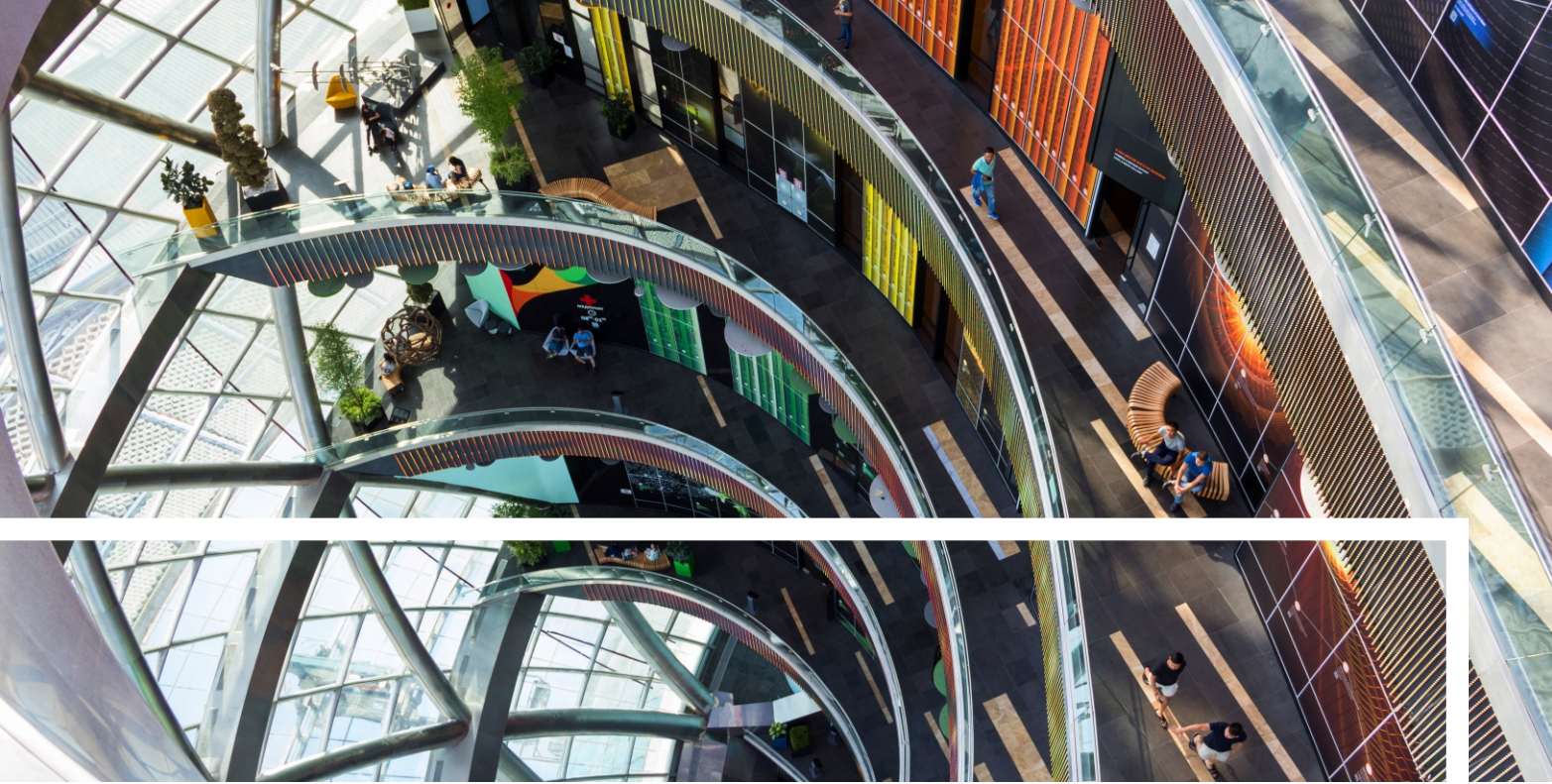
Ramil Mukhoryapov
Chocofamily Holding

“We plan to ensure the growth and profitability of the company by enhancing the operational efficiency, and also, probably, by creating new strategic alliances. We are not able to control the external price in the market in which our company operates. Therefore, the only way for development is to work with the internal operational efficiencies. It is always possible to establish strategic alliances and joint ventures - we are still discussing some things, some other things we are already doing. This is the way to reduce the financing cost, increase technological efficiency and improve internal expertise.”

Marat Seitkulov
Caravan Resources

“In order to ensure growth and profitability, it is essential to enter new markets. We are taking steps to enter the markets of Uzbekistan and India.”

Asylbek Kozhakhmetov
Almaty Management University



“We are currently working in Vietnam. Last year we opened a company, in fact, this is a startup at the initial stage of development. We are planning to expand our presence in the Vietnamese market. In 2019, we are unlikely to enter a new market, but in the following 2-3 years, we plan to enter one of the markets of Central or South-East Asia.”

Alexey Sidorov
Silkway Ventures Group

“Now the work is aimed at quickly capturing the segment of hypermarkets and supermarkets. New business formats are emerging, in terms of which the emphasis will be made on our own production and on our own brand, Mergers and Acquisitions are relevant, as are internal organic growth and increased operational efficiency. The focus will be on improving the food freshness and convenience/speed, whilst keeping the low prices for customers.

The company will launch large-scale projects for the development of fresh categories and its own brand. This is an important component of our economic strategy aimed at providing the consumers with the best price. Management focuses on gross margin growth, through lower operating and capital costs.

The company plans to expand into western regions by acquiring one of the local chains rather than through organic growth. We completed the acquisition of a number of locations in the north, including in Nur-Sultan, and continue to work in this direction. Standard acquisitions rarely occur in the food retail market when one company de jure acquires another. As a rule, they acquire locations, rights to these locations and sometimes equipment.”

Azamat Osmanov
Magnum Cash & Carry

“We have acted as sculptors in our business: we removed the excess and kept only what generates the profits. We

have revised almost everything, starting from the maintenance of our own office, product line, sales channels and the risk profiles of our clients. This year we have updated and strengthened our team of specialists. Next year, we would like to consolidate our positions and, probably, enter new product segments. It is clear that there will be new inputs, new challenges, but now the current team of VTB Bank (Kazakhstan) is entirely ready for changes and transformations. We assess what is happening in the market and get feedback from our clients. We have made the greatest efforts in forming communications within the team and with the market. We do not assume mergers and acquisitions, but also we do not reject this in the event of something interesting happening in the market for us. However, today the main strategy is based on the organic growth.”

Dmitry Zabello
VTB Bank Kazakhstan

“This year we are going to explore opportunities to enter new markets. We are considering large-scale projects worth hundreds of millions dollars: construction of new factories in the south of Kazakhstan in order to enter the market of Central Asia, and in the east of the country in order to enter the market of China.”

Serik Tolukpayev
Aitas Group, UKPF

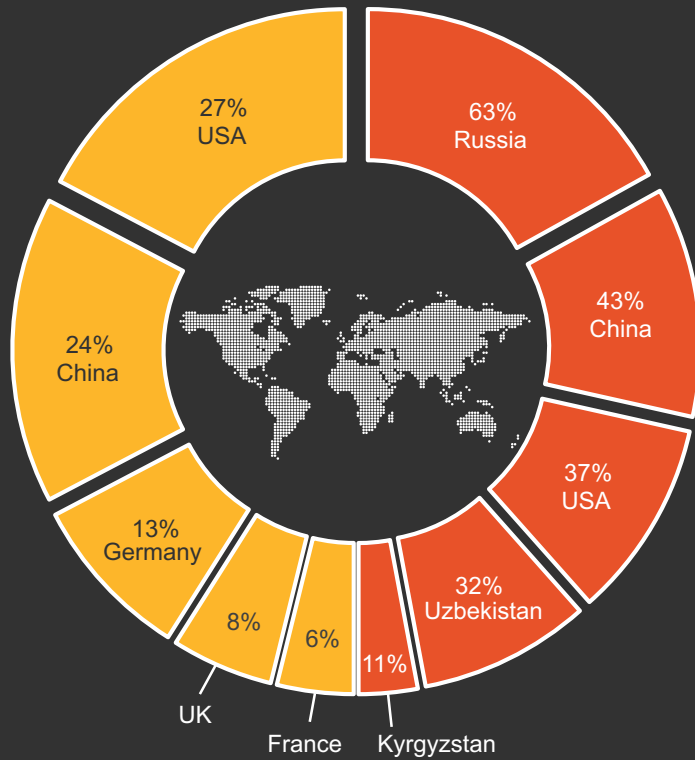
“Internal organic growth is a prerequisite for the development of our group. We constantly work to improve operational efficiency, enabling us to control costs. It is planned to create an alliance and to acquire several enterprises. The company also plans to enter new markets.”

Farrukh Makhmudov
Orbis Kazakhstan



Most important countries for business development in the next 12 months

Top-5 for CEOs Globally Top-5 for CEOs in Kazakhstan



“The most important are the US and China. There is a large network of branches in China; it is one of the highest priority countries for us for today. Additionally, it is worth noting promising other markets, such as India, South-East Asia, Latin America and even Africa. The GDP per capita on healthcare is very low in these countries, which creates a huge growth potential.”

Ranga Welaratne
Sanofi Kazakhstan

“Primarily, it is Uzbekistan. We tried to enter Russian Federation market, but we felt uncomfortable as a lot of administrative resources were needed there.”

Nurlan Smagulov
Astana Group

“We operate only within Kazakhstan. If we talk about influence, then it is Russia because everything depends on the balance of trade.”

Eldar Sarsenov
Nurbank

“Countries in Central Asia such as Uzbekistan, Kyrgyzstan and Tajikistan are very important for us, then go the Caucasian countries: Georgia, Azerbaijan and Armenia. Russia is also important for the overall growth prospects. We are targeting South Korea and Western China. There are spot opportunities in South East Asian countries.”

Paramjit Kahlon
ArcelorMittal Temirtau



“If we are talking about Kyrgyzstan and Uzbekistan, this is a geographical interest. We are located in the Central Asian region, and it is logistically easier for us to expand to the markets of these countries. Currently, we are not actively engaged in this direction. We are talking about interest over the medium term. I wish the positive news received from Uzbekistan and related to geopolitical factors will be more long-term and sustainable.”

Konstantin Kulinich

Mary Kay Kazakhstan

“We focus on the Asia-Pacific region, these are China, Philippines, Malaysia, Singapore and Vietnam — the countries around Hong Kong. They are connected to Europe through a submarine cable running along the bottom of the Indian Ocean, the Mediterranean Sea. It is much cheaper, but longer and not very reliable - if the cable breaks, it may take a month to repair. We have the terrestrial route and it takes several hours to repair the cable. In addition, we have a protection route enabling us to continue to provide services if there is a problem with the main route, and our product is considered to be of premium class. At the same time, our point of presence in Hong Kong is not entirely interesting for Korea and Japan, hence they choose the Trans-Siberian route: it is shorter for them.

We are also interested in the Middle East and particularly in Iran. From my point of view, this is a prospective country because despite having a much larger population than Kazakhstan, it consumes less internet. However, at the same time, we understood that we would not go to Turkmenistan: Internet is “restricted” more than in Iran. The whole country consumes 20 GBytes of the Internet, whereas in Kazakhstan, Kapchagai alone consumes this number of GBytes. There is no point in investing there.”

Tungyshbek Battalkhanov

TNS Plus

“Russia, China and Uzbekistan. Uzbekistan can provide us with additional impetus for development in the Central Asian region.”

Denis Van den Weghe

Atakent

“The United States and Russia are the most important for us. The US is a pioneer in the fitness industry and transmits the fitness trends to the whole world, and Russia is a connecting link, an intermediate filter for Kazakhstan. Previously, we tried to bring technology directly from the United States, but we did not want to take on responsibility for the wrong choice of direction. Russian people gain access to any new trends quicker, test them, and we transfer them to the Kazakhstan market. Although not everything that is popular in Russia also becomes popular in Kazakhstan. Despite the fact that we use the Russian franchise, we are quite independent in our actions.”

Valikhan Ten

World Class Almaty

“In terms of overall perspectives, we are working on the entrance to the Chinese market, but this market is unlikely to open during the next 12 months. In my point of view, today Kazakhstan is unlikely to be able to give something to China in return for access to its market. But if the Chinese market opens to Russia, then, I think, we can enter it. Kazakhstan is not able to provide China with a trade proposition comparable to that provided by Russia, thus it would make sense that the Russian people come to the Chinese market first. Both Russia and China have already made many promises, and it is possible that the issue will be resolved within a year. In the meantime our immediate plans are associated with the markets of Uzbekistan, Russia and the United Arab Emirates, as these markets are accessible and open to us.”

Serik Tolukpayev

Aitas Group, UKPF

“Our office is responsible for six countries. In addition to Kazakhstan, Mongolia and Kyrgyzstan will demonstrate the highest growth rates, and we hope that Uzbekistan and Tajikistan will not fall behind. In general, each of the countries we operate in is critical for us. It is important for us to know about everything that happens within these markets.”

Evgeny Pitolin

Kaspersky Lab

“Uzbekistan is a priority country for us, but I am not sure that we will enter there during the next 12 months. We take a careful approach to the Uzbekistan market and monitor it carefully. We have already worked there and know its risks. Now we are exploring what business model we should implement in Uzbekistan. We may simply export the products there, but they have their own production, and Uzbekistan protects its market. Unfortunately, we do not have symmetrical measures, therefore we have an unequal position and we are non-competitive in that market. The second business model is to base the production in Uzbekistan. However, selling only to the market of Uzbekistan is not entirely profitable. It would be necessary to export at least to Russia and Kazakhstan, but currently the logistics is not suitable because the cargo will be transit and the corresponding tariffs are high.”

Raimbek Batalov

Raimbek Group

“Russia affects the Tenge exchange rate, Russia and all Central Asian countries affect inflation. Probably, Russia and the United States of America.”

Guram Andronikashvili

ForteBank

Threats and Opportunities

The majority of CEOs in Kazakhstan (57%) are still “extremely concerned” about the exchange rate volatility. The main obstacles in the world and in Kazakhstan for doing business are policy uncertainty, over-regulation, trade conflicts and protectionism. These factors are related to doing business under the current economic situation in their own markets.



Level of concern about political, social and environmental threats to your company's growth prospects

	Kazakhstan		Global	
	2018	2019	2019	2018
Exchange rate volatility	62%	↓57%	26%	29%
Policy uncertainty	*	34%	35%	*
Over-regulation	36%	33%	35%	42%
Trade conflicts	*	33%	31%	*
Protectionism	21%	31%	30%	29%
Access to affordable capital	30%	27%	12%	18%
Uncertain economic growth	33%	27%	24%	26%
Geopolitical uncertainty	23%	22%	30%	40%
Inadequate basic infrastructure	31%	19%	17%	26%
Populism	10%	15%	28%	35%
Social instability	20%	13%	18%	29%
Terrorism	21%	12%	13%	41%
Climate change and environmental damage	5%	↑12%	19%	31%
Increasing tax burden	15%	↓7%	25%	36%
Future of the Eurozone	2%	6%	13%	17%

57% Exchange rate volatility	12% Climate change and environment damage	7% Increasing tax burden
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“Exchange rate volatility: we are extremely concerned, because we buy everything in Euros, Dollars, Yens, Wons. Sometimes we cannot understand: do we sell currency or cars? You are doing the right things, developing your business, but then you need to settle the payment with the plant, but the Yen has increased considerably against the Dollar, and we made a loss. Our loans in Tenge are hedged. We tried to hedge in Yens but have never guessed it right.

We are not extremely concerned about overregulation as we are in a free market and we are not dependent on the state.

Social instability: I am extremely concerned. I was at the meeting in Nur-Sultan and found out that our government has reduced taxes for citizens who earn less than KZT 69.000 by 10 times. Do you know how many of these workers there are? Two million workers! We have only 7-8 million employees in the workforce. This is the basis of social protest moods, because it is very difficult to make a living earning 69,000 Tenge.

It is necessary to improve the welfare of the citizens of Kazakhstan dramatically and rapidly. I am very pleased that the President of our country said that this year will be the year of growth in the quality of life of Kazakh people. It is good that industrialization and nanotechnology fade in the background, and the real person goes to the fore, because the people cannot live only with expectations.

