



# COVID-19 pandemic: Are the government business support measures in Kazakhstan effective?

## Market opinion

July 2020

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# Opening statement



## Vasily Savin

Partner, Director of Investment and Capital Markets, KPMG in Kazakhstan and Central Asia

Dear friends,

In any country all over the world, the state is the guarantor of economic stability; its main goal is to ensure support for the stable, sustainable development of the country, both during times when the economy is growing, and (especially!) during periods of crisis.

The lion's share of Kazakhstan's budget revenues consist of tax payments by businesses and citizens: these are what finance government spending (together with public borrowing).

The black swan of the COVID-19 pandemic, further aggravated by the consequences of the unsuccessful negotiations of OPEC+ in March 2020, the closure of borders, and the cancellation of flights and other movements, caused a sudden shock to the global economy, with worldwide contraction of demand, a growing domino effect breaking supply chains, and the unexpected rapid contraction of state revenues in the majority of countries worldwide.

Kazakhstan was no exception in taking this hit: after all, exports of energy and base metals make up most of the country's exports and the greater part of budget income. The other arm of the rapidly closing pincers of this problem was the growth in government spending caused by the need to support business and citizens confined by the four walls of a lockdown.

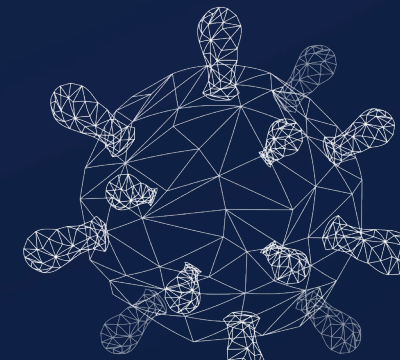
We surveyed more than 60 directors of SME and big business, a number of banks, development institutions, and business associations in Kazakhstan. The main goal of our analysis was to try to understand whether the measures of state support related to COVID-19 were sufficient, how effective they were (from a business standpoint), and whether business had any constructive proposals to improve this system.

One important conclusion in this regard was a comparison of the size and role of SME in the economic structure of Western countries, whose measures are conventionally taken to be an example, as so-called "international best practice". In contrast to a number of developed nations, where SME account for 50% or more of GDP and more than 75% of the economy's jobs, in Kazakhstan the share of SME is about 30% of GDP and 38% of jobs.

In connection with this, one of the key conclusions of our research (confirmed by multiple opinions from respondents) is the growing need for state support for big business, which creates the majority of the country's GDP and provides employment to a larger share of the population than SME.

We sincerely believe that, despite all of its negative consequences, this crisis will teach all of us some important lessons and will have a positive effect on the intensification of constructive dialogue between business and the state.

The more effective state support is from the business standpoint, the less need there will be to use borrowed funds to overcome economic shocks, the stronger the country will be coming out of the crisis, and the more prepared it will be to meet future challenges!





# Key conclusions (1/2)



1

The IMF forecast on the real reduction in GDP in 2020 was revised downward, from 2.5% to 2.7%



2

The drop in oil income and consolidation in the tax and budget sector has led to a worsening fiscal position. Economic diversification (lower dependence on oil) is essential



3

Government spending in 2020 will be almost double budgetary revenues (not including transfers from the National Fund)



4

Only 30% of small and medium enterprises affected by the coronavirus pandemic can obtain state support. For the remainder, assistance was not accessible

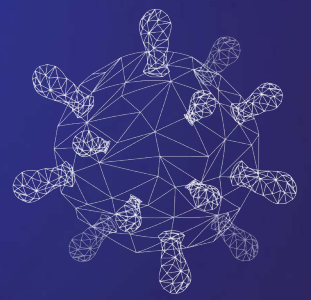


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Among the measures announced by the government, there are none aimed at supporting big business, even though big business accounts for 80% of the country's tax revenues and more than 60% of its jobs



# Key conclusions (2/2)



6

The majority of respondents consider the lack of a unified information portal for government support and a single operator for each program to be one of the key barriers to participating in government support programs



7

About 90% of respondents believe that it is essential to expand industry criteria and to re-engineer state support programs for business



8

The upcoming “second wave” of infections and the likely continuation of the already-announced second quarantine will have an adverse effect on Kazakhstan’s GDP, solvent demand, and how long it will take businesses to come out of the recession



9

Enhancing the performance of existing and newly announced government support measures would make it possible to improve the business situation even given the current level of funding (nonetheless, additional support will also be necessary)



10

The government and business need a single platform for constructive and transparent dialogue: only direct discussion by experts, and prompt, sufficient support for business will help the country to recover from the crisis and lay the groundwork for sustainable long-term growth



# A new outbreak? Rates of the spread of COVID-19 have accelerated. Worldwide there are more than 11 million cases



According to the WHO, the number of cases of COVID-19 worldwide exceeded 11.13 million as of 5 July 2020



## China

as of 27 June 2020 there were  
**85 306** cases of infection

Starting from 10 June 2020, Beijing was placed under quarantine; the authorities are attempting to prevent a second wave of COVID-19. It is thought that the source of the new outbreak was the capital's enormous Xinfadi wholesale market.



## Russia

as of 27 June 2020 there were  
**681 251** cases of infection

Following the deteriorating situation elsewhere in the world, Russia may also see a second surge of infection. Russia began easing its quarantine starting in May 2020.



## USA

As of 27 June 2020 there were  
**2 776 366** cases of infection

The number of registered cases of coronavirus in the USA reached almost 2.5 million on 25 June 2020. Many states are reconsidering their plans for re-opening the economy due to new outbreaks. According to the data of the American Center for Disease Control, the real number of infected may be 10 times higher than the official data.

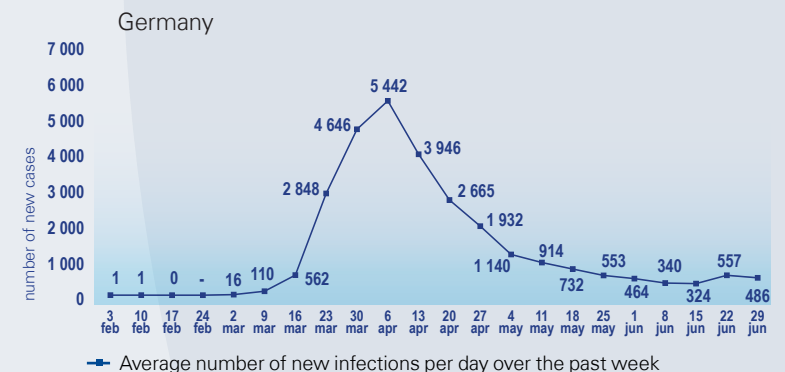
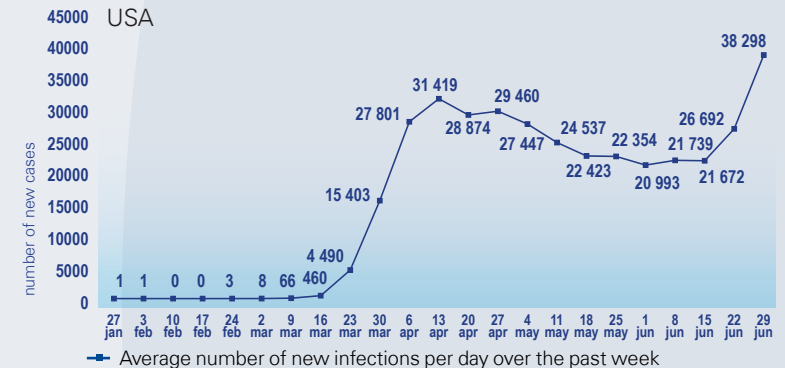
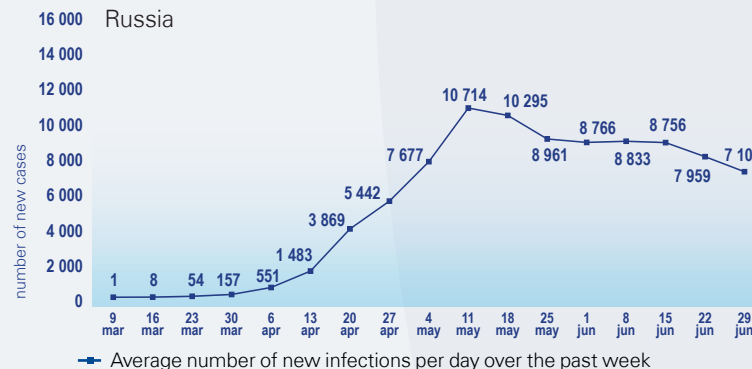
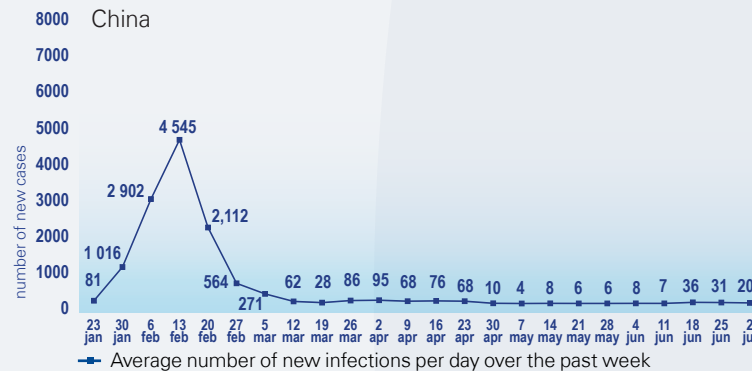


## Germany

As of 27 June 2020 there were  
**196 335** cases of infection

In the second half of June 2020, the WHO identified a new outbreak of infection of COVID-19 in Europe; the number of infections began to rise in 11 countries, one of them Germany.