Terrorism: I am extremely concerned because our Mega trade centres are the places of mass gathering. We are visited by 33 million people a year. Even if all airports and railway stations in Kazakhstan are combined, they are still smaller than Mega centre in terms of the number of visitors.

Trade conflicts: I am extremely concerned, because if Uzbekistan closes its market for us or we have conflicts with Russia, then it is not going to be fine.”

Nurlan Smagulov

Astana Group

“I am greatly concerned about over-regulation. Over the long period of time the Internet has been out of regulation, there is a need to make some changes in this area.

However, often such changes are made by people who are not well aware of the consequences. There are cases of blocking entire websites if there are claims in regards to individual pages. The blocking of the entire website means a complete stop of business for at least two or three days. Besides, the reason for blocking is not often explained to businessmen. These situations alert the investors, make them weigh all pros and cons before investing in a startup in Kazakhstan. This creates uncertainty not only for prospective investors, but also for existing players.

On the one hand, the Government hears our suggestions and wishes. On the other hand, it is difficult for us to predict with any confidence how the situation will develop in the future. In some countries, for example, according to the law, only the banks have the right to develop products such as our Rakhmet service. If such restrictions are introduced for one reason or another, the business will suffer considerably up to the cessation of business activity. It is hard to build long-term forecasts under uncertainty.”

Ramil Mukhoryapov

Chocofamily Holding

“Inaccessibility of investment capital and unwillingness of the authorities to respond to any social, economic and environmental changes adequately are of concern.”

Asylbek Kozhakhmetov

Almaty Management University

“We are greatly concerned about over-regulation. We operate in the retail service through the Internet, that is, in the retail lending market and the provision of information services. Our group has entities operating both in a regulated and unregulated market. However, even the companies which are not subject to the regulations are at risk, because the regulatory authority wants to have rules relating to which players will operate in a particular market. These rules may change, and we do not always know or understand what changes we should expect. This problem worries any FinTech company, because financial services are anyway always related to regulation. We understand that there will not be the same regulation for us as there is in regards to banks, but some restrictions regarding our business may arise, and this is happening all over the world.”

Alexey Sidorov

Silkway Ventures Group

“I am extremely concerned about the greater State's involvement in the economy, the nationalization of many industries and, as a consequence, the decline in entrepreneurial spirit among businessmen of Kazakhstan.”

Umut Shayakhmetova

Halyk Bank

“We are greatly concerned about the availability of capital. Money is expensive and often unavailable. Large pledges and long, complicated procedures are required. Using our capital, we have acquired land to construct new plant and we are planning to construct a building and connect infrastructure. When everything is ready, we can raise state money to acquire the equipment. However, we can get only several millions with a collateral value of several billions. Availability of capital is critical and important.”

Ilya Martinenko

Avrora Holding

“I am a bit concerned about the ambiguity of the economic growth of Kazakhstan. I predict on expansion of anti-Russian sanctions from Western countries, which can lead to increased volatility of the Rouble. Tenge depends on the Rouble exchange rate, affecting the Dollar/Tenge, hence it may worsen the Dollar exchange rate in the country.”

Denis Van den Weghe

Atakent

“I am not extremely concerned about over-regulation and an increase in the tax burden. We are not particularly concerned about the availability of capital, we use corporate resources. Over the next three years we do not plan any major investments. I am deeply concerned about the certainty with respect to the prospects for economic growth because there are events such as presidential elections, strong influence of the state in the economy, and the oil and gas orientation of the economy. Although we now see that the country has chosen a certain course for diversification, it does not give any certainty so far. Uncertainty is the main risk for us.

We are slightly concerned about the volatility of exchange rates. We are more or less used to operating in a floating exchange rate environment. More likely, if there are prospects in the economy, then we understand how the exchange rate will change. Herewith, it is unexpected changes in politics and economics that represent the risk for the exchange rate. We are slightly concerned about protectionism. We are talking about protectionism of Kazakhstani manufacturers because we are an international company.”

Maksim Ageev

Schneider Electric

“Kazakhstan is a great country where private business is developing including international corporations carrying out their activities. It is pleasant and promising to operate in Kazakhstan, to interact with wonderful people, and we appreciate the atmosphere of openness and dialogue. Nevertheless, answering the question, we will list the main areas of concern. First, we are concerned about over-regulation. The market of medicine and medical equipment is highly regulated, that is partly justified, because it is about the main value - health. However, from a business perspective, it is necessary to seek a balance between the interests of all the players, including commercial companies, and the state. One gets the impression that now there is a misbalance. The global experience and the systems of the global corporations' operation are not always taken into account.

It is also necessary to note the underdevelopment of base infrastructure. Good provision of the base infrastructure related to IT-solutions and energy is required to install our equipment. We face problems in these areas. We are concerned about the lack of a long-term defined development strategy within the next 3-5 years, so it is impossible to enter into the contracts for 5-10 years. For Siemens Healthineers it is common to enter into the contracts for a 20-year period, there are even some global contracts entered into for a period of 30 years. If we have had an opportunity in Kazakhstan, where the main market is concentrated in public sector, to enter into the contracts for 10-20-years, it would be done in the interests of both the state and participants in the market.”

Mikhail Gribov

Siemens Healthineers

“I am not concerned about the increase in the tax burden at all. We can receive tax incentives as we are part of the Alatau Information Technology Park. I hope that if it all works out, then in 2020 we will pay less taxes.

I am a bit concerned about the volatility of exchange rates because we have to raise salaries for programming

specialists on a regular basis so that they do not go elsewhere, but stay to work for the company.

I am concerned about the inability to control fake news when several people may destabilize a big established business. A negative fact itself does not cause as much damage as the wave grown after the fake news has been spread. As an example, when there was fake news that Kaspi was doing badly, people went to withdraw their deposits. Many people understood that everything was normal with the bank, but they also realised that those who have just gone to withdraw money could cause the bank to default, so even realistic people went to withdraw their savings.”

Nikolay Babeshkin

Kolesa Group

“The banking sector is now in a waiting position because from January 1, 2019 the National Bank of Kazakhstan has introduced the “substantiated opinions”. At the end of last year, the participants in the market actively discussed this topic at the Association of Financiers of Kazakhstan. Much has been said but now it is important to understand in which final format it will come to the market.

We are not much concerned about insufficient development of the base infrastructure, because great efforts have been aimed in this direction, and our bank takes an active part therein. We connect to all sorts of systems entering the market at the government level. We are not concerned about the volatility of the exchange rates. Along with the regulatory authority of Kazakhstan and the Central Bank of the Russian Federation, we have learned to compensate for volatility and quietly live with it.”

Dmitry Zabello

VTB Bank Kazakhstan

“We are greatly concerned about the human capital outflow from the country. All developing economies of the world face this problem, but this can hardly be regarded as a consolation. Globalization leads to the fact that transnational companies seek and attract promising specialists from different countries of the world, and invite them to work in head offices, branches located in large cities. As for our company, we are more likely to attract brains, because three key areas of the company are headed by immigrants from Russia, Ukraine and Belarus. As a company, we provide for human capital inflows rather than outflows.”

Serik Tolukpayev

Aitas Group, UKPF

“Speaking of terrorism, it should be noted that we are greatly concerned about cyberterrorism as a threat. The fight against cyberterrorism falls directly under the competence of our company. Also, we are greatly concerned about geopolitical instability to which IT and cyber security is closely linked. The recent conflict between the United States and China, for example, interferes with the activities of such large companies as Huawei. There are more and more of such examples. Unfortunately, geopolitics coupled with protectionism have a very strong impact on the world.”

Evgeny Pitolin

Kaspersky Lab

“We are greatly concerned about the insufficient development of base infrastructure. We deal with the commodity sector, and the mining and processing of minerals, as a rule, is not carried out in urban areas. The questions regarding the available transport infrastructure, electricity, gas, rail tracks connections and utilities are always very important. Many projects require a sufficiently long power line or a railway to be constructed, and it is always associated with high costs. Also, we are greatly concerned about protectionism. Over the past two years, protectionism threatens the global economy and becomes one of the sources of risk. Populism is one of the signs of protectionism and, unfortunately, is positively perceived by the population in many countries.”

Marat Seitkulov
Caravan Resources

“I am greatly concerned about over-regulation. We have a great state presence in the economy. I think that this is dictated by the need of the state to have strict control over the economy. However, a severe regulatory environment puts pressure on private businesses and investments.

I am greatly concerned about an increasing tax burden. I mean the total consolidated burden on business associated with the relations with the state, and with the Eurasian Economic Community. We are not the country winning in terms of SME. Russian Federation and we ourselves, as well as Belarus, are state capital markets. We import a lot of things, not only inflation, from Russia where everything has been centralised very much and is almost in manual control mode. The rules and standards are being harmonised with a focus on the Russian ones. As a result, for example, long-term investment contracts of Kazakhstani companies with the Government are subject to review. It is strange when it is stated and holds the principles for protection of foreign investors rather than for local businesses. New government charges are being introduced, for example increased obligations of manufacturers, and I even do not really understand whether this is a tax or not? I dub them as hidden taxes. They take up substantially more than 10% of the EBITDA being generated. This is a significant negative factor because it

affects the trust of shareholders, the well-being of the company and, most importantly, affects the amount of reinvestments in our economy. I am deeply concerned about the volatility of exchange rates. I am concerned about only one currency, and you can guess what I am talking about, because it is completely unpredictable. We wake up in the morning and do not look at the Tenge and the Dollar exchange rate, we now look at one more currency. We are greatly concerned about protectionism, especially Russian's trade protectionism associated with the Eurasian Economic Union. Also, we are greatly concerned about populism. It seems to me that some important decisions are dictated for the most part by the populist considerations which are aimed to generate maximum tactical benefit. Herewith, people are not ready to take on responsibility for certain strategic things that need to undertake for the long term.”

Kairat Mazhibayev
Resmi Group

“I am extremely concerned about availability of capital, because we have an expensive capital domestically. But the availability of capital is one of the fundamental factors for development. I am greatly concerned about climate change and environmental damage. We are tired from allergies and other diseases. It is easy to understand that

the reason is our environment - polluted air and food. All fresh vegetables and fruits come from Altyn Orda, no one controls how many pesticides and herbicides are poured into the soil to grow tomatoes and cucumbers. Frankly speaking, the Chinese formula "the more fertilizers are, the better the crop is and the longer it is stored" works everywhere: in Uzbekistan, Kyrgyzstan, and, unfortunately, in our Kazakhstan. I am therefore concerned about it. The lion's share of our lands is watered by irrigation system. Now the nature is being silently poisoned. All these chemicals and humus are washed into the groundwater and then fall into the rivers, lakes - Balkhash, Alakol, etc. This is a problem. But nobody properly studies it. In addition, agriculture, especially crop growing in our region, is developing quite actively. And there is no free land at all - everything is occupied and cultivated.”

Raimbek Batalov
Raimbek Group

“The VAT tax in Russia is 20 %, while Kazakhstan is still keeping it 12%. The products which are imported by companies to Kazakhstan remain inside the Customs Union with 12% VAT and then it goes to Russia. I have a feeling that it might be VAT issue in future because the difference is huge.”

Ismail Hakki Tok
Fashion Retail Kazakhstan





Level of concern about trade conflicts



“Soon, I believe, the trade conflict between Russia and the West will cease as soon as Europe realizes and calculates all losses from the moment of start of the economy stagnation and paralysed industries. It is not profitable for anyone. I think they will have good prerequisites to get out of control of other countries to establish a contact. After that, the third small countries will lose the support of Europe, and trade will continue along with the tariffs. But it will be too late, since Russia deals with import substitution, and it is almost completed excluding some positions. Therefore, only Russia will benefit from such economic war that will end, I assume, within the next two years.”

Eldar Sarsenov
Nurbank

“I am only concerned about the trade conflict between China and the United States. If we talk about Russia and the West, I think that the sanctions imposed on Russia come from the United States, and Europe just follows it. Many countries members of the European Union no longer agree with this situation and want to continue working relations with Russia.”

Denis Van den Weghe
Atakent

“Our company has links with the Russian Federation as we receive sets of machinery components and cars assembled in Russia. We receive them within the Eurasian Economic Community, thus we do not pay customs duties. However, if the Eurasian Economic Community is dissociated, we will then have to pay in full. This is not so good for us. We export trucks to Belarus and to the Russian Federation. If something happens, these countries simply won't buy them from us. That is, we both export and import, so the

issues of trade wars, which are existing and possible, are very sensitive for us.”


Nurlan Smagulov
Astana Group

“I am concerned about the trade conflicts between China and the United States. The whole world is familiar with the politics of China. The agreement achieved in Argentina (according to the results of negotiations in Argentina, the USA and China agreed not to impose additional tariffs after January 1, 2019) is a done deal and past history for the USA. However, for China, this is only the first episode of a long series. That is, this story does not come to an end in 2018. We and the whole world will observe this situation over several more decades.

I am greatly concerned about Russia and the West. These mutual sanctions are horrible if we talk about the humanitarian component, not only the economic one. As we are in a customer-centric businesses, for us, being in the Eurasian Economic Community, it has become harder to work with international companies, to buy certain western technological solutions.

The trade conflicts within the Eurasian Economic Community are continuous. If we talk about the conflicts between Trump and Xi Jinping, these conflicts affect 10% of the amounts, and that is harmful for our business. In our case, if we have devaluation of the Tenge or Rouble, it is nearly twice. And then over 3 years nothing happens. Then in one night, we again get something that makes the business bad, because half of Kazakhstan is filled up with Russian goods.”

Kairat Mazhibayev
Resmi Group



“In any case, the conflict between Russia and the West affects Kazakhstan and has a major impact on the banking sector that is why this confrontation is most relevant for Kazakhstan.”

Farrukh Makhmudov
Orbis Kazakhstan

“I am concerned about the conflicts between Russia and the West, China and the United States, because China and Russia are our neighbours, and understandably, we are more closely economically interconnected and dependent on them. Thus, the entire consumer sector and the investments from China. We also have a large turnover with Russia, we have flow of both capital and labour resources, and we have official and unofficial close relations with Russia.”

Raimbek Batalov
Raimbek Group

“We are little bit concerned about Russia and the West. Our perimeter is not into any of them, however we are selling into Russia a lot. Therefore, if growth of Russia is impacted, our sale into Russia also will decrease.”

Paramjit Kahlon
ArcelorMittal Temirtau



Level of concern about business threats affecting their companies' growth

This year a concern about the availability of key skills has slightly decreased. According to the CEOs in Kazakhstan, this threat ranks the first place for the third year in a row.

	Kazakhstan		Global
	2018	2019	2019
Availability of key skills	90%	↓ 81%	79%
Volatile commodity prices	72%	63%	54%
Cyber threats	60%	54%	69%
Volatile energy costs	64%	52%	52%
Readiness to respond to a crisis	54%	50%	58%
Speed of technological change	56%	49%	69%
Supply chain disruption	59%	49%	50%
Changing consumer behaviour	52%	42%	60%
New market entrants	50%	42%	55%
Lack of trust in business	50%	38%	50%
Changing workforce demographics	31%	34%	50%
Unemployment	23%	31%	41%
Potential ethical scandals	35%	28%	39%
Real estate costs	*	22%	33%

81%

Availability of key skills

“We are greatly concerned about the new players entering the market. We often had to “neutralize” strong players, and it cannot be excluded that a new company will enter the market and successfully compete with us. We are greatly concerned about the shortage of qualified personnel, and we have realised that the best way to solve this problem is to train personnel on our own.”

Ramil Mukhoryapov
Chocofamily Holding

“We do not worry about the emergence of new players in the market at all, on the contrary, this is very good. New players introduce new competencies, make everyone work harder and bring in new capital.”

Eldar Sarsenov
Nurbank

“I am greatly concerned about the ethnic antagonisms. The situation within the society is really heating up.”

Asylbek Kozhakhmetov
Almaty Management University

“I am greatly concerned about the shortage of qualified personnel. This is not only a problem for the Kazakhstan market, but also the global labour market. We work with digital technologies and industrial automation, therefore it is extremely important for us to have highly qualified engineers. We face certain difficulties in finding the personnel in the local market.

We are a little concerned about changes in consumer behaviour. We are worried about the trend of negative consumer demand. Real income of the population has decreased significantly over the last year, in particular, as a result of the crisis.”