## The global spread of the pandemic



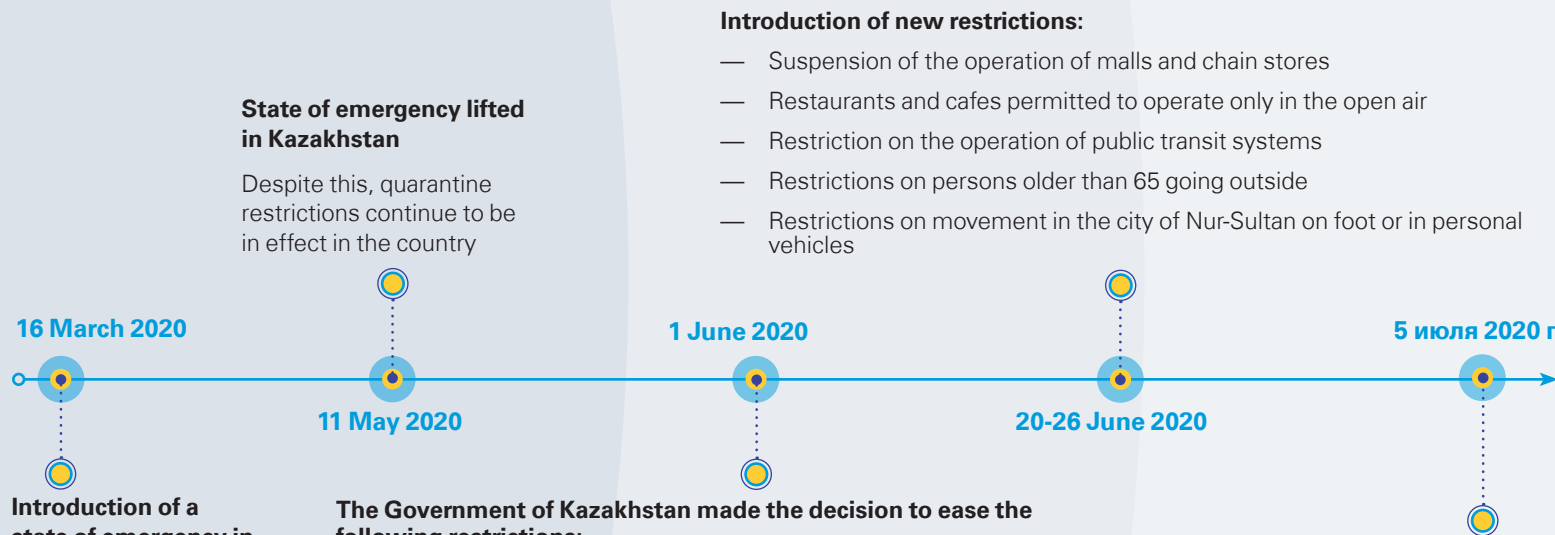
In 1918, the second wave of the Spanish Flu in the USA, which occurred in autumn, was much larger than the initial spring outbreak

Source: Our World in Data

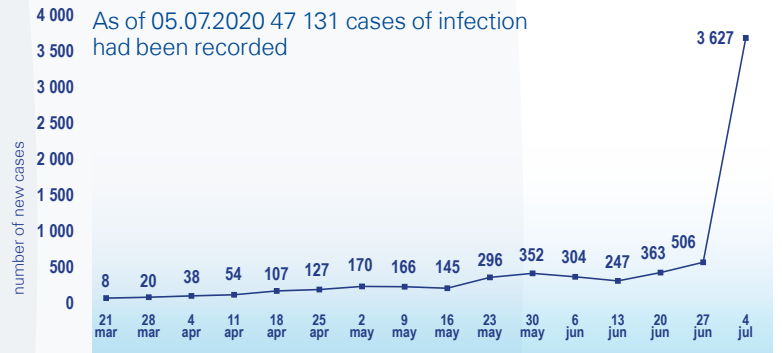


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# Kazakhstan became the first country in the world to reintroduce a lockdown, as well as a leader in the rate of spread of the coronavirus infection over the last two weeks (growth - 172%)



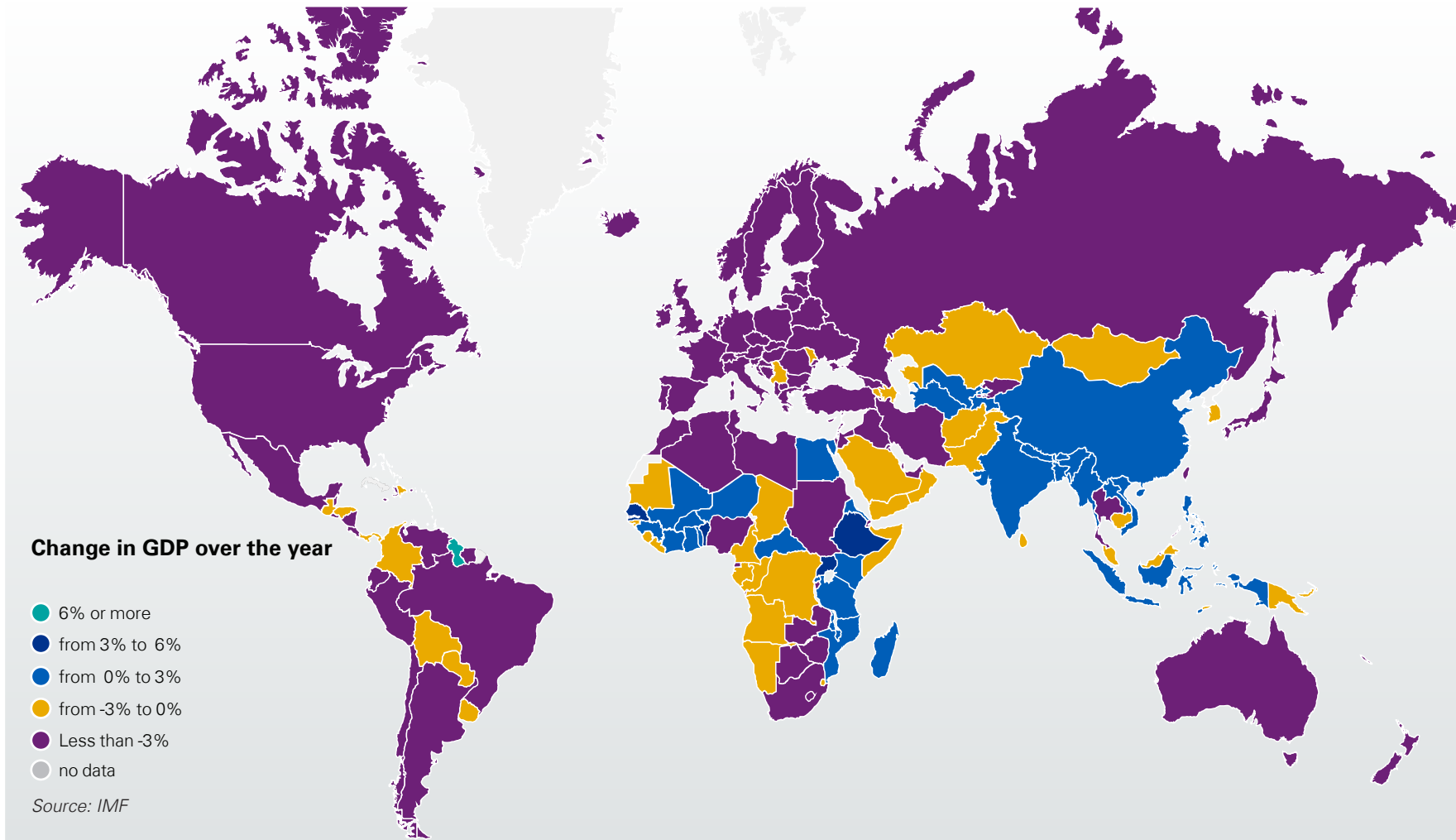
## Spread of the pandemic in Kazakhstan



Note: Since 1 July 2020, the Health Ministry is once again counting in overall statistics both those with symptoms and asymptomatic cases, without assigning the latter to a separate category

Sources: Our World in Data, WHO

# According to IMF forecasts, 157 countries out of 194 will see a recession in 2020



The OECD has presented two scenarios for the development of the global economy in the wake of the COVID-19 pandemic:

### Scenario 1

If there is no second wave of COVID-19, global GDP will contract by 6% in 2020, and growth in the global economy will be 5.2% in 2021

However, unemployment in the OECD will rise to 9.2% in 2020, compared to 5.4% in 2019

### Scenario 2












In the negative scenario, which assumes a second wave of the COVID-19 pandemic, the contraction in global GDP in 2020 will be 7.6%, and will fall to 2.8% in 2021

At the peak of the outbreak, unemployment in the OECD countries will more than double, with a slight recovery of jobs in 2021.



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# Comparison of economic figures of Kazakhstan and other countries

COUNTRY	GDP CHANGE IN 2020, %	GOVERNMENT DEBT TO GDP, %	GOVERNMENT DEBT PER CAPITA, USD	SUPPORT, SHARE OF GDP, % (LATEST AVAILABLE DATA)	UNEMPLOYMENT RATE, %	INFLATION, %	SME AS A PERCENTAGE OF GDP (LATEST AVAILABLE DATA)
 Kazakhstan	-2,7%	31%	3 234	9%	7%	7,6%	30%
 Russia	-5,5%	18%	1 737	2%	7%	4,2%	20%
 USA	-5,9%	87%	50 093	13%	11%	0,6%	50%
 United Kingdom	-6,5%	105%	44 672	26%	9%	1%	51%
 Germany	-7%	75%	34 192	37%	4%	0,8%	54%
 Italy	-9,1%	162%	37 804	2%	11%	-0,2%	n.a
 China	1,2%	23%	1 450	1%	7%	4,6%	n.a
 Turkey	-5%	39%	5 991	11%	19%	11,2%	n.a
 Algeria	-5,2%	54%	416	n.a	15%	2,1%	n.a
 Colombia	-2,4%	63%	4 050	1%	15%	1,9%	n.a
 Azerbaijan	-2,2%	67%	354	n.a	10%	4,0%	n.a

Countries' allocation of funds to fight COVID-19 is reflected in their borrowing. According to forecasts, at the end of 2020 there will be an increase in public debt in virtually all countries. Kazakhstan's public debt is one of the lowest as a percentage of GDP compared to foreign countries.

In 2019, 37% of Kazakhstan's public debt consisted of external borrowings and equaled KZT 6.4 trillion (USD 17 billion), whereas borrowing on the domestic markets was KZT 10.8 trillion (USD 28.5 billion).

*Note: Forecast data on GDP change, government debt, unemployment and inflation are shown for the end of 2020.*

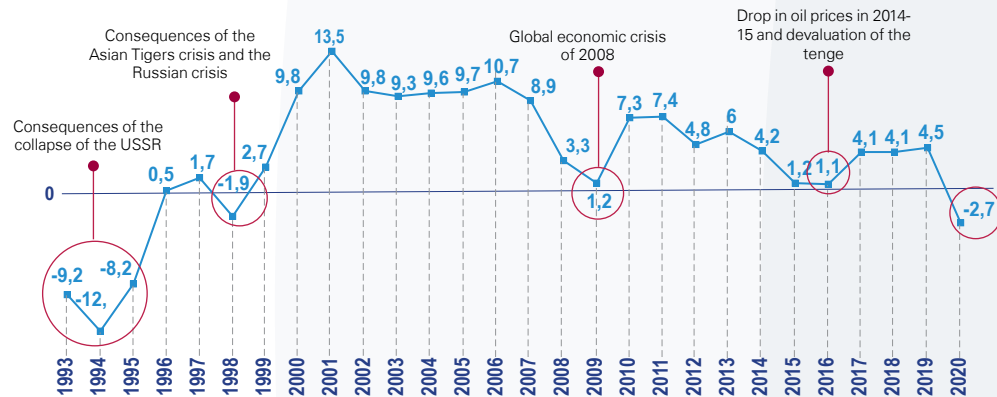
*Data on debt per capita are current as of the start of July 2020.*

*Sources: EIU, IMF, MNE, OECD, Rosinformburo, KPMG analysis*



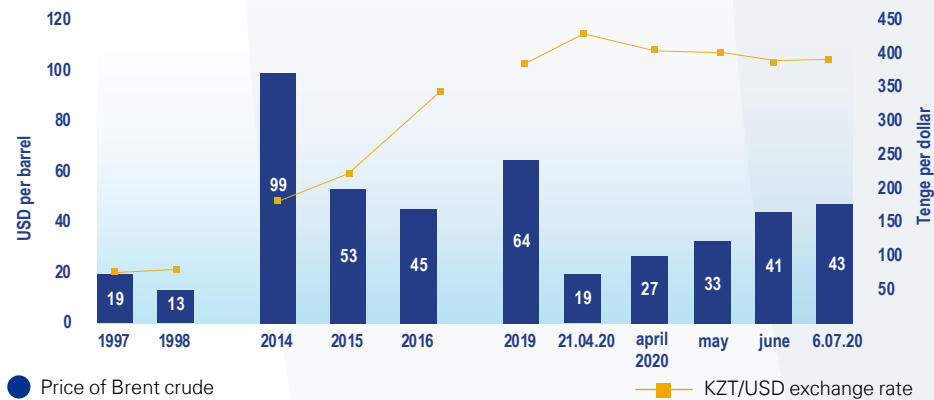
# Kazakhstan's economy is forecast to contract by 3% this year as a result of the negative consequences of COVID-19

## Real GDP of Kazakhstan



Source: International Monetary Fund, KPMG analysis

## Tenge and Brent crude prices during crisis years



● Price of Brent crude

■ KZT/USD exchange rate

Note: Date are shown as yearly/monthly averages

Sources: National Bank of Kazakhstan, International Energy Agency



## Contraction of Kazakhstan GDP

In accordance with EBRD forecasts, the contraction in Kazakhstan's GDP in 2020 will be -3%, which is greater than the initial IMF forecast of -2.5%. It is also expected that, barring a second wave of COVID-19, economic growth in 2021 will be 5.5%



## High volatility of oil prices

In April 2020, the price of Brent crude fell to its lowest level in 18 years, reaching USD 19/bbl. However, in June prices rose to almost double the April figures. The growth of oil prices is due to the decision of OPEC+ to reduce production to 9.7 million barrels per day starting from May 2020. Starting from 1 August 2020 oil production by OPEC+ will be decreased to 7.7 million barrels per day.

In connection with growing oil prices, the tenge strengthened its position against the dollar and recovered to the March level of KZT 405.7 as of 6 of July 2020 per USD



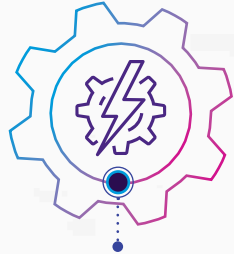
## Increase in the budget deficit

As result of the budget deficit, public debt may increase by KZT 3 trillion, or from 25% to 29% of GDP, and reach its highest level since independence. However, Kazakhstan's debt to GDP ratio is one of the lowest in the world



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# The state of emergency and COVID-19 quarantine measures have had a negative effect on Kazakhstan business



**> 300 thousand entities**

Have suspended operations



**< 1.6 million people**

were sent on leave without pay



**4.5 million people**

have received a social benefit of KZT 42,500



**1 million business entities**

have suffered directly from the pandemic, mainly in the services and trade sectors



**About 14-15 thousand SME**

with bank loans have requested a deferral



# Big business accounts for 80% of tax receipts and 70.5% of GDP



▶ Kazakhstan uses two criteria for providing government support: average number of employees and average annual income

**Big business**  
**1 168**

- More than 250 people
- More than KZT 8.3 billion

Share in GDP is **70.5 %**

Share of tax receipts is **80%**

Share of employment (of total employed) is **5.5 million (62%)**

The debt load of big business is equal to **KZT 10.8 million** per employee

*Note: Big business includes organizations in the public sector*

*Source: Forbes Kazakhstan; Central Accounting House, KPMG analysis*

**Medium-sized business**  
**>5 000**

- From 101 to 250 people
- Not more than KZT 8.3 billion

Share in GDP is **29.5 %**

Share in total exports is **18%**

The self-employed population totals **2.1 million people**

**Small business**  
**> 200 000**

- From 16 to 100 people
- Not more than KZT 830 million

Share of employment (of total employed) is **3.3 million (38%)**

Micro-businesses make up **83%** of SME (in numbers of entities)

*Note: Data include micro, small, and medium enterprises in aggregate*

**Micro business**  
**> 1 mln**

- Up to 15 people
- Not more than KZT 83 million

Share of the economically active population is **40%**

**25%** of SME are concentrated in Almaty and Nur-Sultan

“ Since our company is a representative of big business, we are not eligible for tax benefits for SME. We also did not qualify for the program of support for big business

Representative of the IT sector

“ As far as government business support in light of COVID-19, the state worked very fast