Maksim Ageev
Schneider Electric

“I am very concerned about the shortage of qualified personnel. My main problem is that IT specialists leave the country. The last two devaluations have formed two issues. The first is that specialists from Ukraine have stopped coming to Kazakhstan to earn money. The second is that talented programming specialists are starting to leave the country, not to the CIS countries, but further away.”

Nikolay Babeshkin
Kolesa Group

“The shortage of qualified personnel still remains a relevant problem. I have been living in Kazakhstan for 10 years and do not observe significant changes in this issue. We try to engage and retain the most competent specialists. Each position has its market value, but we pay employees about 30% more. I do not see the point of saving on salaries. Thus, we minimize turnover of employees and increase productivity, as a competent specialist spends less time to solve problems.”

Denis Van den Weghe
Atakent

“We are not concerned about the emergence of new players in the market, because the reverse trend is now happening in the market - the number of banks in the country is in distinct decline.
We are a little concerned about the shortage of qualified personnel, because human capital is key. Changing consumer behaviour is the main determinant of the market. Demand determines supply, so we make enormous efforts to communicate with the market.
We see how technological revolutions are taking place one by one and we are actively introducing IT technologies into the daily operations of the bank, but we have always had a rather precautionary approach to the so-called “digitalization”. I am absolutely sure that there is no need to give up the old completely when moving to the new. Changing the demographic characteristics of human capital is a win for us in Kazakhstan because it is well known that the age-related population curve median in Kazakhstan is 10 years younger than in Russia. This is our advantage, and if we go out to any public place, we may see a great number of children. If our employees in Russia generally have one child, and two is already uncommon, then for Kazakhstan it is common to have three children, and two is uncommon. So we are not concerned about this issue.”

Dmitry Zabello
VTB Bank Kazakhstan

“The shortage of qualified personnel is always present. There are few marketing specialists, especially in online commerce.”

Yerem Arutyunyan
Mechta Market

“We are concerned about the pace of technological changes. We are constantly under threat from something new, especially in the banking business, particularly in payments from FinTech companies. FinTechs are really great threat for banks. In addition, there are already small companies in the West and in the US that enter the market

and provide expensive credits, but their scoring is very relaxed. This is one of those “new products” that is worth paying attention to, especially given the fact that such companies are not regulated by the central banks. They do not need to form capital or implement a compliance system which we as a bank strictly comply with. These companies easily come in, go bankrupt and go away, that is, they are disrupters in that they violate the working principles of the credit market, invade our business territory and take the customers. I believe that if we are working with them in the same area, they should be regulated by the National Bank as well.”

Umut Shayakhmetova
Halyk Bank

“There is an acute problem of finding the qualified personnel for our company. Unfortunately, the production sector in Kazakhstan is not so developed. Over the past decades, the universities produced a lot of financial experts, but few production workers, and the generation of old-school specialists has exhausted itself. Many specialists left the country. We are experiencing an acute shortage of specialists who know the production techniques. It is difficult to find competent financial experts who can work in the international markets and at the same time have a background in production. There are many quasi-sector specialists in the labour market, but I would call them rather quasi-specialists. There are good professionals among them, but the experience they get is not always acceptable for us and does not always meet our requirements. Therefore, the shortage of domestic specialists in our company has to be filled by hiring employees from ex-USSR countries. The problem of shortage of the personnel cannot be solved by “fiat”.”

Serik Tolukpayev
Aitas Group, UKPF

“I am very concerned about the shortage of qualified personnel. Unfortunately, we do not have good relations with higher educational institutions and often feel the need for qualified personnel. Therefore, we have to train specialists ourselves in our own Astana Motors Academy. We would like Kazakhstan to increase its attention to the promotion of the labour professions and to train more specialists with technical and vocational education.”

Nurlan Smagulov
Astana Group

“One of the key problems for our business is the shortage of qualified personnel. Despite the apparent huge volume of information, the available specialised departments on information security in most technical universities are the large number of training courses, educational programs and cybersecurity, people learn only from their own mistakes. The result is that IT-specialists in many companies are engaged in current operational tasks, but do not understand risks in the security and how investments in this area are justified.”

Evgeny Pitolin

Kaspersky Lab

“A huge problem is the shortage of qualified personnel in all sectors where we carry out our activities. We have a diversified business, and there may be a shortage in one of the sectors, for example lawyers who know the details of work in this sector, and in another sector — engineers with this niche specialisation. There are problems with specialists in the financial sector, we cannot recruit the directors for the car centres, service directors, or agricultural managers. We train our specialists, but due to the fact that the company is developing very quickly, we do not have time to train a sufficient number of employees.”

Farrukh Makhmudov

Orbis Қазақстан

“Our industry has solely a positive effect from a change in consumer behaviour: people’s attitude are changing, and the structure of the economy is also changing. A simple example: 20 kg of copper are needed to manufacture a car with a gasoline engine, while 60 kg are needed to manufacture Tesla car - and another 20 kg are required to make a charger for an electric vehicle, infrastructure of electric refuelling stations. The transition to alternative energy is also associated with an increase in copper consumption. The faster consumer behaviour changes, the better for us.

I am a little concerned about our readiness to respond to the crisis. Prices for copper around the world are changing, and our abilities to respond to this are limited. The price around the world can be changed even by 30%, and it is obvious that we cannot reduce the cost of production by several times. Volatility of commodity prices is of great concern.”

Marat Seitkulov

Caravan Resources

“Consumer behaviour is changing but we’re changing along with it.”

Peter Foster

Air Astana

“Retail is a fast growing segment of the Kazakhstan economy. There are many shopping malls opened and

shopping is a kind of new hobby now. Therefore, I am somewhat concerned about new market players. An important point is that the population is not growing as fast as the increase of supplies to the market. There are already several large-scale enterprises in the market in Kazakhstan, I think the retail players are taking each other’s market share because the population growth and increased demand are at moderate level. According to my calculations, the country needs 100 brands, whereas 115 brands are currently present. Therefore, it might cause some investment exits.

Nowadays, the new generation has different loyalty level, attitude and consumer behaviour than my generation. Social media affects it very much and we need to adapt to these changes. We are somewhat concerned about the rapid technological progress. We do not have online stores, particularly due to the franchise model. However, we are intending to form a partnership with the biggest e-commerce website in Kazakhstan.

I am worried about the real estate prices. This is one of the most important problems for the retail industry in the future. There are few big players in the retail sector and shopping malls in the country; they mainly built it with dollar debts. Therefore, the rent costs depend on the currency exchange rate and on devaluation, although our revenue comes in KZT.”

Ismail Hakki Tok

Fashion Retail Kazakhstan

“I am a bit concerned about the new market entrants. We are fundamentally operating in competitive markets where the role of the state is not very large. Therefore, the new players appearing is a great indicator. This is an indicator that we have missed something and have not provided the market with what it wants.

I am greatly worried about disruptions in the supply chain. My concern is completely natural, because, due to regionalisation, all of the problems in the Russian, Baltic and Chinese ports immediately affect us. When there is something happening in our supply chain, we strongly feel it. A consumer is not always aware of such problems, but this affects our operational efficiency.”

Kairat Mazhibayev

Resmi Group

“I am a bit concerned about the magnitude of technological changes. But I am concerned in the sense that, we are moving in this direction. I am concerned not in terms of threats, but rather in terms of opportunities. The larger the company becomes, the more difficult it is to modify something in the future. If you do not build the service based on the right technology initially, then after 3 years it is difficult to modify it. That means it is important for us to gain momentum utilising the right technologies.”

Mikhail Lomtadze

Kaspi.kz



“We experience a certain shortage of personnel in IT-development. It has taken me about five months to find a specialist who works with Business Intelligence (BI) software. This software consolidates a lot of data into concise tables and graphs with clear results for the end user, for example, for a CEO or a shareholder. It has been very difficult to find such a specialist in Kazakhstan. Usually, when such specialists grow to a certain level, they go to a place where they can fulfil themselves or establish their own company, working in outsourcing. However, when it comes to databases, especially closed consumer databases, outsourcing is very risky.”

Alexey Khegay
Dostyk Plaza

“I am extremely concerned about the shortage of qualified personnel. One of the areas of our company's activities is related to the agrarian sector, and we see that there is a shortage of qualified industry experts - veterinary physicians, agricultural specialists, process specialists and people who know all the processes. Former personnel are lost, the cattle vaccination system “KPC” which previously existed even at the level of the private sector, let alone large collective farms. There is no clear training program for young specialists. In my opinion, it is necessary to solve this issue at the state level, by working closely with the higher education institutions that train specialists for the agricultural sector. Our farmers also lack knowledge. Many of them do not understand that if they spend money on the “KPC” cattle vaccination, they will protect animals against any disease and death and in the future will be able to avoid more serious financial damages. We are concerned about the rates of technological changes. Technologies develop and become obsolete very quickly. There is a risk in not keeping up with them. When we find any solution, there is always a fear that it will soon no longer be that advanced.”

Orazkhan Karsybekov
Kusto Group

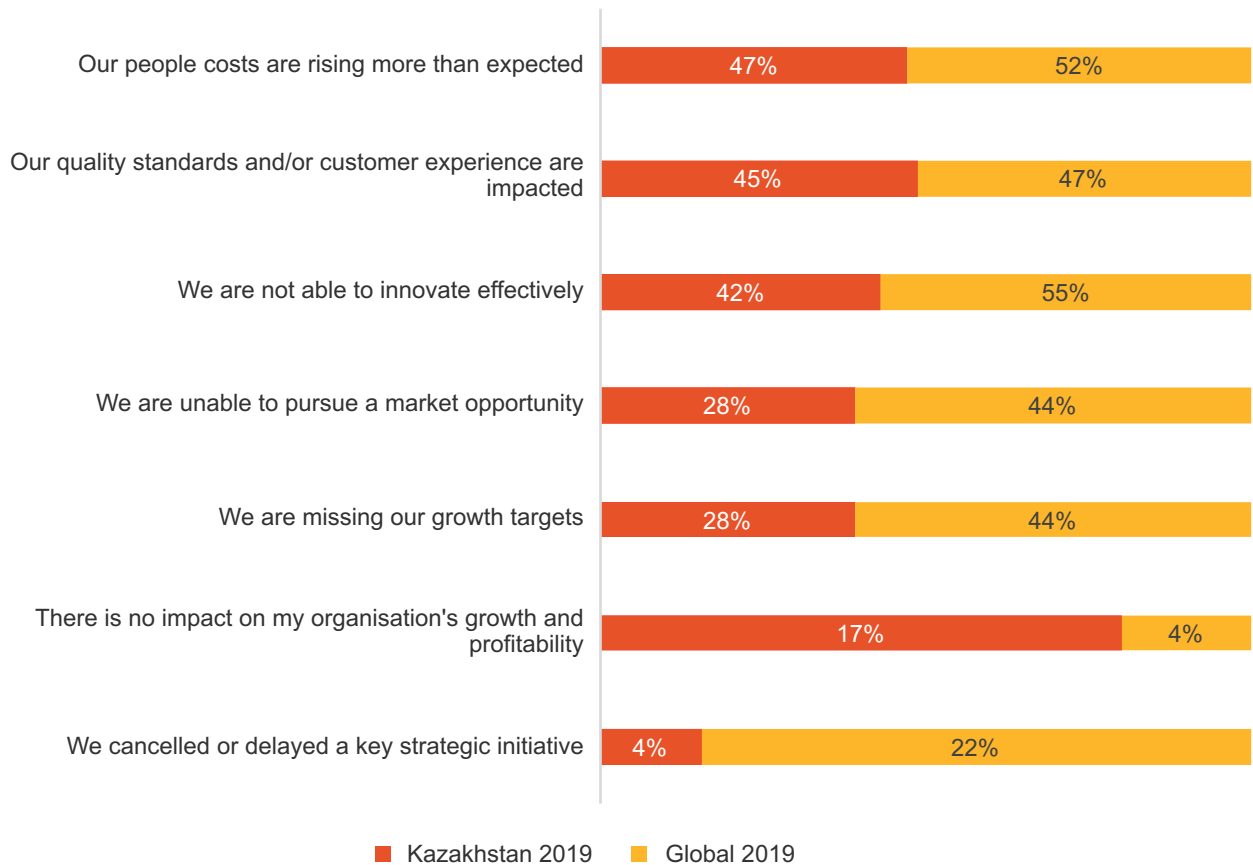
“According to HeadHunter Index indicators, in 2018 there was a shortage of specialists in the labour market in the following professional areas: Installation and Service category for Equipment Installation and Setting, Service Engineer, Service Manager - Industrial Equipment, Service Manager - Network and Telecommunication Technologies, etc., as well as in Marketing, Advertising, PR, Marketing Communications, Customer Relations Manager, Promotion, Social Events, etc.”

Nina Bychenko
HeadHunter

**The HeadHunter Index is an indicator of the shortage of specialists in the labour market. It is calculated as the ratio of the number of candidates to the number of open positions for a certain period of time. 1 to 4 are normal for the market; 4 to 6 are an alarming figure, when there are 4-6 curriculum vitae per each vacant job; more than 6 are a difficult situation with very high competition for the job, when there are more than 6 curriculum vitae per vacant job.*



Impact of the shortage of qualified personnel on the growth prospects of the organisation



“In Kazakhstan, the banking sector is the most advanced, even in terms of IT. Nevertheless, we do not have enough qualified local banking personnel who would be able to develop new areas in IT. In general, the level of new graduates coming to us is worsening. New managers come, who have bad writing skills, can barely talk properly, cannot count and work with Excel. The majority of them have a very low level of education, especially in the regions. Almaty and Astana are better, but the country trend is that we are losing in basic and higher education.”

Umut Shayakhmetova
Halyk Bank

“When we are talking about the shortage of qualified personnel, in our case this is internet marketing specialists, developers, experts in data analysis, machine learning and artificial intelligence. We are trying to search for specialists, but this is difficult, and we cannot quickly implement innovations.”

Ramil Mukhoryapov
Chocofamily Holding

“Broadly speaking, there is certainly a shortage of qualified personnel in Kazakhstan. The issue is how to find these specialists inside Kazakhstan. On the other hand, I am calm about this, because along with a slowdown of our development, the local competitors also slow down. Of course, under these conditions we are not able to realize the market opportunities in education, which leads to a decrease in the rate of the industry development, particularly, in comparison with international competitors.”

Asylbek Kozhakhmetov
Almaty Management University

“It is quite difficult for us to implement innovations in Kazakhstan, and this is not related to our internal potential. It is not difficult to conduct training for a limited number of people, but it is not always possible to transmit such innovations to the market. Doctors with all their conservatism are interested in learning about what is happening in Europe and America, in going to international conferences and events. We need time and money in order to convey our technologies to the target audience, to show them live. We do not have time to convey the technologies to the doctors, not to mention the economic constraints. As a result, a lot of end users who can afford treatment outside Kazakhstan have to seek medical help in other countries. Previously the patients went to Europe, Israel or America for treatment, now a lot of them choose Korea. The flow of tourists who leave for treatment abroad could partially be directed to Kazakhstan if was not only medical equipment but also competent specialists and infrastructure. Patients' dissatisfaction with the quality of medical care leads to the growth of outbound medical tourism.”

Mikhail Gribov
Siemens Healthineers

“We have rejected a number of strategic initiatives due to a shortage of qualified personnel and time to recruit the IT team. We had to rigorously search for personnel. Our staff costs are increasing more than expected. Due to the shortage of local personnel with a necessary set of competencies in food retailing, we have to pay more to an employee from Moscow or Kiev, otherwise he will not have the motivation to move to Kazakhstan. Additionally, we also bear the costs for expats. We invite foreign experts mainly in the areas of IT and project-management/logistics.”

Azamat Osmanov
Magnum Cash & Carry

“We are not able to pursue market opportunities. If we were to have more qualified personnel, we would be able to increase both production and sales. Estimating the company's development strategy in the medium and long term, for the next 5-10 years, I understand that there is a need for specialists in the company who cannot be found neither in nor outside Kazakhstan. Opportunities can always be found; the issue is that whether there are people to implement them. Nowadays it is possible to find resources for growth almost in any business, because the market is undeveloped, there are countries next to which

represent great opportunities for market entrants. We need people who can take advantage of the situation.”