Zhiger Suleymenov, General Director, TSSP Kazakhstan

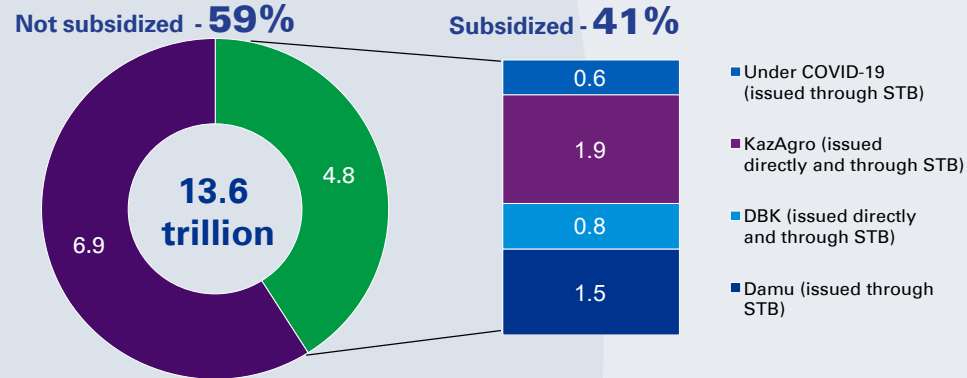




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# Big business has a high debt load, which is restricted for the purpose of government support

## Loan portfolio of local financial institutions, trillion KZT\*

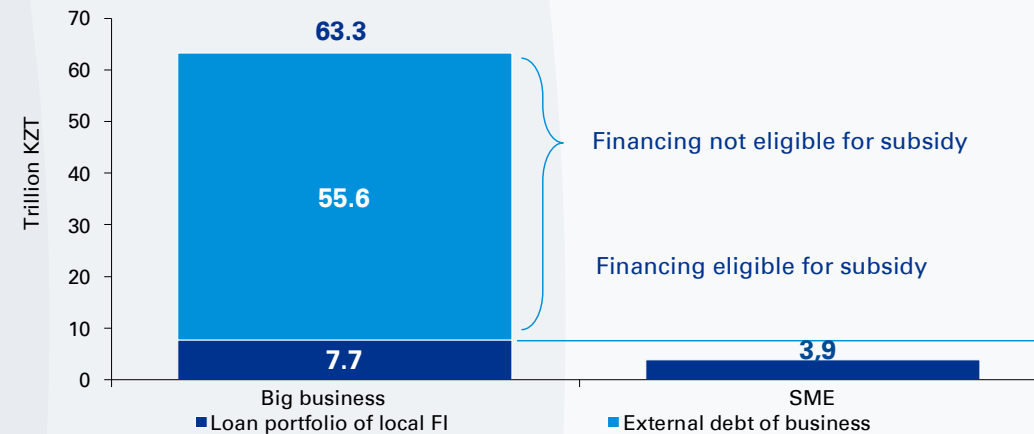


Note: Data shown only for legal entities

Sources: Official site of NWF Damu, financial statements of BRK and KazAgro, KPMG analysis

- 21% of the loans issued by local financial institutions (FI) are subsidized under state programs or provided at a preferential rate
- At the same time, the total share of FI in financing big business is less than 15%; the majority is financing from external loans and interfirm lending (>55%) and investments by the UAPF in bonds and shares of corporate issuers, which are made at market rates. The UAPF and external financing are not eligible for subsidies
- The state programs to support SME include all types of financing aimed at developing and supporting business. State programs for big business are more limited and are aimed at supporting investment projects in high-priority sectors of the economy and supporting export operations
- **At the same time, major players in key economic sectors carry a significant debt load and cannot count on a reduction in the burden with the help of subsidies**

## Major sources of financing of business in Kazakhstan\*



Note: The calculation does not take into account investments in charter capital, the source of which were other resources not indicated in the calculation and other minor sources of debt financing

Sources: Official site of the National Bank of Kazakhstan, overview of investment activity of UAPF, KPMG analysis

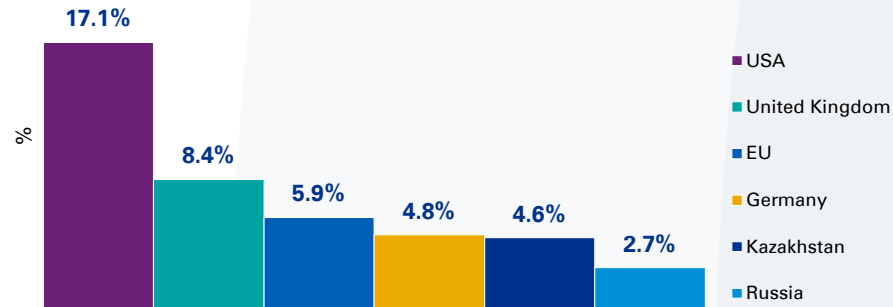
	ENERGY	TRANSPORTATION	MINING & METALS	AGRICULTURE
<b>Employed in industry (thousands)</b>	149	638	279	1 145
<b>Debt/EBITDA*</b>	4.8	6.2	2.9	4.2
<b>Liquidity ratio*</b>	0.6	0.8	1.0	3.0

Note: These coefficients are calculated based on the financial indicators of companies in the corresponding industries. When calculating liquidity indicators, inventories were excluded

Sources: Financial statements, Statistics Committee of the Economics Ministry, KPMG analysis

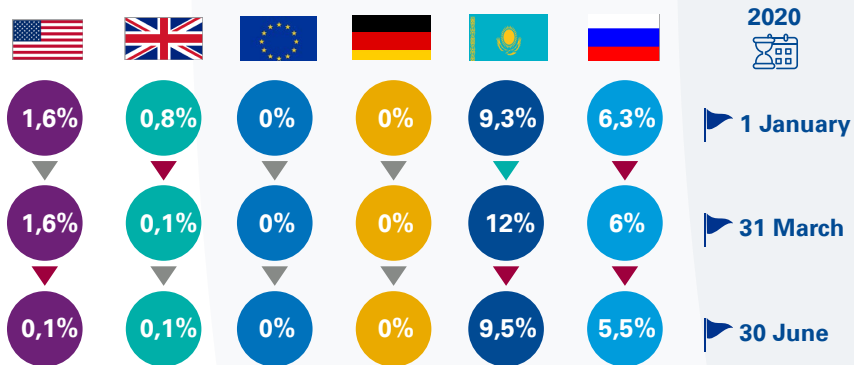
# The high volatility of the tenge restricts Kazakhstan's use of the tools of monetary policy

## Change in money supply, 1 Jan – 31 May 2020



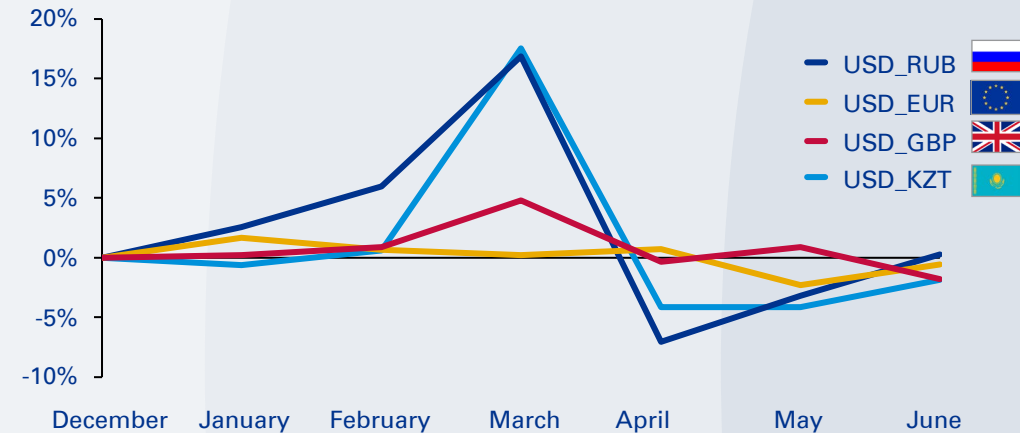
Sources: NBK, ECB, FRS, CBR, Bank of England, KPMG analysis

## Change in the Central Bank key rate



Sources: NB, ECB, FRS, CBR, Bank of England, KPMG analysis

## Change in exchange rates at month end to the start of 2020 for January – June 2020



Sources: NBK, ECB, FRS, CBR, Bank of England, KPMG analysis

- Having a hard currency allows developed countries to increase the money supply and reduce the key rate, stimulating the economy during crisis periods
- In Kazakhstan, the M2 money supply rose slightly, from KZT 16 trillion to KZT 16.8 trillion, at the start of the year
- At the start of March, Kazakhstan raised the key lending rate to support the tenge, which was significantly weakened after the fall of Brent crude prices. The tenge's exchange rate to the US dollar reached an historical maximum of KZT 450/USD. As of 4 July 2020 the exchange rate had recovered to KZT 406/USD
- By the end of March, it became clear that the crisis caused by the pandemic required a softer monetary policy, and the rate was lowered to 9.5%
- We believe that, in view of the recent sharp swings in the exchange rate, and to avoid further weakening of the tenge, the National Bank has refrained from actively using tools to soften monetary policy