Serik Tolukpayev
Aitas Group, UKPF

“We cannot efficiently implement innovations because people whose qualifications are at their limit perceive these innovations as a headache. Therefore, we have to make incredible efforts so that they at least consider the opportunity of using the innovations. All of this affects the target growth parameters, as in an economy of stagnation, of flat-growth, something can be developed only through innovations. We already know that the period between the desire to introduce anything new and the very actual introduction of it is about a year and a half. We have already learned how to manage these processes in order to shorten this period to six months at least.

Shortage of personnel also increases our staff costs. Therefore, we closely monitor that the growth in the number of employees fall behind the growth in sales.”

Kairat Mazhibayev
Resmi Group

“Migration of specialists from Kazakhstan is of very big concern for us. Mainly, people are moving to Russia and other countries. Our people costs are rising more than expected, because when we cannot gain skills locally, we are hiring experts from abroad and they are expensive.”

Paramjit Kahlon
ArcelorMittal Temirtau

“We think that staff specialists cost are increasing more than expected. The reason is the devaluation of the currency. People want better conditions to have normal lives as they had before, and from the social point I see this as quite reasonable.”

Ismail Hakki Tok
Fashion Retail Kazakhstan

“There are no project managers in Kazakhstan, and for that reason many sectors are negatively affected, for example problems with the quality of construction are emerging. For one of our projects we were only able to find a specialist of the necessary skills only in Russia.”

Orazkhan Karsybekov
Kusto Group





Investment attractiveness



40%

Has stayed the same



24%

Has declined



22%

Has improved



13%

Don't know

“It has not changed. In practice, it is very difficult to use the state support. Often it is granted to those who should not have received it.”

Farrukh Makhmudov
Orbis Kazakhstan

“The investment climate has not changed, and, unfortunately, Kazakhstan remains of little attraction to foreign investors. In part, this is due to the legal vulnerability both of the citizens of Kazakhstan and investors. At any time, both companies and private investors may lose their investments due to the imperfection of the legal system, and also due to corruption. Therefore, we need to take a number of measures to resolve the issue of the judicial and law enforcement system, to eliminate corruption. We need to make sure that an investor feels comfortable and understand that the rule of law is strictly observed in Kazakhstan. The investor should also know that the population of Kazakhstan is wealthy because the investor does not come to declining market. However, now the purchasing power of the population is not growing. Therefore, the President of Kazakhstan has done the right thing setting the priority task to the new government to

increase the income of the Kazakhstani people and to improve the welfare of the population. After the quality of life of the citizens in our country improves, foreign investments will start coming.

I can say that as an investor I feel comfortable in Georgia. It has the rule of law and a very convenient tax system. The market is not as large as Kazakhstan, and the population is not rich, but this is a growing market. The perspective is evident there, and it is clear where the country is going because the Georgian government has a sound economic policy.”

Armanzhan Baitassov
Tan Media Group

“There have been no noticeable changes but some things work very well. It became easier to get access to some mechanisms of state support for business, and these mechanisms became more efficient which our company proved through its own experience. The new Subsoil and Subsoil use Code has been liberalised and includes answers to many questions related to the changes in the provision of public services in the sector and legislation.”

Marat Seitkulov
Caravan Resources

“The investment climate has slightly deteriorated. We are working with the Asian Development Bank, and due to a confidence crisis, our subsequent tranches that are given to us by the Asian Bank through government agencies are frozen. Government agencies now require collateral for this money due to the confidence crisis to the banks.”

Eldar Sarsenov

Nurbank

“The investment climate has deteriorated. Being a technology company, we want to cooperate with the partners and investors from other countries, but are facing the problem of perceiving the country we are representing. The availability of negative factors or ignorance on the part of our counterparty always create a challenge, and prospective partners, as a rule, either do not know well about the situation in Kazakhstan or possess negative information.”

Alexey Sidorov

Silkway Ventures Group

“It has not changed. The investment climate is always a composite indicator. Kazakhstan is becoming more open to investors, there are no problems in interaction with the authorities, but at the same time there is a certain macroeconomic instability and volatility of the exchange rate.”

Maksim Ageev

Schneider Electric

“The investment climate in Kazakhstan has deteriorated. I would like to see more foreign students in Kazakhstan.”

Asylbek Kozhakhmetov

Almaty Management University

“I would say that the changes are not substantial. The policy is almost the same as compared to 2016 or 2017.”

Paramjit Kahlon

ArcelorMittal Temirtau

“There are no changes, and the lack thereof has affected our mid-term growth parameters. We were not able to attract money and external investors here. They are even reluctant to go to the Astana International Financial Centre because of Russia. Investors have adopted a “wait and see” attitude. That means we need changes in the investment environment.”

Kairat Mazhibayev

Resmi Group

“The issue is very broad and multidimensional. In general, Kazakhstan has very few full-scale, capital-intensive business projects for investment because their establishment and management is associated with high risks. Additionally, the decline in the attractiveness of these investment projects within the country is affected by both a relatively large total investment volume as well as the instability of the Tenge and moving beyond the forecast volatility of the national currency. At the same time, many foreign investors for certain reasons cannot make investments in a number of countries, signifying that the investment interest has been redirected to Kazakhstan. However, there are certain difficulties here as well: Kazakhstan is a completely new country for these kind of investments, and at the same time, Tenge instability is also a substantial factor in the decision making process of external investors. Investment negotiations can be quite difficult because the foreign investments are made in foreign currency, and foreign currency investment returns should be provided.”

Alexey Kheday

Dostyk Plaza

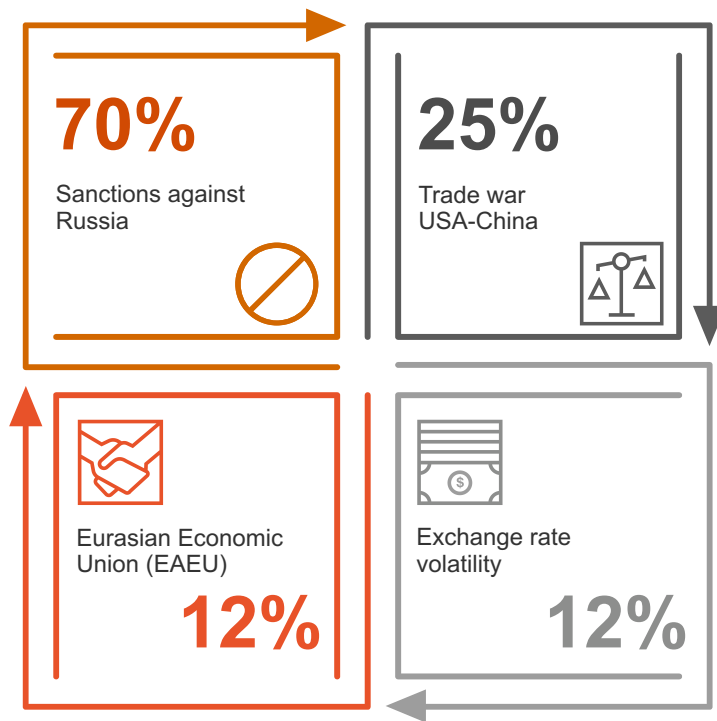
“In 2018, we observed positive movements, for instance an Initial Public Offering (IPO) of the large government companies. This helps investors to study in detail the country and business potential. Thus, we see that there is slow progress in the right direction. These changes have little impact on our business.”

Guram Andronikashvili

ForteBank



Geopolitical events affecting Kazakhstan and business in particular



“Geopolitical events that in some way affect Kazakhstan are associated with Russia, to be exact, with the fact that the neighbour country fell under sanctions due to the conflict with Ukraine. This adversely affects the whole economy of Kazakhstan, absolutely on all business. I do not know any enterprise which was unaffected by the crisis.”

Armanzhan Baitassov
Tan Media Group

“The trade war between China and the United States. In July 2018, a tonne of cathode copper on the London Exchange was worth \$ 7.300. After the trade wars started, the price dropped to \$ 6.000 per tonne. This is an excellent example of the impact geopolitical events have on business.”

Marat Seitkulov
Caravan Resources

“Sanction against Russia impacted on the overall growth, on the prices and consumption of steel in Russia. That is affected Kazakhstan because of customs union with Russia.”

Paramjit Kahlon
ArcelorMittal Temirtau

“Sanctions against Russia is the main issue. The availability of capital has decreased throughout the region and this has indirectly resulted in reputational risks.”

Yerlan Ospanov
Verny Capital

“USA - Russia (sanctions, Syria, Iran) - falling oil prices, weakening of Tenge. There is some impact on the purchasing power. It is extremely difficult to organise simultaneous changes in prices in retail, which has affected the reduction in the percentage of the turnover received by the developer. Against the background of short-term negative consequences due to the impossibility of investing in Russian companies, foreign investors have become much more interested in investing in Kazakhstan, which, with a positive result, may lead to making investments into the country.

The acceleration of inflation in Russia caused the acceleration of inflation in Kazakhstan in the second half of 2018, and the Rouble depreciation has a very negative effect on Tenge devaluation. As a result, we observe a slowdown in consumer demand.”

Alexey Khegay
Dostyk Plaza

“I think that sanctions against Russia affect its economic development and the Rouble exchange rate. This impacts Kazakhstan business and in particular the Tenge exchange rate. Additionally, geopolitical events that take place in the Middle East affect volatility of oil prices, and this in turn affects the economic development in Kazakhstan.”

Guram Andronikashvili
ForteBank

“Sanctions against Russia had a small impact on our business, although the economy as a whole may have already felt their impact or will feel it over time. However, in any case I am not talking about the heavy dependence.”

Orazkhan Karsybekov
Kusto Group

“The most important geopolitical changes over the last several years have affected Kazakhstan, and SANTO has been established in EAEU. I can say that Kazakhstan is a foundation of EAEU and is becoming a centre of development for the pharmaceutical industry. I think that Russia as the largest market is an indicator of development.”

Jiri Urbanec
SANTO

Data as a Basis for Decision Making

According to the CEOs in Kazakhstan and worldwide, the data on the preferences and needs of the clients and customers is the most valuable. However, the share of completeness of obtaining this data does not exceed 25% (25% in Kazakhstan, 15% worldwide). **The causes a lack of data obtained and its unreliability as well as limited access to the data.** The CEOs around the world worry about the issue of a shortage of employees with analytical skills more (54%) than their colleagues in Kazakhstan (34%).



Level of importance of data to ensure the success and growth of the organisation over the long term period



“Everything around clients and staff is critical to employers.

Reputation attracts businesses like a magnet but is something very easy to damage. That is why it is critical. In today's banking sector, the rejection of technology is risky movement. For example, when people talk about financial and technological solutions, they imply that cash transfers may no longer require a bank. Indeed, PayPal and Zelle, for instance, are not banks. Important things can be missed if you do not pay enough attention to technology.”

Andrey Kurilin
Citibank Kazakhstan

“Forecasts, underpinning the business plan and strategy, are extremely important to us. As for the comparative analysis of the KPIs, we constantly measure them and compare with other banks in Kazakhstan. We are well aware of the place we take up now, and what place our competitors take up.”

Dmitry Zabello

VTB Bank Kazakhstan

“Financial forecasts and assumptions are very important. We as investors do not produce water, chocolate, do not make payments and do not provide other services. This is done by the companies we invest in. I, as the CEO of an investment company, clearly understand, relatively speaking, what investment products we are delivering to the market. For us, financial forecasts and assumptions are key resources for making investment decisions.

Moreover, due to the fact that we are in a customer-centric business, information about customer preferences is very important to us. Therefore, we look at the forecasts and estimates of the EBRD, the World Bank, global banks, Nielsen and Gallup researches, which gain importance for Fortune Global 500 companies as an important resource. We are pleased that since the end of the 90s these institutions have been developed, and we can objectively, with varying degrees of error, manage parameters such as loyalty, recognition and so on. We worry when they leave our markets. It is very important for us that the third party monitors our market. The availability of such institutions in the country is a sign of civilised business. It is a vital infrastructure, no less important than airlines, hospitals, the Internet and roads.”

Kairat Mazhibayev

Resmi Group





Data acquisition sufficiency



“We do not get sufficient data on customer's preferences and needs. Despite of the fact that our company has been present on the market for a long time, it is quite difficult to get this data. We do not have digital technologies that would allow us to obtain this information, and we do not have direct access to customers' wallets. This information is available either to retailers, or to the bank card companies, or to agencies that are engaged in consumer market research. And the most accurate information is based in the form of digitised data. We think a lot about this problem, but unfortunately have not yet found the solution. Due to the lack of information on customer preferences, we do not have sufficient information on brand and reputation. There is no sufficient data about the views and needs of employees. This is due to the fact that our company has no sufficiently strong HR-service in terms of determining the needs of employees.”

Serik Tolukpayev
Aitas Group, UKPF

“Data is one of the biggest problems in Kazakhstan. It is either insufficient or inaccurate. I have used data all my life but here is the worst quality. Nevertheless, if the comparison to be made with the countries of Central Asia and Caucasus, the data in Kazakhstan is much better.”

Ranga Welaratne
Sanofi Kazakhstan

“The study of the clients' and consumers' preferences and needs is now actively developing and improving. The instruments used to measure this indicator abroad began to be used in Kazakhstan only last year. Globally, there is an agency that, in cooperation with Siemens Health, conducts an opinion poll of end customers who we are working with. It finds out what products and services of our company satisfy or dissatisfy the customers, and we, in turn, analyse the causes of dissatisfaction and seek ways of resolving the issues. Since last year, this chain has started to work in Kazakhstan, and there is a potential for its improvement in the local market.”

Mikhail Gribov
Siemens Healthineers



“Acquiring sufficient data is one side of the issue. The problem is that the quality of this data and analytics raises questions. If we consider our topic, then practically in all reports of the Republic of Kazakhstan on threats there is the data from Kaspersky Lab, in particular, this relates to the threats to children’s security in the Internet. The data is sufficient, but it is not used. The second problem is that we have to obtain all the qualitative data ourselves. We have data on the KPIs of other players in the industry, and this analytic is comprehensive. There is a good data on our clients and consumers, and on the brand and reputation.”

Evgeny Pitolin
Kaspersky Lab

“Comparative analysis of the KPIs of other representatives in the industry - I obtain sufficient data, but I would like more or better data. We have a quite closed economy, and we often do not know the objective situation in its sectors. Moreover, for example the government of the country is concerned that something is wrong with the data on agriculture, as the local executive bodies manipulate the data in order to accomplish their KPIs. This is of a concern because we do not have an objective view.”

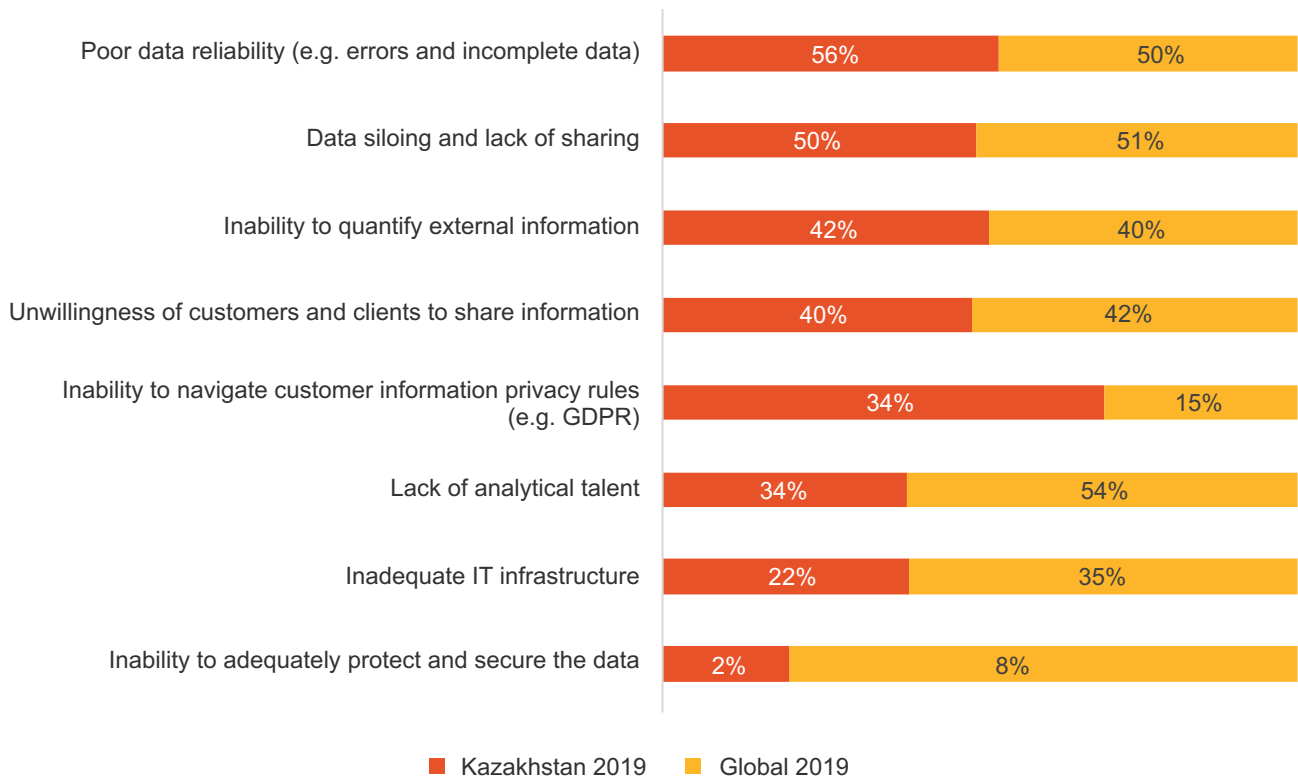
Kairat Mazhibayev
Resmi Group

“For the current goals of the project we obtain sufficient data, but it is necessary to work in the joint data system, which is complicated. Comparative analysis of our figures with other players in the industry is a critical issue not only for our industry, but I think, for the whole of Kazakhstan. The data for comparison is limited, poor and hardly understandable. Now we have decided to post certain general indicators on the website, for example, sales turnover and attendance of shopping and entertainment centres, in order to demonstrate our openness in providing data.”

Alexey Kheday
Dostyk Plaza



Primary reasons of the low level data comprehensiveness



“Education statistics and data are closed. If it was shared with us, we then would have been able to work quicker in the market. National statistics do not provide analytical calculations on education. For example, I do not know how many students have been enrolled to a particular specialty in aggregate for the country.”

Asylbek Kozhakhmetov

Almaty Management University

“For a better understanding of the market, we would like to digitize this market to see the volumes, growth rates, the number and behaviour of customers and other figures. However, it is not easy to obtain these figures, because it is difficult to collect the data from all market players in the self-regulative regime. Self-regulation regime means that there are always players who want to take part in the exchange of information, and those who do not want it. There are no policies that would oblige the players to exchange this data. The only available option is to collect aggregated data from public or private credit bureaus that have access to more or less complete data. In our business, the availability and use of data can be a great competitive advantage in the decision-making process. If

we could get access to the national databases and use them to assess the audience or to assess the risks, we would have additional tools to improve efficiency. I am afraid that it may take several years to obtain such access. The shortage of employees with analytical skills is not only our problem, but also of the market as a whole. We, as an Internet company, accumulate a huge amount of data, up to 800 000 – 1 000 000 visitors per month on our web-site. The visitors stay on the site for a while, and we can analyse how their behaviour changes. There is so much data that we do not have time to analyse it, whereas it may contain certain insights that we could use in our decisions. The companies operating in other industries, for example, telecommunications, face similar problems. Having large amounts of data, they cannot systematise it, primarily due to a shortage of specialists who can make analytics and present conclusions to the management. This is a relatively new profession, and there are not many specialists in this area.”

Alexey Sidorov

Silkway Ventures Group



“The reasons why we do not acquire sufficient data on the important issues should be sought both in the company and market problems. If we are talking about a poor IT infrastructure, then this is more a problem of the market than companies, as well as limited access to data and the lack of exchange thereof. Protection and security of data is a very relevant issue. This is not cheap, but we are coping with this task. We understand the value of data and the necessity to protect it. The state could have focused more on building a data collection platform.

A number of major technology giants have already commented on the initiatives that were announced this year at the economic forum in Davos. There, they discussed the issue of the regulations on the exchange of personal data in order to protect countries with less economic potential against transnational conglomerates. In the future, it will not be enough for these giants to obtain consent to the processing of personal data but they will have to buy it.”

Azamat Osmanov
Magnum Cash & Carry

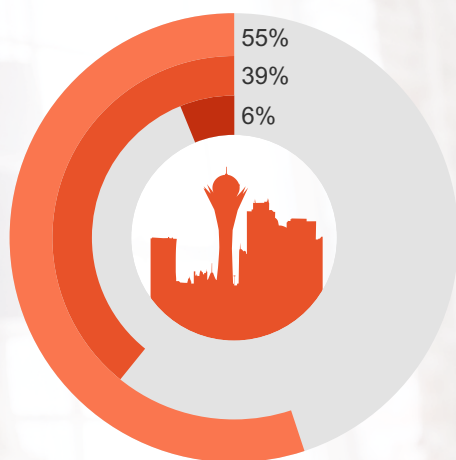
“Unreliable data and an inability to quantify external data are key problems that we are facing. If we are talking about analytics in our company, then we have a large, highly structured system allowing us to forecast the outcomes almost a year in advance with a sufficiently high degree of confidence. As for the insufficient data, it would be interesting to acquire information on the brand and reputation of the client and partner chains. For now all information we are talking about our customers can only be found in personal discussions or interviews. This process in Europe is automated, and using a great number of extracts you may obtain important personal information that cannot be obtained here.”

Evgeny Pitolin
Kaspersky Lab

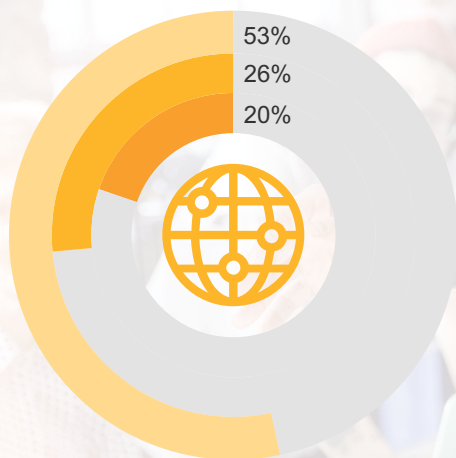
Talent pool and Artificial Intelligence Epoch

Expected headcount changes

Kazakhstan 2019



Global 2019



■ Increase ■ Stay the same ■ Decrease



“Unfortunately, we expect a significant increase in the number of personnel. We used to be happy about the growth of the team, but now WhatsApp is a reference for us, which, having only 35 employees, is worth \$ 30 billion. Technological companies are, by definition, supposed to undergo a linear team growth. An ideal technology start up, where people are only engaged in product development, does not imply a growth of staff costs, regardless whether it works in five or twenty-five countries. This is work without variable costs and a model of a perfect technological start up. We are not yet one of them, we have a lot of variable costs. For example, if we want to increase the delivery in the food segment, then we have to increase the number of couriers. Increase in the headcount is one of the obstacles to the company's scaling, also because the peculiarities of the corporate culture are to be explained to new employees.”

Ramil Mukhoryapov
Chocofamily Holding

“Today, food retail is an area of technological innovations, which means robotic automation. But due to the fact that we plan to focus on new products, we should not expect a decrease in staff during the next three years. Rather, it will be a question of retraining some employees to work in other areas of the organisation. A significant increase in the headcount is expected over the period of 12 months, supported by the growth of the main company.”

Azamat Osmanov
Magnum Cash & Carry

“An insignificant increase in staff is planned both in Kazakhstan and in Vietnam where the headcount is still

small. Mainly, the staff will be increased by local specialists who work in Vietnam, but since most of our team involved in the development, data-science and interface design and based in Kazakhstan, we will also engage higher qualified staff from here.”

Alexey Sidorov
Silkway Ventures Group

“Automation, which is happening in our company, allows to free the workers from mechanical activities and redirect the released resources to the processes, which generate revenue - sales, service, marketing. Keeping the staff at the same level, we increase our efficiency in generating revenue. Thus, automation allows us to optimize the expenditure. Dozens of people used to work in call-centres, now 2-3 persons who control the key points do all the work, while the main stream of information passes through automated online systems. Similar processes take place everywhere, they are realities of our time.”

Konstantin Kulinich
Mary Kay Kazakhstan

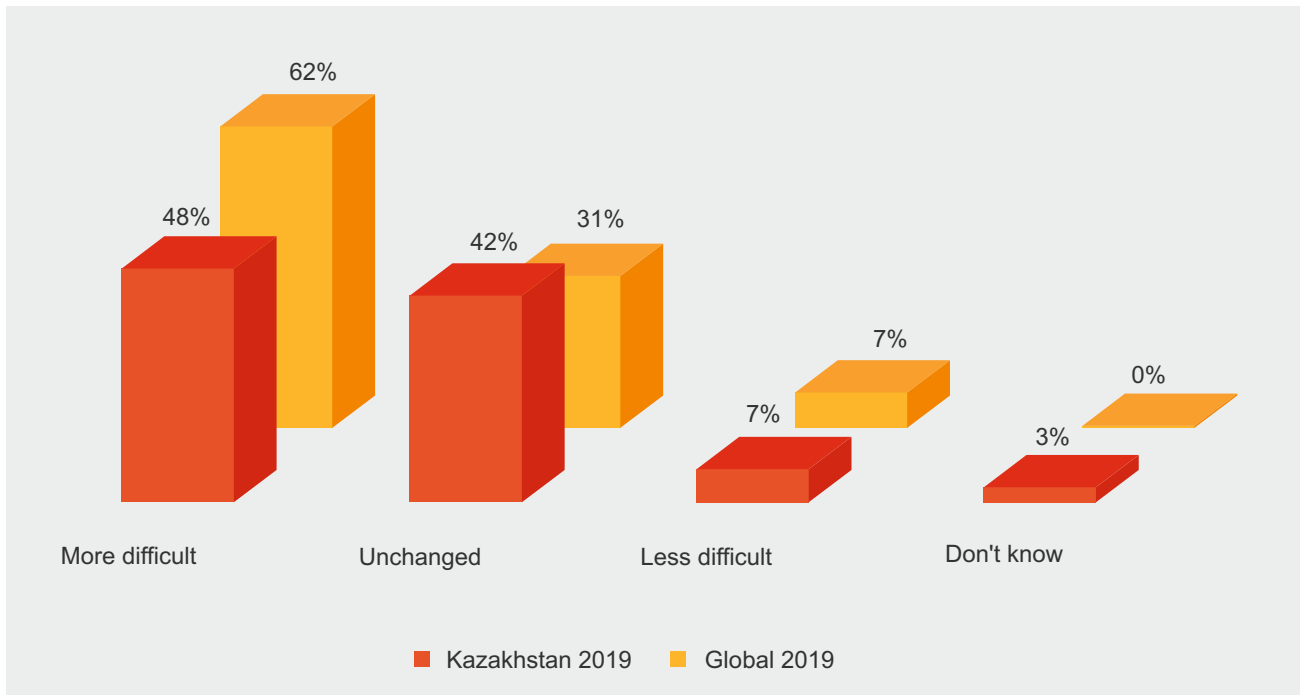
“We might keep it the same or even reduce it if it made sense. However, that does not mean that the level of the investment will go down. We are investing quite a lot in digital technologies.”

Ranga Welaratne
Sanofi Kazakhstan

“The personnel will stay at the same level. We have reduced enough.”

Yerlan Ospanov
Verny Capital

Changes in the recruitment process



“One of the reasons that the recruitment process has become more complicated is the increased competition. All companies in Kazakhstan must realize that they need to be automated, and that they have no future otherwise. Therefore, demand for IT specialists is growing in the market. There are completely new professions emerging, which no one trains for. We tried to look for specialists in data analysis, but realised that it is optimal to train these specialists using our own efforts. The salary expectations of specialists from the outside are excessively high, and the level of qualification of these specialists does not exactly correspond to the salaries requested. In my opinion, the future belongs to the developers, whose mentality and skills enable them to master any profession successfully, from data analysis to marketing.”

Ramil Mukhoryapov
Chocofamily Holding

“Geographically, we are represented in several regions in Kazakhstan. It is quite hard to find qualified specialists outside of Almaty or Nur-Sultan. At the same time, it is difficult to find personnel in Nur-Sultan and Almaty who are ready to move to the regions.”

Maksim Ageev
Schneider Electric

“It became more difficult. There are people who are predisposed to service industry, who can work with people. And there are those who do cannot. Previously, we

identified people suitable for us “by trial and error method”. Now we are using another method: we seriously test candidates for key positions.”

Nurlan Smagulov
Astana Group

“It is getting more difficult. Many people are considering retail as a temporary job. It is very hard to explain to the candidates that they can develop a successful career in this industry. We feel the shortage of managers and sales people. To compare with the UK where it is possible to find a sales person over 40 years old. The average age in our team is 23 years old.”

Ismail Hakki Tok
Fashion Retail Kazakhstan

“I think everything became more difficult. We are also raising requirements of the candidates during the hiring process. Now they have to go through the complicated testing process to get the job.”

Ranga Welaratne
Sanofi Kazakhstan

“It became easier, we tried to do everything to make it less bureaucratic.”

Mikhail Lomtadze
Kaspi.kz

“It has become more difficult now that there are new global trends: agile, IT, remote work. The world has become global and digital and has created more difficulties in terms of hiring and motivation. It is more difficult to do so given that the motivation is fair and transparent, because the organisation itself and certain areas are significantly changing. People are now less loyal, and I see this in their CVs, especially young people who work for an organisation for less than a year and switch to another job. Importantly, they change their positions not always for a bigger salary, but for something new and interesting for them, although they do not complete the projects that they have started at the previous workplace. Apparently, they have such a perception of life. I do not hire these people, otherwise we would spend more on their adaptation and training than they give back to us. Therefore, we are trying to change, move to projects, hire people outsourced.”

Umut Shayakhmetova

Halyk Bank

“Changes in the requirements to candidates are more and more dictated by digitalization in all areas of life and the economy of Kazakhstan, where new technologies are introduced in each professional field and, accordingly, additional skills are required from candidates. For example, there is a new specialization in HR area - IT recruiter, where, in addition to core competencies, an HR specialist should have key skills to be able to hunt the IT specialists. Also, there are new positions of IT-specialists in various departments of the company, who implement Digital projects. Accordingly, the flexibility of thinking and high-speed response to trends are the key skills of a modern candidate. Additionally, there emerged a tendency in the market of a transition from vertical career growth to horizontal, which implies career growth of an employee as a specialist. This is an increase in specific skills, which makes the employee valuable. Not everyone is interested in administrative and managerial roles, many people want to progress in their chosen specialty, thereby increasing their value in the labour market. The third thing I would like to point out is teamwork. Based on the aforementioned trends, companies often recruit a team for a specific project, where the ability to work in a team and go towards a common goal is one of the key requirements to candidates from the employers.”

Nina Bychenko

HeadHunter

“Unfortunately, education cannot compete with business for personnel. The education industry does not provide the same high salaries as a business does. We only need those candidates who cannot live without teaching. These candidates like the academic atmosphere, openness and freedom of the university environment. We need those who have the same qualifications as employees in business structures, but cannot imagine their lives outside education.”

Asylbek Kozhakhmetov

Almaty Management University

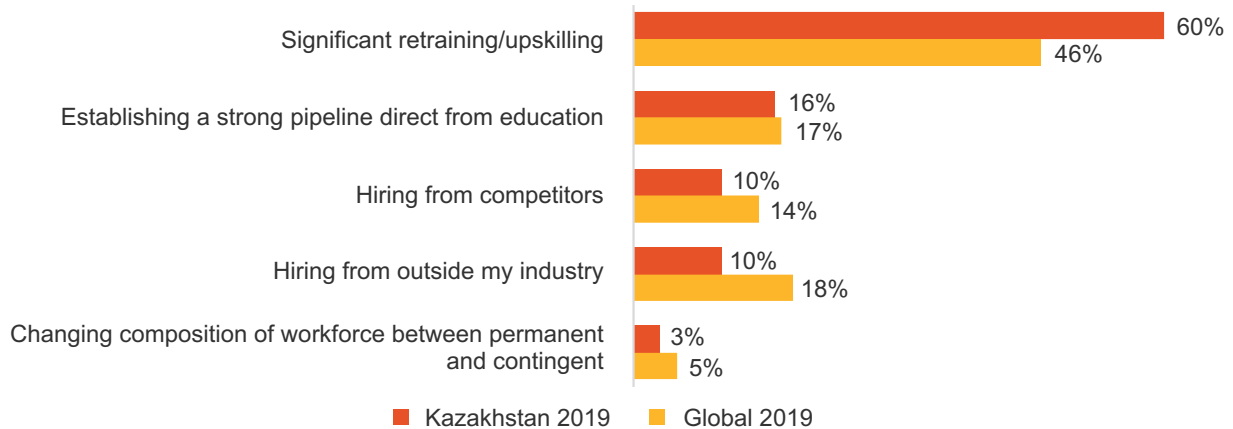
“Candidates' view on industry has changed. Nowadays, young people do not want to work in the mining or steel plants, they prefer IT or office jobs. In other words, our young generation do not want to perform physical work. That is why when they look at metal and mining industry, they are not even trying. Even if they are qualified for industry, including the experienced mining engineers, they would prefer to have IT jobs and stay in the capital of the country.”