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# Respondents rated the quality of state support for business as “below average”

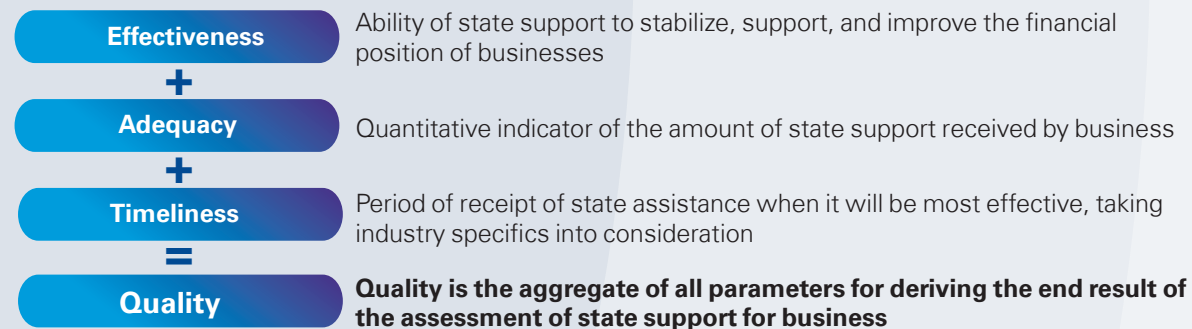
We conducted interviews with more than 60 respondents: representatives of business, second-tier banks, governmental development institutions, and business associations. The purpose of our study was as follows:

- an independent assessment of the effectiveness, timeliness, and adequacy of the state support for business, including measures taken in the wake of the COVID-19 pandemic
- understanding of the key barriers capable of creating obstacles to the effective implementation of business support programs
- understanding of adaptations to business support processes under pandemic conditions

## Support mechanisms

- Preferential lending
- Subsidies, grants, and cost refunds
- Tax payment deferrals
- Administration
- Exemption from tax burden
- Other measures

## Key assessment criteria



“Support is coming with some delay; the government is simply reacting after the fact”  
Representative of business associations

## Key conclusions on the operating environment

- Business has already adjusted to working under pandemic conditions. Taking into consideration the gradual easing of restrictions in Kazakhstan, the conditions for doing business have become less onerous, and the initial shock has faded; companies are digitizing their processes as much as possible
- Nonetheless, manufacturing companies are incurring significant costs on complying with public health and disease control instructions from the government
- There are still significant risks that the virus could infiltrate manufacturing facilities, which could lead to the complete suspension of production
- 81% of corporate respondents forecast a reduction in revenues in 2020 versus 2019. 51% of these expect the drop in revenues to be between 1% and 20%, 35% expect a reduction of 21% to 50%, and 14% are facing revenues of less than 50% compared to 2019
- 72% of participants are also expecting higher costs

## Respondents in general assess the quality of state support as “below average” :

- 10** — Only three big business entities received state support, consisting of a deferral in the payment of taxes (two companies), which in the market’s opinion is not an effective form of support, and a reduction in tax rates (one company)
- Of the three criteria, the criterion of “adequacy” received the lowest score
- 4.7** — In terms of barriers, respondents mentioned the weak coverage by industry and type of activity, as well as various systemic barriers
- **42% of business representatives noted the creation of a “One-stop shop”, coherent communications, and consolidation of state programs as ways of improving the quality of state support**
- 1**

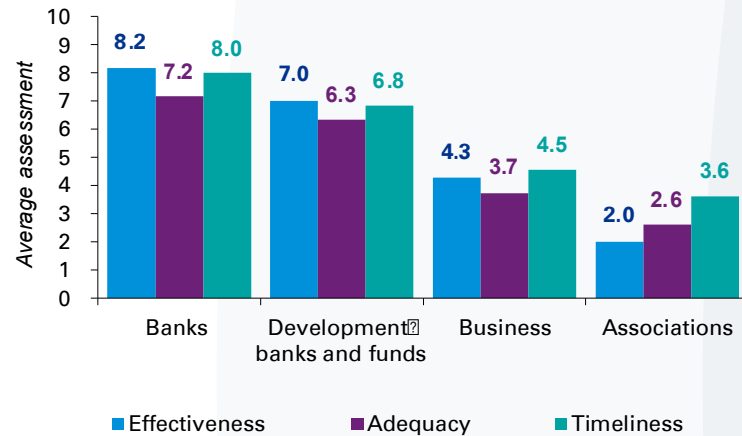
“For business, speed in decision making and speed in receiving information is important; it’s not so easy to consolidate the various state support measures. The existence of a one-stop shop with clear, precise instructions, with the entire set of measures, would be very convenient for us”

Yernur Aidarkin, Executive Director, Kusto Agro



# ...However, the average quality assessment differs depending on the type of respondent

## Assessment of the effectiveness, adequacy, and timeliness of government support programs



- Banks give high marks to the quality of implementation of state programs. Banks point mainly to the small number of good borrowers on the market and the low quality of financial information as the main barriers
- Banks receive their key benefits from participation in state preferential lending programs, expressed in an increase in their client base, interest and non-interest incomes, and a mitigation of credit risk
- It should be noted, however, that by and large business took a negative view of work with second-tier banks. Among the drawbacks, entrepreneurs mentioned the limited amount of financing, the high demands on collateral, and an overall lack of desire to lend to certain companies



- The opinion among participating representatives of development institutions differed. Some respondents rated highly the quality of existing support mechanisms, while others were more critical, with an emphasis on the potential for improvements going forward
- In general, the representatives of this category of respondent take a more integrated view of support mechanisms than the representatives of banks and business. A few systemic barriers that prevent the effective implementation of state programs were noted
- Participants use a variety of quantitative and qualitative indicators to assess the performance of state programs



- Business has a poor opinion of the adequacy of state support measures, due to the limitation by line of business, the size of the business entity, the limited amount of financing, and the short timeframe for receiving benefits.
- These performance aspects of state support measures were assessed by business in relation to both previously existing and new measures introduced in connection with COVID-19. The average assessment of respondents would probably have been higher if it were not for the pandemic
- Depending on the respondent, business representatives noted both administrative and complex bureaucratic barriers



- The representatives of business associations highlight a range of problems with the quality of state support mechanisms
- Specifically, they mentioned problems in legislation, the reluctance of banks to finance investment projects, the belated nature of the support measures related to the fight with COVID-19, administrative and bureaucratic barriers, the poor organization of state programs, and the absence of a single operator responsible for their implementation

“The country passes very good laws and decisions, but their implementation sometimes runs counter to these decisions

Adilbek Bektibayev,  
Executive Director of the Union of the Processing Industry

“The programs are short term. It is doubtful that business will be able to recover during this time period

Market participant

“The regulations were published on 20 April; tax payments were due on 25 April

Market participant on the timing of state support

“Deferrals on loans, wage payments, and taxes are not available to all, as they are limited by line of business. Everyone has suffered, but not everyone is receiving support

Adilbek Bektibayev, Union of the Processing Industry

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# Over 50% of companies indicated that it took three weeks or more to receive state support



## How long did it take you to receive state support?



**over 50%**

of companies indicated that it took **three weeks or more** to receive state support

### Time from the submission of an application to the receipt of state support



### Respondents cited the lack of clear and timely communication as one of the key factors preventing the effective implementation of state support

Tax deferrals were granted automatically as part of support measures for business in light of COVID-19. Nevertheless, some respondents still encountered problems related to the application of these measures:

- Due to varying interpretations of the provisions of the Common Classifier of Economic Activity (CCEA), respondents doubted whether they could apply these measures and were afraid of the tax implications. Letters requesting clarification were sent to the state authorities, but in most cases the authorities' responses were only received a month later
- There were also instances where the responses of the Ministry of National Economy and the State Revenue Committee (SRC) contradicted one another
- One respondent also noted that the interpretations of the provisions in the Russian and Kazakh languages differ

### Ways to simplify the application process and reduce the time needed to provide support in the opinion of respondents

**42%** of respondents indicated that the creation of a single platform, digitization, and the establishment of communication between business, the state authorities and banks would improve and simplify the application process for state support

**24%** of companies mentioned that the streamlining of and reduction in bureaucratic processes, paperwork, and administrative barriers would expedite the receipt of support for business

“Tools for submitting applications with explanations should be added to the official website Egov”  
Participant in the E-commerce sector

“The paper application process should be made electronic as much as possible”  
Yernur Aidarkin, Executive Director, Kusto Agro

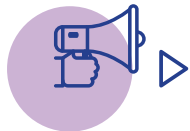
“There was no clear mechanism for applying the benefits. The mechanism should be elaborated before the issue of the resolution”  
IT sector participant

“QazIndustry is a good example. The process for submitting applications is simplified year after year”

“All the decisions made began to be implemented at least a month after they were announced”  
Ernar Dzhakishev, Deputy Chairman of the Management Board of Alageum Electric JSC

Adilbek Bektibayev, Executive Director, Union of the Processing Industry

# 34% of companies assess the relevance and feasibility of program criteria as "below average"



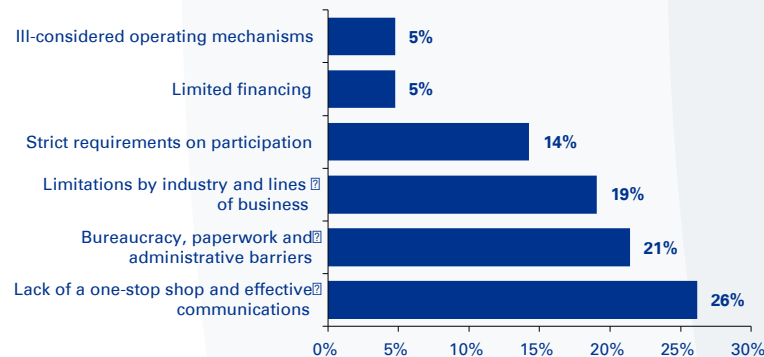
## How relevant and feasible are the criteria on business for participation in state support programs?