Paramjit Kahlon

ArcelorMittal Temirtau



Measures to fill up the shortage of qualified personnel



“Careful retraining and advanced qualification training. In addition, we began to work closely with all technological universities in Almaty last year and we plan to cooperate with the universities of Shymkent and Bishkek. The ideal formula for our candidate pool for us is to hire fourth year students for paid internships, immerse them in the company's culture for three months, teach our technologies, and then employ them in full-time.”

Ramil Mukhoryapov
Chocofamily Holding

“We try to cooperate with all technical universities and even colleges that prepare programming specialists. We have a program specifically designed by us to invite students of 3-4 courses. We announce the competition, choose the best and invite them to paid internships. After six months of work, these students get an opportunity to join the company as full-time employees.”

Alexey Sidorov
Silkway Ventures Group

“Difficulties arise because we have the lion's share of staff and vacancies in line personnel, and these people more often treat their work as temporary. To avoid this, we change the ratio of permanent and temporary staff. We develop our own competence and training centres. HR are working on creating a corporate university.”

Azamat Osmanov
Magnum Cash & Carry

“We focus on retraining and advanced qualification training. We do not hire professionals who have worked for our competitors. If a person, especially a top manager, moves to another club, he is by default the carrier of another corporate culture and tries to transfer its elements here, but we do not need it. Of course, we hire employees from other clubs, but we try to convey to them that they must transform in accordance with our corporate culture.”

Valikhan Ten
World Class Almaty

“Thorough retraining - we opened a whole academy because we understood nobody met our requirements, we needed to teach them ourselves. Previously, we actively engaged specialists from different markets. However, over time, we have grown plenty of our own managers who have one record in the employment record book. For example, the current CEO of Astana Motors, who is 33 years old, came to us after high school at the age of 22 as a seller of spare parts. Such people are very loyal to the business and geared towards it.

We do not hire from our competitors, although our employees are “hunted”, and in any other company, they immediately become big bosses.”

Nurlan Smagulov
Astana Group

“We are working with several colleges for technical staff training and this cooperation is very efficient. The universities we are working with are KIMEP and the Agricultural Institute in Uralsk.”

Farrukh Makhmudov
Orbis Kazakhstan

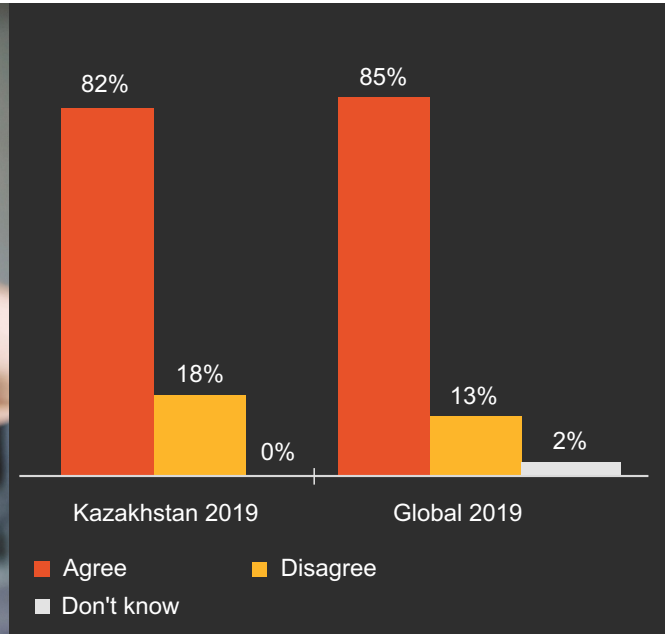
“Thorough retraining. Frankly speaking, the main problem in a large distribution company is the availability of a large package (of goods). But if you do not know anything about Juicy, how you are going to sell it? Therefore, we conduct training for our staff, and this has to be done constantly, because we have a linear management turnover. We also observe that coaches often conduct trainings and examinations “just to tick the box”. Therefore, we are seriously investing in personnel, retraining techniques, and hardware and software that allows budget savings. After all, for example, it is cheaper for a coach to conduct training from one point simultaneously for all regions than to go around the whole country with training programs.”

Raimbek Batalov
Raimbek Group



Impact of artificial intelligence on the organisation in the next five years

In Kazakhstan, 82% of CEOs agreed that artificial intelligence (AI) would have an impact on their business over the next five years. Against the background of general optimism, only 24% of respondents are already studying the use of AI and using it to a limited extent, while 12% of CEOs say that they are actively using AI in the work process. **Despite the fact that 73% of survey participants agree that the AI technology is useful for society, they are not ready to trust it in full.** At the same time, according to the results of the PwC research “Artificial Intelligence: do not lose the benefits”, in 2030 global GDP will be increased by 14%, or 15.7 trillion US Dollars due to the active use of artificial intelligence.



“Siemens Healthineers has already implemented more than 40 technologies and clinical packages of image processing using artificial intelligence in the available line of equipment, and this number is rapidly growing.”

Mikhail Gribov
Siemens Healthineers

“I completely agree, it is already influencing but not replacing people. When introducing AI, there will be a transformation of the professions. If unemployed people appear due to the AI, they will then be the people who have not wished to realign with the trends of the market. It used to be said that computers would replace people, but it did not happen. However, people have changed and began working on computers. The same will happen with AI - there will be a symbiosis, the joint work of man and AI.”

Nikolay Babeshkin
Kolesa Group

“I agree. Of course, only robots will not work for us, but some elements of human work will be replaced by AI.”

Mikhail Lomtadze
Kaspi.kz

“AI may be interesting for us in service support. We have an outsourced call-centre with a live operator who is not perfect. Therefore, perhaps, the AI will come there, we will develop this topic. Although all of us are taught that in 10 years everything will be built on AI.”

Tungyshbek Battalkhanov
TNS Plus

“Any industry, including the fitness industry is influenced by new technologies. New computer programs and applications are being developed, which are gradually replacing personal trainers. Such a program is capable of developing the daily regime, diet, and training process completely. As a company, we act as a promoter of personal trainings. This is one of our revenue streams, which is gradually starting to decline. The consumer's world view is also changing: it is easier and cheaper for a consumer to download the program than to consult a trainer. There are fitness clubs opening in the world where technology and artificial intelligence completely replace the staff, what is more, they are opening in budget segment.”

Valikhan Ten
World Class Almaty

"I completely agree. AI is improving every year. Pre-programmed algorithms are capable of performing work more accurately than humans."

Yerem Arutyunyan
Mechta Market

"Globally, I do not believe that it will have a great impact on our industry. Perhaps the medical industry would be more affected."

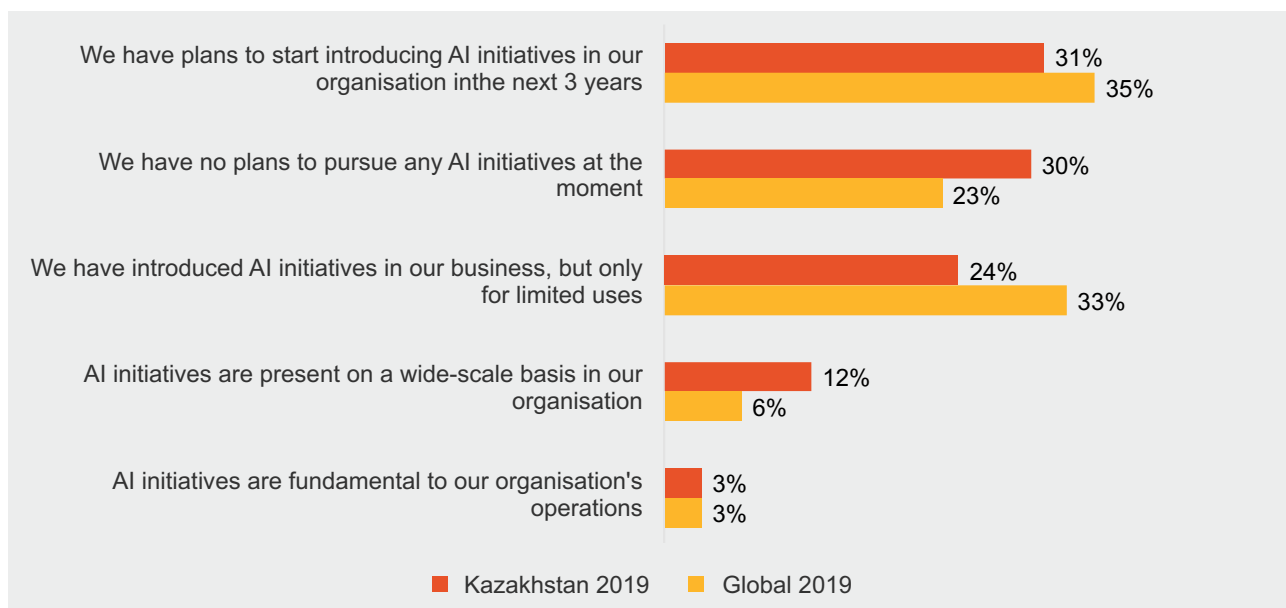
Ismail Hakki Tok
Fashion Retail Kazakhstan

"I agree. Our focus is set on the consumers' database, and now we are already realising that our current operational data and key indicators require standardisation, there is a

possibility of using AI. For example, we have auditors in retail outlets. They come to stores and take pictures of the shelves so that it is clear how the goods are placed. We are accumulating more than 100 thousand photos which need to be processed. Four people are involved in photo processing, and it is difficult for them.

But you can digitize the shelves, program the information to what is meant by a good placement on the shelves and what is meant by bad. And for this, the human factor will no longer be needed, the AI would do this. The issue is already in CAPEX, in the amount of investment - how much does a software product cost that will be able to process photos. When this product becomes cheaper, it will be possible to implement AI more actively."

Raimbek Batalov
Raimbek Group



"We use machine learning technologies in Chocofood and we have the first practice of window-case personalization. Delivery time measurement technologies are operating in Chocofood. In the future, we plan to introduce AI technologies everywhere."

Ramil Mukhoryapov
Chocofamily Holding

"The education system plans to introduce AI in the near future. We will create a knowledge management system. First of all, we want to increase the efficiency of managerial labour productivity and also increase the teacher's labour productivity. We ourselves will develop such a system where AI will be used."

Asylbek Kozhakhmetov
Almaty Management University

"We've developed our own system of auto-moderation of ads, "Hermione". In fact, this is an artificial intelligence that helps to moderate the ads. As a result, moderation becomes faster, but the number of employees in the moderation department is not growing. However, AI must

be constantly taught. You cannot provide the system with the entire volume of advertisements, 20% of them are always given to people. What for? For example, there is no iPhone 11 for now and when it appears, Hermione will not accept it. Therefore, people enter input parameters that the iPhone 11 can be accepted, Hermione learns about this from a person. This is only talking about text, whereas when talking about images everything is much more complicated.

It should be considered that in collaboration with AI, a person's responsibility increases. If he makes a mistake, then AI will make the same mistakes (0.3% errors per person, 0.6% per Hermione). As a result, staff become more qualified.

If a person verifies an advertisement for 10-15 minutes, then Hermione does it immediately and the advertisement appears on the website. This increases the conversion twice, allowing to sell paid advertisement promotions. That is, even from the basic example it is clear that Hermione helps to increase our incomes."

Nikolay Babeshkin
Kolesa Group



“When artificial intelligence is developed to a sufficiently high level, we will think about its implementation in the work processes of our organisation, but so far there are no such plans. If artificial intelligence technologies, that are not perfected, are implemented into the work process, there is a risk that this will adversely affect the development of the company. The artificial intelligence concept is very broad, artificial intelligence analyses the activities of the entire enterprise. That is the future, and I do not think that there are many companies in Kazakhstan which are using it today in the working process. Automation of certain areas is not yet an artificial intelligence.”

Farrukh Makhmudov
Orbis Kazakhstan

“Aircraft system nowadays, obviously, is much more automated. Flight management system is much more sophisticated.”

Peter Foster
Air Astana

“Over the following years AI will significantly change the way we do business. In the banking industry of Kazakhstan, the digital progress is visible, but it is too soon to talk about digital revolution. Still, as a bank customer, I do not practically have any need to visit a physical retail outlet, and it has been over two years that I have visited my bank branch. As for consumers' banking servicing globally, using technology and AI is crucial for the banking sector's survival as a whole.”

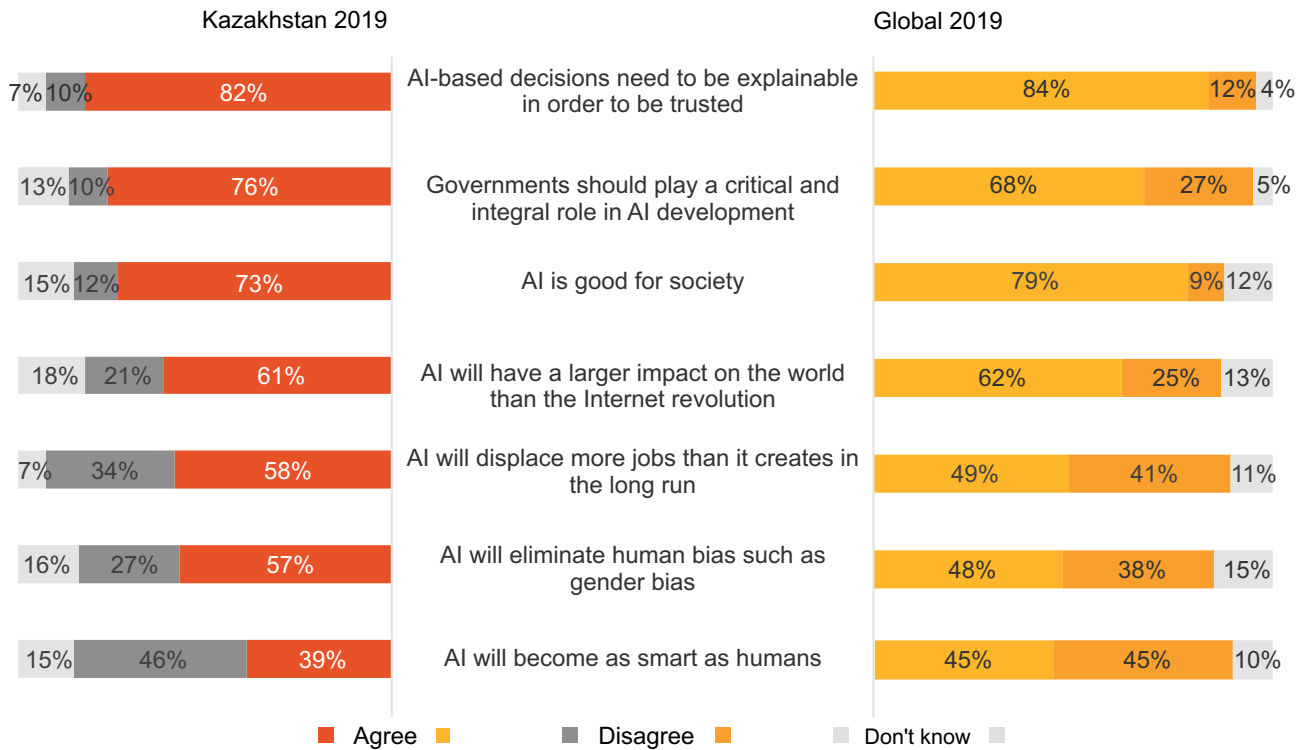
Andrey Kurilin
Citibank Kazakhstan

“We have already started implementing AI. I would say that we could see some benefit out of it in the next three years.”

Paramjit Kahlon
ArcelorMittal Temirtau



Artificial Intelligence - Fears and Perspectives



“AI will contribute to the effective organisation of the production process.”

Ilya Martinenko
Avrora Holding

“I completely disagree that AI will develop to the level of human intelligence. Human is multifaceted, who has, among other things, an important emotional component. Therefore, it is difficult to develop AI to the level of complete human intellect. However, AI developed to human intelligence without emotional component represents a huge threat to humanity.”

Mikhail Lomtadze
Kaspi.kz

“According to publicly available statistics, in the medium to long-term over 60% of all jobs worldwide will be at risk of disappearance due to the influence of technology and artificial intelligence. Innovation reduces dependency on manual interference. For example, Amazon opens stores without cashiers, whereas there are at least three million cashiers working in the US today. AI may be good for society, as in the history of humanity progress has generally been a positive. I also see how some people may think that AI is a threat.”

Andrey Kurilin
Citibank Kazakhstan

“I completely disagree that in the long term, due to AI implementation, more jobs will disappear than the ones

that appear. This is the same issue as the industrial revolution. Simply new jobs for more creative occupations will be emerge.

I know the exact formula how to never lose the job: it is necessary to use the brains. Those who use their brains create something new, develop strategies and creative solutions. They will always remain in business. There will simply be more jobs in this area than in some routine ones.

I completely agree that AI will develop to a level of human intelligence, but it is a matter of time. I think this will take about 30-50 years. This issue is more dependent on the development of quantum computers, because there are some theories unconfirmed by the scientific community that the quantum computer is capable of replicating the human brain.

It is necessary that in the process of developing algorithms and a basis, which are programmed in AI, the logic of concepts and its principles are clearly formulated. I am absolutely sure that under standardised tasks, the AI will give better solutions than a human.”

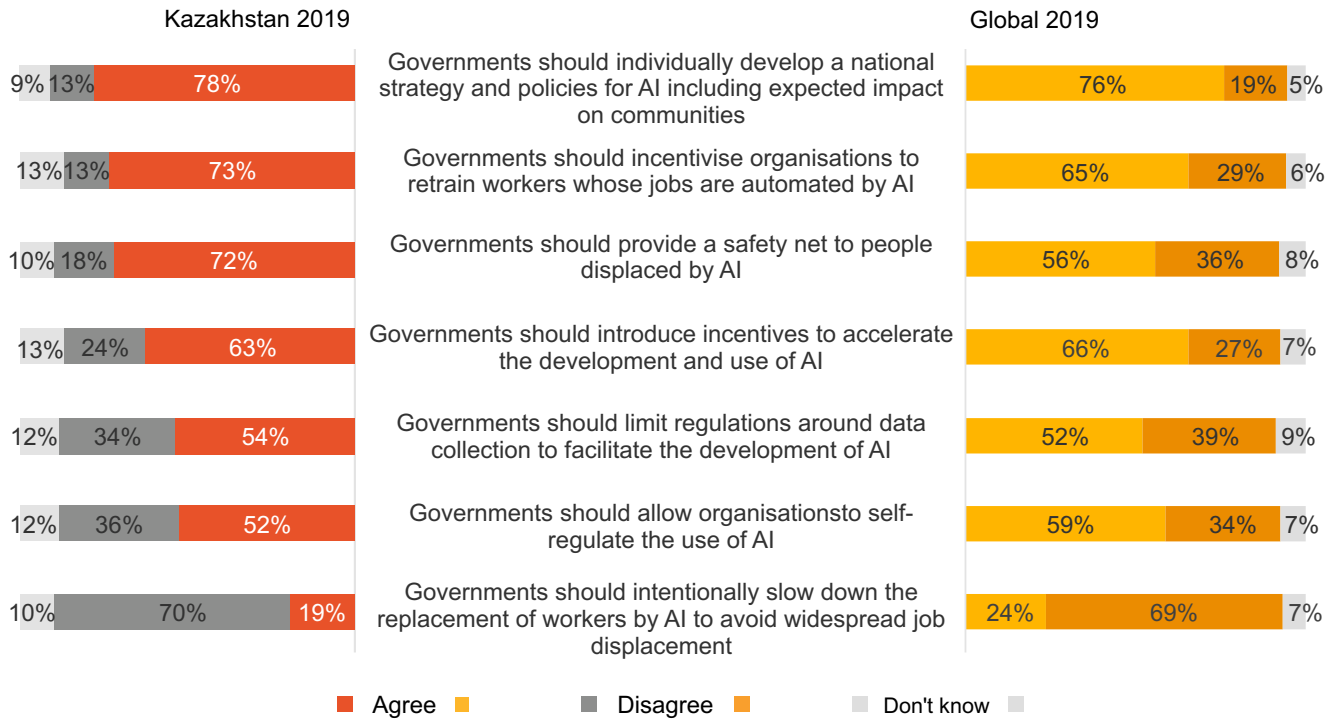
Maksim Ageev
Schneider Electric

“Everything invented by a man always has its disadvantages. For example, cars which have broken brakes. It is possible that AI will also have disadvantages, thus it is necessary to never completely trust it.”

Denis Van den Weghe
Atakent



Government involvement in the development and application of artificial intelligence



“Governments should not provide a safety net to people displaced by AI. I believe that this is a primitive way of thinking. The number of jobs are growing as long as the world economy is expanding. We are so arrogant to think that our current or future generation is going nowhere, whereas we have achieved everything. I do not think we need to worry that AI is replacing things and people. Everything will be different. The world is developing in a very different way to how people think, and the future generation will be doing different things, not possible for computers. It is just an illusion and still a long way to go.”

Ranga Welaratne
Sanofi Kazakhstan

“Governments should not promote accelerated development and application of AI. There is no need to accelerate anything, because it is very dangerous, and it is not clear what the motivation different states may have - geopolitical, military? The governments may have a lot of reasons and I am concerned about it.

I completely disagree that governments should allow organisations to regulate the application of AI independently. I am sure that there certainly should be some regulation, because AI is a great risk, as with genetic engineering.

Governments should not promote organisations to retrain employees whose job function has been automated using AI. It is the responsibility of the government to arrange the state in such a way that will people are needed. I agree that the governments should support employees replaced by AI. Let the government establish a social program for such people, because it is a function of the state.”

Mikhail Lomtadze
Kaspi.kz

“I completely disagree with the fact that the governments should intentionally slow down the process of replacing employees with AI-based technologies. This is a trip to nowhere. Technologies are global, and if today they are not invented in one country, then tomorrow they will be invented in another. It is necessary to be as quick as possible, not to remain at the backyard of the progress. Trying to save jobs, where they are obviously not required, means making the industry uncompetitive globally. Another thing is that the governments should support the employees replaced by AI. We are trying to do it within our team. Our goal is to provide the development team with a share of 51% within the company by 2021, and it is desirable to do it without increasing the headcount. Employees have an opportunity to retrain and acquire a specialty that is highly appreciated and very well paid. Each and every financial expert of Chocofamily took the courses in programming and are already writing bots that automate the reconciliation. The employees themselves must also understand that reality has changed and accept the fact that if they want to become really great and sought-after specialists, they must retrain and master the specialties that will be in demand under the new conditions. Retraining the employees and providing them with IT knowledge is the right way.”

Ramil Mukhoryapov
Chocofamily

“Governments should not hold back the progress, but at the same time they should render assistance in prevention from damage to humankind as a result of technology adoption. I disagree that governments should withdraw all regulation of this issue, it is necessary to minimise all risks, and the banking sector is especially risky.”

Andrey Kurilin
Citibank Kazakhstan

“Governments should promote organisations to retrain employees whose job function was automated by AI. For instance, the same happened with accountants. Previously, they used abacus, and then began to work on computers using specialised programs. Now it is just a question of promoting those involved in accounting to specialise in something that is not related to mechanical work. For example, on tax planning, on internal controls and so on, so that they have clarity on the next stage of their professional development. It will be great! This is a serious step in the human capital development. This topic is about the human capital development. It does not need to slow down, it needs to be promoted.”

Kairat Mazhibayev
Resmi Group

“Governments should promote accelerated development and the application of AI. Firstly, this is a global trend. Secondly, this is one of a few opportunities we can realistically pursue, taking into account that our society is educated and our population is small –18m. Broadly speaking, if we focus on such advanced things and build the system from the kindergarten and so on, they will help us to make Kazakhstan convenient for living.”

Raimbek Batalov
Raimbek Group

“Governments should promote accelerated development and the application of AI, if we do not want to be at the back of economic development. Our population is absolutely ready for AI implementation, as we are no worse than citizens, for example, in Germany or other European countries. I think that the percentage of the progressive population is at the same level.”

Ilya Martinenko
Aurora Holding

“Now we have a great dilemma over agriculture. 42% of the working population is employed in the agrarian sector. They are sitting and discussing whether we need to change our approaches or not, because with a change in technology, most of the population working in the rural areas will be released, and they will have nothing to do. Should they all move to the cities? But there are also no jobs in the cities. There is another possible solution to the problem - to pay unemployment benefits to people replaced by AI. It should be a very good benefit. This can be especially done by the states with a good resource base. However, in this case there is a risk that the population degrades.”

Umut Shayakhmetova
Halyk Bank

“Governments should not slow down the process of replacing employees with AI-based technologies. Any regulation of the natural process can result in both positive and negative results. If someone artificially slows down the progress, this causes a countering action. The government should consider how to ensure that unemployed people find new job, in the new reality, perhaps even more interesting than before. This process is inevitable, and its consequences should be thought about today, not spending resources to delay it. I agree that the governments should simplify data collection rules to promote AI development. Data collection regulation is an absolutely legitimate tool, which should be used. Without it, we will quickly go in the wrong direction. We understand that artificial intelligence cannot work without Big Data, so regulation is necessary, but to the extent that we have the information inside Big Data that will allow artificial intelligence to work. A person who has no work experience in a particular area will not be able to make the right decision. In the same way, if there is no Big Data, there will be also no artificial intelligence working successfully. The data collection process must be innovative. There must be a balance between the desire to collect data and confidentiality, an unwillingness to share personal data. The framework limiting the data collection should be gradually expanded, but it should be done just enough so that it does not contradict ethical and moral

principles.”

Mikhail Gribov
Siemens Healthineers

“I absolutely disagree that the governments should promote the accelerated development of AI. The government does not need to do it, the business will do everything itself. The government must operate at a higher level. It is better to change something in the system of universities, rather than promoting artificial intelligence specifically. Let universities train cross-discipline students, and they will themselves work out how to develop artificial intelligence.”

Nikolay Babeshkin
Kolesa Group

“The governments should distance themselves as much as possible from the development of artificial intelligence. Only the market, society and business should be involved in this process; it is impossible to substitute society for the state. Another issue is how to ensure that social and public opinions are heard. It is important to stimulate organisations to retrain employees whose functions have been automated using AI, but if the state does it then it is bad. Organisations themselves must be aware of the need for retraining.”

Evgeny Pitolin
Kaspersky Lab

“I disagree that governments should support the employees replaced by AI. My personal opinion is that often any assistance of this type creates more harm than good. Assistance should be provided to those who really need it or cannot do something on their own, for example, people with disabilities. With regards to unemployment, there are a large number of vacancies, people simply do not want to retrain, do not want to grow in their own knowledge and skills. Therefore, in this respect, the state assistance only entitles people to continue in not doing this.”

Alexey Khegay
Dostyk Plaza



“Artificial intelligence should not be misused, should not harm people, manipulate, it cannot be put on service of military developments. To ensure that this does not happen, the governments must develop a national strategy and policy on artificial intelligence, including forecasts of its impact on society.

The government cannot intentionally slow down the process of replacing employees with AI-based technologies. It is impossible to stop the progress, but the process of new technology adoption can be regulated. If they are efficient, if they benefit people, then their adoption should be incentivised. At the same time, it is necessary to think about what the state will do if, as a result of the massive adoption of AI-based technologies, people would be left without work, which means they will need to receive benefits. There are professions that artificial intelligence cannot replace, but as for electronics, technology, transportation and accounting, AI will replace people.”

Orazkhan Karsybekov
Kusto Group

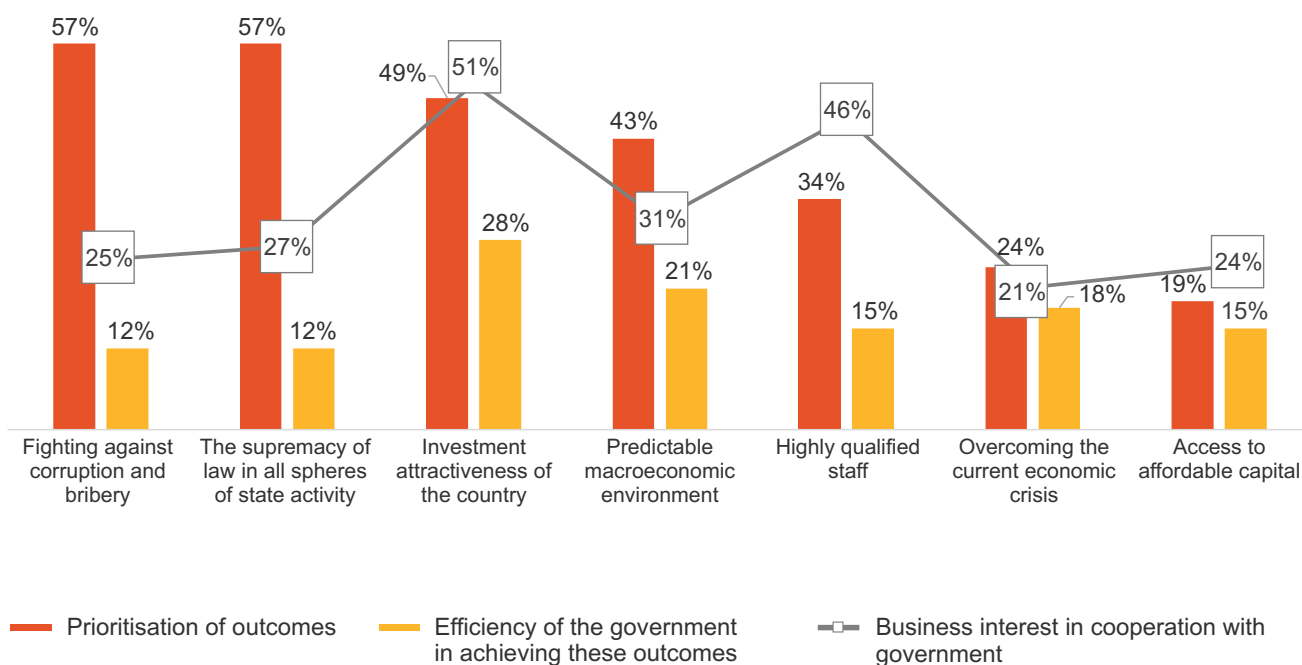
“I’m an engineer, thus I support any technological improvements, even though, I disagree that AI is good for society. There is a feeling that the distance between people is getting wider because of those influences from the AI and technologies. I do not want to lose humaneness.”

Ismail Hakki Tok
Fashion Retail Kazakhstan

Cooperation with the government



Priority areas for Kazakhstan government focus Assessment of the government's effectiveness and interest in collaborating with the state



“The investment attractiveness of the country is of primary importance to me. We need the right judicial system, the rule of law, appropriate tax system and statutory framework. All these departments need to be robust. Countries where the institutional framework is robust have an attractive investment climate. However, these departments are relatively weak in our part of the world. In my opinion, the stronger these institutions are, the better is the investment climate.”

Ranga Welaratne
Sanofi Kazakhstan

“The state should pay more attention to policies related to specialised education, develop an upgraded strategy for school and specialised education, and retraining of the workforce. Kazakhstan needs to establish an innovative educational environment.

In terms of the law on trade, we are also concerned about recent effort to regulate the industry without paying due attention to working out details and interests of all market participants. One of the key tasks for the state here is to establish direct feedback without barriers with working groups and associations for the development and continuous improvement of the legislative framework, accounting for the realities of time and market maturity.”