### Assessment of the relevance and feasibility of the criteria indicated in support programs

10  
5.4  
1

34% of companies gave low marks (from 1 to 4) to the relevance and feasibility of the criteria indicated in state support programs. The average assessment was 5.4, showing that business does not feel that all criteria are relevant and feasible

### Barriers to the participation of business in support programs



“The criteria for differentiating between a large and medium-sized business refers to past periods, which does not reflect the current situation

Participant from the construction sector

### According to respondents, the least feasible criteria of state support programs were:

- **Provision of forecast data** – with the pandemic causing unclear circumstances and uncertain state forecasts, it is difficult to provide accurate forecast data to banks
- **Availability of collateral** – most companies on the market have received commercial loans for which collateral has already been pledged. Therefore, they are unable to leverage the financial state support tools
- **Credit history** – even a single delinquency on a loan (even several years ago) automatically disqualifies one from participating in state support programs
- **Industry restrictions**
- **Big business falls outside the scope of program criteria**
- **Minimal government participation creates obstacles to receiving government support** – one of the criteria for receiving a preferential loan in connection with COVID-19 was the lack of state participation in charter capital. However, insignificant state participation, which has no real effect on the provision of state support, turned out to be a barrier to participation in a preferential lending program
- **Fall in revenue** – one of the main criteria for receiving a preferential loan in connection with COVID-19 was a fall in revenue. However, the profit margin indicator was not taken into account, despite the fact that the expense side of the budget has grown considerably for many companies due to the pandemic

“The barriers are often requirements that can be interpreted ambivalently by institutions

Zhiger Suleymenov, General Director,  
TSSP Kazakhstan

“The problem is that the subsidized funds allocated to banks go first to support existing clients. It's difficult for new borrowers to receive them

Zhiger Suleymenov, General Director,  
TSSP Kazakhstan

“The rules for government support are confused and constantly changing

Marat Bakulov, General Director,  
Almaty Ventilator Factory

“The strategic enterprises of Kazakhstan also need state support. They employ a lot of people and many service companies depend on their operations. If this all collapses, everyone will suffer

Representative of big business

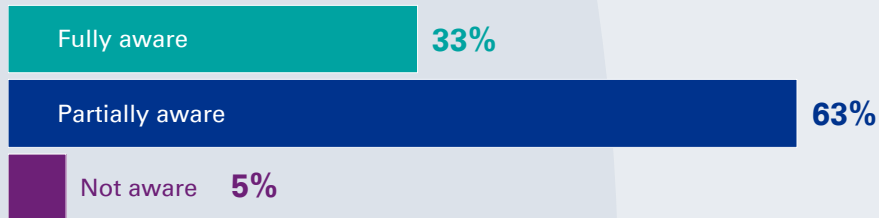
“It's not profitable for banks to issue a thousand loans of 10 million tenge; it's profitable for them to issue one loan for 10 billion tenge. Thus, banks look for more liquid sectors of industry, where it's easier to give out big money and steadily monitor one contract rather than a thousand

Adilbek Bektibayev, Executive Director,  
Union of the Processing Industry



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# Over 50% of companies assess the availability of information as "average"



“The media often conveys information in a very unstructured way and may miss important program conditions. Also, various media contain contradictory information on the terms of one and the same program. At the same time, many business people find it difficult to work with official regulatory documents”

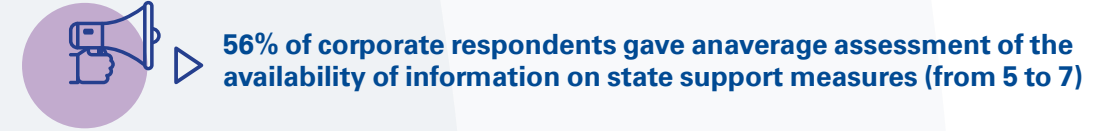
Zhiger Suleymenov, General Director,  
TSSP Kazakhstan

**44%** of the surveyed companies learn about the business support measures adopted by the state from the media

**35%** of the surveyed companies learn about the measures adopted by the state from the state authorities and development institutions

**16%** of the surveyed companies learn about the measures adopted by the state from business associations

**5%** of the surveyed companies learn about the measures adopted by the state from banks



The average assessment of the availability of information was 5.7, which highlights the problems with the awareness of business of the measures being taken

Market participants specified the following problems with the quality and availability of information: lack of a single resource, large amount of unconfirmed information, lack of a proactive approach by banks and funds to raise the awareness of business

“The country’s information policy is out of balance. We need a single portal, authorized by the government, that could tell us about all road maps and government programs”

Berik Togambayev, participant from the retail sector

“Business in Kazakhstan is not proactive in getting information about government support measures”

Yernar Jakashev, Chairman of the Management Board,  
Kazakhstan Association of the Electrical Machine Industry

“There should be a separate window where you could find the existing programs, including by industry”

Participant in the aviation sector

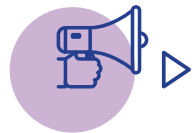
“It can be difficult for business to find out about government support programs. Information needs to be more publicly available. There should be a mailing of some kind”

Marat Bakulov, General Director, Almaty Ventilator Factory

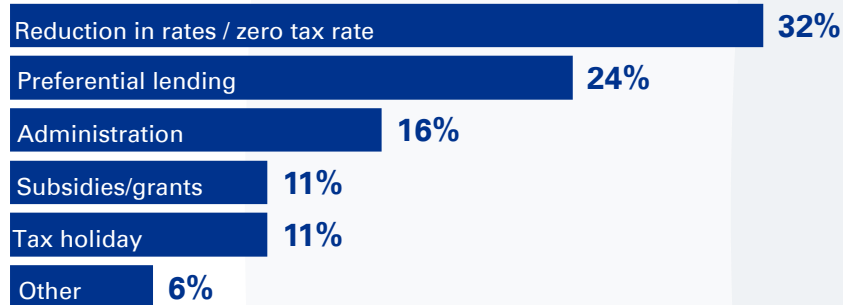
“Raise awareness: provide good examples of how the state has helped certain companies”

Representative of a business association

# Only 11% of companies feel that the “Tax holidays” support measure is effective in stabilizing a company’s financial position



**32% of surveyed companies stated that the cancelation of tax payments (for up to a year) would be the most effective measure to stabilize the financial position in light of COVID-19**



## The following are measures of government support that business believes could have a positive effect on restoring financial positions:

- 86% of respondents who chose support in the form of tax concessions believe the **cancellation** of tax payments, as opposed to a **deferral**, to be the most effective measure to restore a company’s financial standing. In addition, 9% of companies feel that a reduction in the VAT rate and customs duties on imported equipment would stimulate capital expenditures
- Nearly all companies that chose preferential lending as the most effective support measure believe that long-term financing at reduced lending rates would help them to stabilize their financial position
- Alongside tax holidays and preferential lending, companies think the following are effective: cancellation of tax and other audits, easing of criteria for participation in programs, accelerating the receipt of export permits, acceptance of supply contracts as hard collateral, and explanatory work on existing measures
- Other types of support include tariff setting (specifically, market price determination, for example on medical goods, grain crops, and the services of ports and airports). Other types of support also include the pegging of exchange rates, guaranteed supplies of raw materials by the state, subsidizing of energy costs, and partial compensation of wages to company employees during a period of limited operation

“ Business was expecting more financial support measures than were given. For example, subsidizing of wages by the state

Yernar Jakashev, Chairman of the Management Board, Kazakhstan Association of the Electrical Machine Industry

“ Mining enterprises spend colossal amounts on public health measures. In the current situation, it would be important to receive assistance from the government in the form of compensation for these costs, or to incentivize them. For example, deduction of costs on preventive measures against COVID-19 from payments to the MMIF (Mandatory Medical Insurance Fund) could be a potent measure

Maxim Kononov, Chairman of the Association of Mining & Metals Enterprises

“ Give more concessions to big business, which maintains the budget both in times of crisis and when things are good

Participant in the mining sector

“ Look at the real needs of business, for example recoverable VAT is important for exporters. Make the process timelier

Participant in the mining sector

“ Support measures for the media industry have still not been approved

Participant in the telecommunications sector

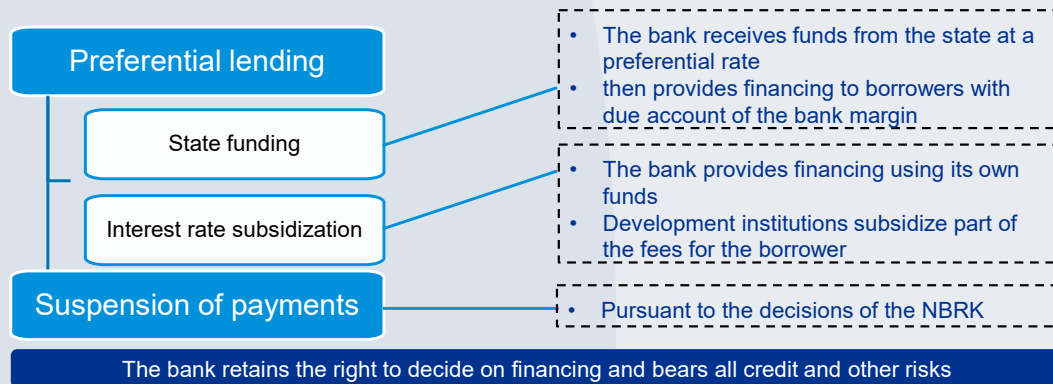
“ A tax deferral is an illusion of assistance

Aziz Teymurov, Financial Director, Eureka

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# Banks believe that the conditions of the business support programs are relevant and feasible

## The role of second-tier banks in government support programs for business



600 bln

▶ Earmarked for the preferential lending program for businesses affected by emergencies

13

▶ Participants

### Among the survey participants:

100%

▶ Participate in support programs for business, including measures in connection with the COVID-19 epidemic

95%

▶ Share of existing bank clients among the recipients of assistance

100%

▶ The bank issues financing in less than one month after the receipt of an application from a borrower

66

Trading companies of big business were restricted from participating in the preferential lending program adopted at the President's initiative during the state of emergency

Dauren Sartaev, Deputy Chairman of the Management Board of Halyk Bank JSC

10

Respondent banks generally have a high opinion of the relevance and feasibility of the conditions on participation in government business support programs. Banks mention the following among the limiting criteria of the programs:

7.8

- Restrictions by industry, lines of business, and purposes of financing
- Requirements on job creation and an increase in taxes
- Requirements on the goods to be manufactured

1

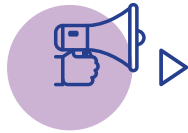
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The programs for micro- and small business should be geared toward making decisions as simple as possible and automating these decisions. There should not be elaborate procedures related to the assessment of pledged collateral and in-depth financial analysis. Everything should be portfolio-based and digital to the greatest possible degree. Then the state will be able to achieve coverage

Dauren Sartayev, Deputy Chairman of the Management Board of Halyk Bank JSC



# Banks assert that, to date, the pandemic has not impacted the NPL 90+ indicator



## What affect does participation in state support programs for business have on the financial standing of a Bank?

**For the most part, participation in preferential lending programs has a positive effect on a bank's financial indicators:**

### Increase in net interest income

Despite the small margin (3-5%), banks receive income due to the increased volume of financing

### Mitigation of credit risk

The bank's credit risk is lowered thanks to the low rate and the freeing up of monetary funds

### Expansion of the client base

Banks receive fees and other non-interest income from program participants

### Liquidity

The bank receives additional monetary funds

## ADVANTAGES

**However, the following factors remain unclear due to the pandemic:**

43%

Average indicator of restructured loans during the pandemic according to the data of participants

### RESTRUCTURING

Survey participants deny significant growth in this indicator, which may be partially attributable to the short analysis period

### NPL 90+

The deteriorating financial position of the market will lead to the accrual of additional reserves

### RESERVES

**The low growth in the NPL 90+ indicator stems from the fact that banks restructured a significant number of loans**

Sources: Interview results, comprehensive plan, KPMG analysis

“ It is difficult to assess the effect, since clients are given a deferral on the payment of loans during a state of emergency. The picture will be clear no earlier than next quarter

Participant in the financial sector

**Respondents also mentioned other systemic barriers to the effective use of government programs:**

### 53% borrowers

- Low level of business transparency
- Poor quality of financial information
- Lack of understanding of government programs

### 5% banks

- Low margin under government programs does not facilitate lending

**We would also like to note the following factors:**

- The regulator plans to ease prudential standards for second-tier banks under the Comprehensive Plan
- The deterioration in the quality of the credit portfolio due to the crisis will most likely force regulators to ease requirements on prudential supervision over a considerable period of time (otherwise, problems may also appear in the banking sector in the period before the economy has managed to recover from the crisis)
- Questions concerning the stability of the monetary policy as regards exchange rates, the prime rate, and inflation impact the ability of banks to receive long-term financing and, accordingly, are factored into long-term projects

### 26% state

- Shortcomings in government programs
- Complicated list of documents
- Competition from other state development institutions

### 16% other factors

- Various administrative and other barriers

“ We expect the share of NPL in the sector's overall credit portfolio to grow to 30% in 2021

Participant in the financial market


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# The average assessment of the effectiveness, adequacy, and timeliness of government programs by development funds and institutions was 5.6 out of 10





## Which quantitative and qualitative indicators do you use to assess the performance of state support programs for business?


The following indicators are generally used by development funds and institutions to assess the performance of state support programs for business:


 Drawdown of funds/ Issue of guarantees/ Subsidies

 Investments in equity

 Job creation

 Product output/ Export volume

 Labor productivity

 Increase in tax revenues

- Some participants remarked that, by focusing on increasing absolute indicators, the existing government programs overlook elements of growth and do not consider those indicators that lead to qualitative changes. On the other hand, in the opinion of some participants the government support measures are effective, adequate, and timely, and bring about the full utilization of the budget
- Development institutions also try to focus on the most effective support tools, by performing their regular assessment and paying attention to the subsequent self-reliance of an enterprise after receiving assistance
- Survey participants commented that the COVID-19 pandemic has influenced the approach to the implementation of support programs through a reassessment and reengineering of tools, the transition to import substitution, and a reconsideration of the support measures for business based on the line of business of companies. For example, some programs have been in place since 2012 and need to be updated
- Respondents also noted that there was no direct reduction in the annual budgets for implementation of government support measures among participants, but that the implementation of some mechanisms was deferred to later periods

“The country has a fairly wide range of support measures for business, enterprises just need to learn how to use them, and operators and the competent authorities how to fully implement them

Murat Bekmagambetov, Deputy Chairman of the Management Board of QazIndustry

“I do not agree that tax holidays are effective; a full exemption from tax payments would be more appropriate

Representative of development institutions

“The increase in labor productivity is the key indicator to assess the performance of state programs

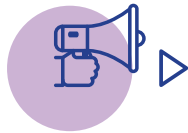
Representative of development institutions

“Amid COVID-19, we realized the time has come to rethink who needs help and who does not

Representative of development institutions



# The average assessment of the effectiveness of communication on government programs by development funds and institutions equaled 7.8 out of 10



**In your opinion, how effective are the measures taken by your organization to inform business of state support programs? What types of communication do you use?**

Development institutions used digital channels such as the media and social networks to raise the awareness of business



**7.8**

Average assessment of the effectiveness of measures to inform business of government support programs, based on interview results



The measures taken by the development institutions were announced by the Head of State. Market participants had themselves long been asking for these measures. The information was communicated fairly quickly among market participants and is available in the media

Representative of development institutions



Demand fuels supply. Business should request information

Representative of development institutions

Participants in development funds and institutions noted the large amount of time needed to agree on certain measures or decisions of the state authorities, sectoral ministries, and Akimats. The frequent replacement of the persons responsible in state authorities also adds certain difficulties in this work



It is one and the same enterprises. They simply show up at various counters and receive different instruments

Representative of development institutions



**Is there a single information resource or platform on existing government support programs and business development programs?**



There is no single database. It would be effective; there are around 50 state programs

Representative of development institutions



The effect would be negligible, since business has not matured to the point that it could use the knowledge

Representative of development institutions



A single resource must be created, as coordination and monitoring are suffering, and it is difficult to get information