Azamat Osmanov
Magnum Cash & Carry

“Today one of the critical factors is ethics. It is ethics that will help us to overcome all the crisis phenomena. Goal setting for the government and business as a whole and individual companies in particular is exclusively in the area of profit & losses. We do not hear mature arguments that would answer the question of who we are and what we want to be, what kind of society we want to build in our country? There is no process that would formulate a national idea, system of values and convey them to the younger generation. We witness a great number of clear and correct processes aimed at improving the efficiency of the economy. They are important, but they cannot answer the question of goal setting. The problem of corruption will remain until there is a response at the level of ideology and values. As for business, profit & loss is always relevant for it, except for the cases when there is a goal other than earning money.”

Konstantin Kulinich
Mary Kay Kazakhstan

“The investment attractiveness of the country provides for all other goals. Working on the attractiveness of the country both for external and domestic investment is a key issue for the state, and the government should create self-regulating market mechanisms or things that help these mechanisms to work.”

Marat Seitkulov
Caravan Resources

“Introduction of the innovative IT-school “42” in Kazakhstan will become a significant step in personnel training for our industry. Kazakhstan will become the second country after Russia on the territory of which these educational institutions will operate, that will give us the opportunity to engage top specialists from other Central Asian countries, and this will be a really good incentive for the development of the domestic IT community.”

Ramil Mukhoryapov
Chocofamily Holding

“We were again and again asked a question about the possibility of investments and direct participation. We are interested in this, but we need sovereign guarantees. The same format of PPP is not a charity event, but a business. Understanding that we are not yet ready to be offered the sovereign guarantees, we do not invest in Kazakhstan. The guarantees are required in order for company to be ready to invest. We, as manufacturers of medical equipment, are asked to list investors who are willing to participate in PPP projects in healthcare. But we, manufacturers, are only one of the links in a long chain. It is necessary to create conditions when investors come themselves. Fight against corruption and bribery. The healthcare industry is highly over-regulated, and from the perspective of the global market, it is fair. The market segment where we are operating in Kazakhstan is very small, about 40 million Euros per year, and everything that happens in this market is quickly becoming known to all participants. We

do not claim to play the role of truth of the highest instance, but we see that actions of the state could be more active. The government actions are ineffective in the area of establishing the developed digital infrastructure. It is sufficient to state that we still have X-rays on films, which we had decades ago. Meanwhile, this is the most expensive solution of all that is available in the world. All images are stored, processed and distributed electronically. Companies producing this film do the majority of sales in countries such as Kazakhstan rather than in Europe.”

Mikhail Gribov
Siemens Healthineers

“The rule of law in all areas of state activity is not very effective. When it comes to relatively significant disputes, there is a feeling that the solution of the issue involves mechanisms that go beyond the law, the so-called administrative resource.”

Konstantin Kulinich
Mary Kay Kazakhstan

“In the matter of investment attractiveness, Kazakhstan has a new strong competitor – Uzbekistan. Now Tashkent is the next point of visit for almost every global investor who arrives in Kazakhstan. This should encourage Kazakhstan to take more active measures to attract and retain investments in the country.

Bribery crimes are revealed almost daily, it is practically obvious that there is an active fight in this matter. How effective it is, I cannot say for now. There is an effective tax system in Kazakhstan, and I think, the government understands that if there are taxes, like in the UK or in France, business will not remain here. As a citizen of a European country, I respect and support human rights. We are not afraid to sue private and state companies. If the country has a judicial system, it is necessary to use it in order to prove the rights. There is no need in Kazakhstan to spend large sums of money on lawyers, as in the United States. As a result, we see that our position is taken into account. AIFC is an important factor in the rule of law. If it actively develops, it will positively affect the investment environment of the country.”

Denis Van den Weghe
Atakent

“The investment attractiveness of the country is effective. Kazakhstan remains attractive, there are investments coming in, as compared to the region, we have a high FDI. Our state does a lot for this - customs and tax regulation, return on initial investment (the state returns up to 30%) and so on. An imbalance in favour of help to foreign, rather than local investors, says that investors are good here. They can easily take their capital: there is no capital control or currency control in Kazakhstan, like is present in Uzbekistan.”

Umut Shayakhmetova
Halyk Bank



“It could not be said that nothing is being done, but one of our main problems is a fear of change. We are upgrading the active documents a bit, but we are afraid to change them in a radical way, as can be seen by the example of the Code on Subsoil and Subsoil Use. We, like most ex-USSR countries, have a habit of playing the role of the state in the economy, and we are afraid to move away from it.”

Marat Seitkulov
Caravan Resources

“Access to cheap capital is a consequence. Capital will come when there is investment attractiveness, and predictable politics. When there is no corruption and there is the rule of law, then the capital will come itself.”

Yerlan Ospanov
Verny Capital

“Securing ownership rights should be a top priority. If we can solve this, then we can ensure the investment attractiveness of the country.”

Orazkhan Karsybekov
Kusto Group

“We are partnering with a number of universities: Satpayev University, Karaganda State Technical University, and now we are developing a partnership with AUPET and with Nazarbayev University. It could be said that we are establishing laboratories for training students with the involvement of our specialists, as well as advanced

development of employees of the enterprises (supplementary education). This initiative is related to the establishment of an innovation ecosystem. We plan to be one of the partners in establishing the centre of industry 4.0 in Astana Hub.”

Maksim Ageev
Schneider Electric

“Siemens Healthcare has its own internal tools and access to all international financial institutions. We are ready both independently and with their involvement to invest in the infrastructure of Kazakhstan when the necessary investment conditions are created, in particular, guarantees for investments.”

Mikhail Gribov
Siemens Healthineers

“Due to the fact that we are implementing many social projects, we actively cooperate with government agencies, and the level of mutual understanding leaves much to be desired. Being the head of the mixed martial arts federation, I was engaged in the preparation of the championship of Kazakhstan, during which the selection process for the national team took place. We could not hold the championship in the Palace of Sports named after Baluan Sholak which is the place deserving championship of the Republic, where now events not related to sports are now held. This is nonsense.”

Valikhan Ten
World Class Almaty

Best in 2018

This year, according to the majority of respondents, the following persons have been recognised as the leaders in Kazakhstan: Mikhail Lomtadze, the CEO of Kaspi.kz, and Umut Shayakhmetova, the CEO of the Halyk Bank of Kazakhstan. Respondents identify Mikhail Lomtadze as a leader in the technology adoption in Kazakhstan and note his strategic thinking, determination and ability to adapt quickly. Umut Shayakhmetova was called a rational and visionary leader for her ability to control risks and successfully merge the country's largest banks.



Skills in demand by Kazakhstan's business leaders

Adaptability and strategic vision have become the main qualities that a CEO must have to work successfully in a modern business environment.

“The CEO should be ready for changes, adapt to current realities and work with the team. It is necessary to be a leader in many areas and find the most effective tools for working in each specific situation.”

Maksim Ageev
Schneider Electric

“To forecast the future, to work not only for the profit of one's own business, but also for the development of the city, region and country. To give a personal positive example of what a successful person should be.”

Asylbek Kozhakhmetov
Almaty Management University

“The ability to adapt quickly and not rest on your laurels, the ability to change approaches to business management in line with the requirements of the time.”

Alexey Sidorov
Silkway Ventures Group

“The modern business environment is fast-moving, and the main quality in these conditions is the ability to make timely decisions, and to put a strong team together adapted to the market conditions on the basis of a proven strategy.”

Azamat Osmanov
Magnum Cash & Carry

“Adaptability to respond to changes as quickly as possible.”

Nikolay Babeshkin
Kolesa Group

“Always to be engaged in self-development, to be able to understand current trends and changes, and adapt to them.”

Umut Shayakhmetova
Halyk Bank

“All things being equal, they must understand what value the company brings to its client.”

Mikhail Lomtadze
Kaspi.kz

“This person must be a strategist, a creative person, be able to adopt new technologies effectively, have the ability to listen and make decisions.”

Orazkhan Karsybekov
Kusto Group

“The ability not to lose touch with reality, to constantly make internal measurements constantly.”

Dmitry Zabello
VTB Bank Kazakhstan

“The head of a successful company, is first of all a person who must love the country, love their work, and love people. This is the fundamental basis of success. Adaptability, the ability to trust, inspire, make decisions are very important.”

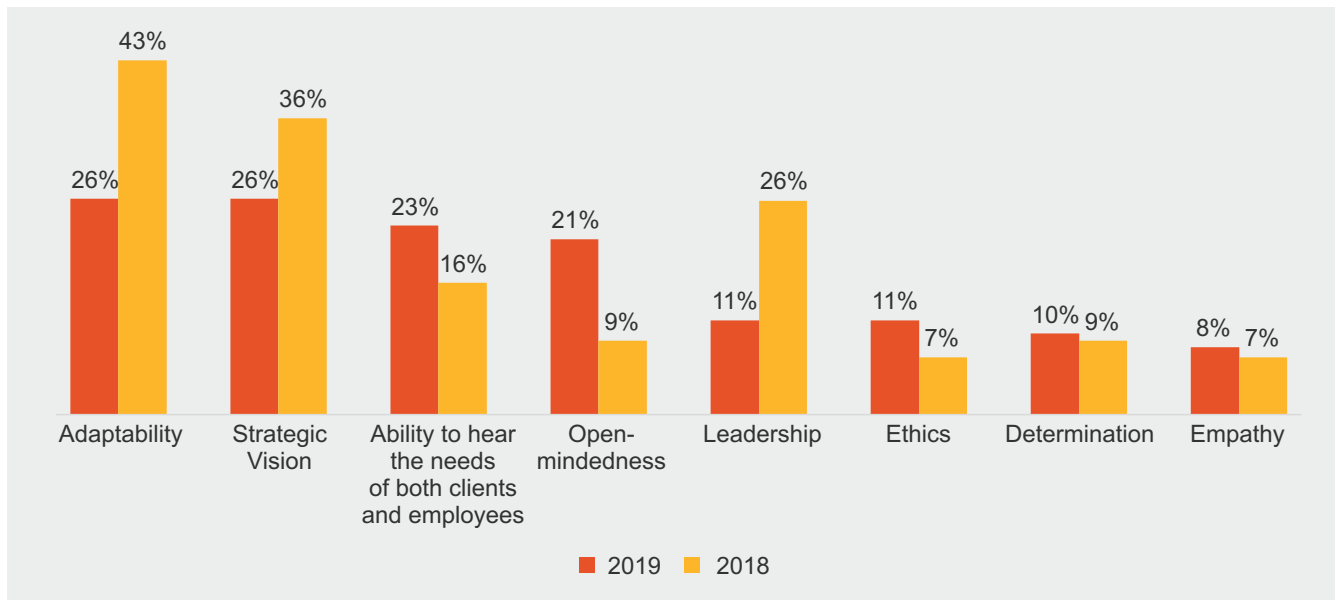
Serik Tolukpayev
Aitas Group, UKPF

“This person must see the future, not be afraid of difficulties and be in good shape.”

Nurlan Smagulov
Astana Group

“Ability to recognise their own mistakes in time.”

Marat Seitkulov
Caravan Resources



“A good leader needs to be forward-looking, transparent and honest.”

Ranga Welaratne
Sanofi Kazakhstan

“Emotional intelligence.”

Tungyshbek Battalkhanov
TNS Plus

“Human qualities (a person in any position must be a human), professionalism and the strength of will.”

Raimbek Batalov
Raimbek Group

“Forward-thinking approach, ability to listen, focus on the result and the heart of the matter, ability to manage the risks in an integrated fashion and fight its satisfaction with the current situation.”

Andrey Kurilin
Citibank Kazakhstan

“To successfully overcome the challenges of the turbulent time, the leader must be forward-thinking, capable of shaping long-term strategies and avoiding short-term solutions, which potentially offer quicker and easier pay-offs at lower political costs. Leading at a higher level means to rely on a transparent value-system which is mutual for all organisational levels. A leader needs to be able to form, empower and reward well-performing employees who in turn form prosperous enterprise.”

Alexandra Bekisheva
ENGINEERING COMPANY «KAZGIPRONEFTETTRANS»

“A leader is one who can ensure balanced growth. To grow a business and incur losses is one thing, not to grow and simply cash out a business is different. A leader must do both.”

Kairat Mazhibayev
Resmi Group

“Human decency and honesty, skills and education are obtained by working in the market.”

Valikhan Ten
World Class Almaty

“The ability to see the future.”

Yerlan Ospanov
Verny Capital

“Undoubtedly, the CEO of the company needs to have developed communication skills, have a fairly solid base position as to the business they manage, be able to work with his team and find a balance between a fundamental base strategy and quick adaptive decisions against the background of market changes.”

Alexey Khegay
Dostyk Plaza

“This person must feel the society and its consumer, as well as hear its team to achieve good results.”

Denis Van den Weghe
Atakent

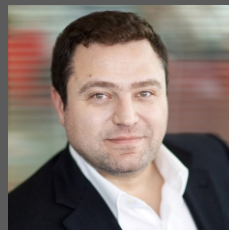
“CEO is a heart of the organisation, who alike a diamond with the following qualities: innovative thinking, strategic vision, passion for growth, motivation for others and high productivity.”

Jiri Urbanec
SANTO

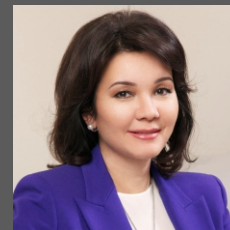
“Keep calm and carry on.”

Peter Foster
Air Astana

Meet the CEOs



Mikhail Lomtadze
Kaspi.kz



Umut Shayakhmetova
Halyk Bank



Alexandra Bekisheva
ENGINEERING COMPANY
«KAZGIPRONEFTETRANS»



Alexey Khegay
Dostyk Plaza



Alexey Sidorov
Silkway Ventures Group



Andrey Kurilin
Citibank Kazakhstan



Armanzhan Baitassov
Tan Media Group



Asylbek Kozhakhmetov
Almaty Management
University



Azamat Osmanov
Magnum Cash & Carry



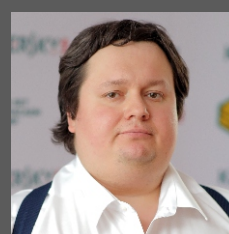
Denis Van den Weghe
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Eldar Sarsenov
Nurbank



Evgeny Pitolin
Kaspersky Lab



Farrukh Makhmudov
Orbis Kazakhstan



Guram Andronikashvili
ForteBank



Ilya Martinenko
Avrora Holding



Ismail Hakki Tok
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SANTO



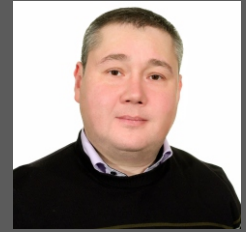
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Nina Bychenko
HeadHunter



Nurlan Smagulov
Astana Group



Orazkhan Karsybekov
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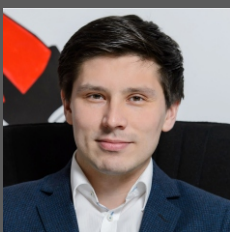
Paramjit Kahlon
ArcelorMittal Temirtau



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TNS Plus



Valikhan Ten
World Class Almaty



Yerem Arutyunyan
Mechta Market



Yerlan Ospanov
Verny Capital

Research Methodology

67 chief executive officers of private businesses took part in the Kazakhstani poll, more than half of the CEOs surveyed gave us open and detailed interviews. In order to gain a complete country picture, we chose CEOs from various industries: metallurgy, oil and gas, financial, energy, telecommunications, automotive, consumer goods, construction materials, transport and logistics, information technology, hospitality, retail and pharmaceuticals. The CEOs were offered to answer questions regarding the prospects of global economy development, changes in business practices and trends of its development. The pool participants were also offered an opportunity to express their views on the state's priorities, the investment climate and geopolitical events that affected Kazakhstan and their businesses. Interviews in Kazakhstan were conducted over the period from December 2018 to mid-March 2019. All quotes of Kazakhstani CEOs given in this research were previously agreed with the respondents. All interviews where the quantitative indicators had been provided were conducted under the terms of confidentiality.

Note:

Not all figures given in the research totally amount to 100% as a result of rounding of the percentages and excluding the following answers: "I cannot say definitely" and "I do not know."





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