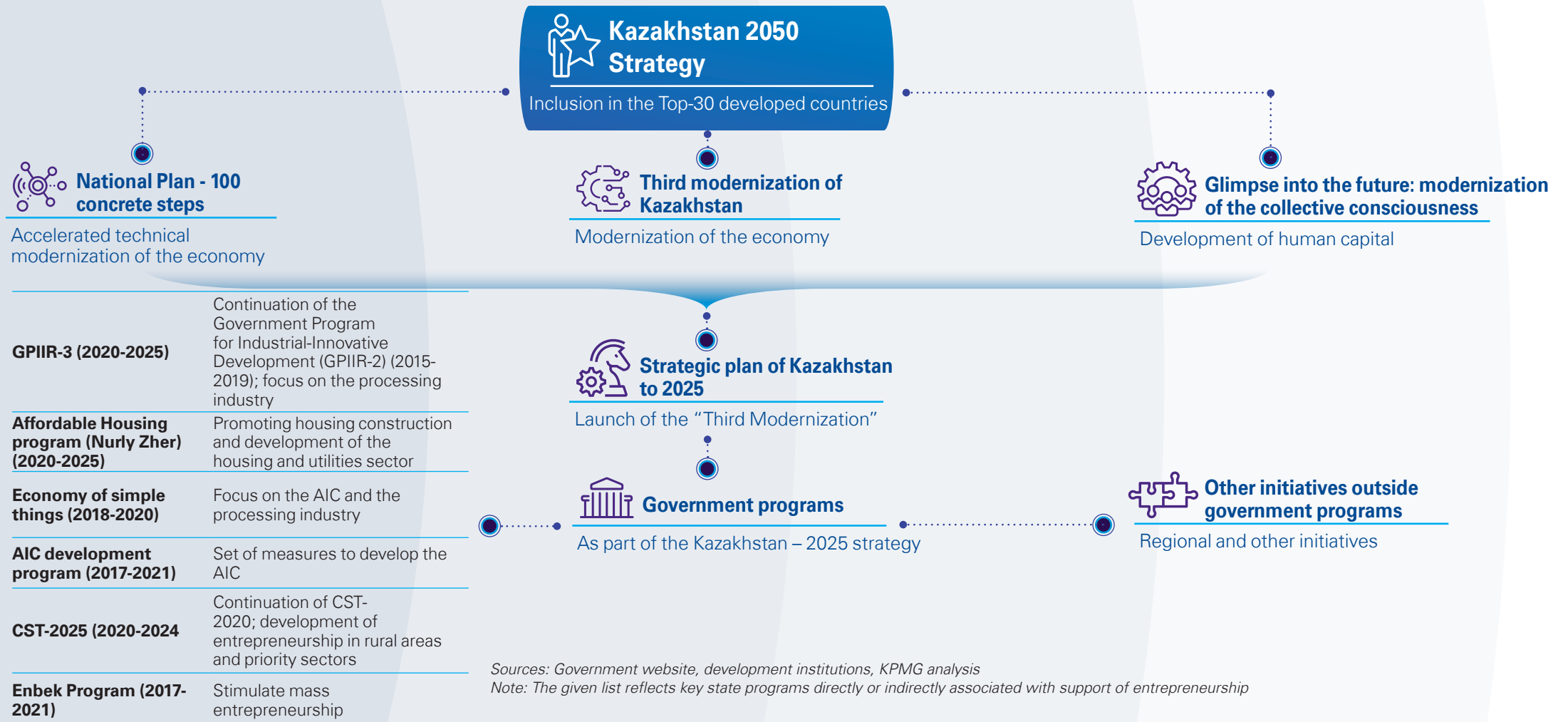
Representative of development institutions

Participants have suggested a set of measures to improve the performance of government support mechanisms, including:

- the creation of a “single-window system” with a database on recipients of government assistance and mechanisms for collecting information on the support measures received;
- the revision of existing instruments;
- a reduction in bureaucracy and administrative barriers;
- the appointment of a single operator responsible for implementing state programs;
- and continued improvement of the mechanisms for assessing performance, with more detailed elaboration and analysis of qualitative factors.

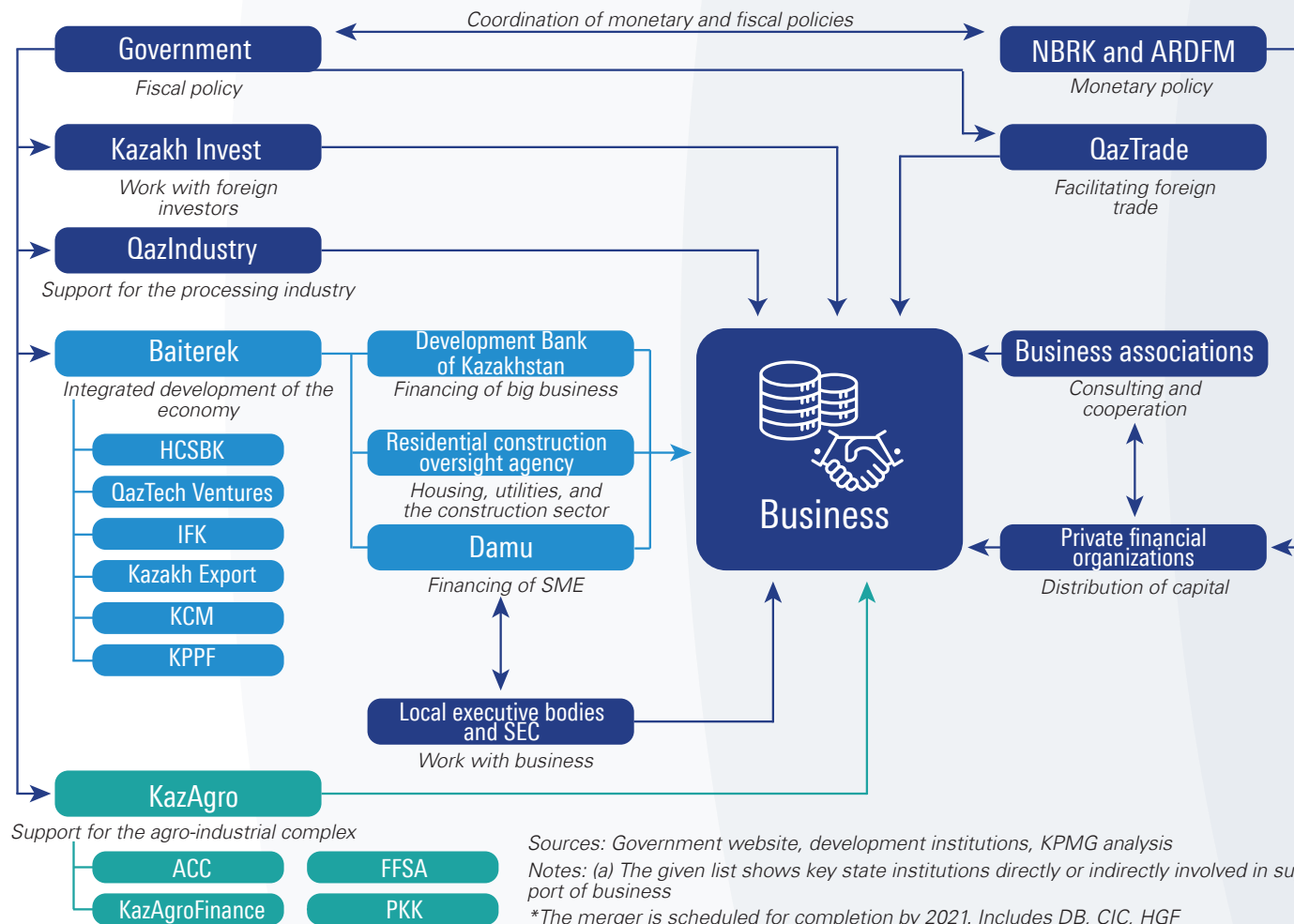
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# State measures to support business are usually tied in with the country's overall development strategy





# State support for business is built through the integrated cooperation of many parties



Sources: Government website, development institutions, KPMG analysis  
 Notes: (a) The given list shows key state institutions directly or indirectly involved in support of business  
 \*The merger is scheduled for completion by 2021. Includes DB, CIC, HGF  
 (b) Additional information on development institutions is given in the appendices

State support for business in Kazakhstan is built through cooperation between the state authorities, quasi-state development institutions, representatives of business and business associations, and private financial organizations that distribute capital.

Government support includes a set of direct and indirect measures to stimulate entrepreneurial activity. For the purposes of this report, our classification includes the following elements of fiscal and monetary policy to support business:

- 1) Lending measures;
- 2) Tax and customs mechanisms;
- 3) Subsidizing, reimbursement of expenses, financial grants;
- 4) Administration, state procurement, and other measures.

The term "business" is split into micro-, small, medium-sized, and large enterprises operating in Kazakhstan and formed through private and public participation, the main goal of which is to generate profit, except for credit institutions focused primarily on the redistribution of capital and the receipt of interest income from issued loans.

For the purposes of this report, these financial organizations do not fall under the term "business".

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# There is the risk that not all funds will be drawn down under existing government programs



The key measures of direct support for business are centered around six state programs

## STATE PROGRAMS AND ROAD MAPS TO SUPPORT BUSINESS

KZT, billion		EPC[a]	CST[b]	Enbek[c]	AIC[d]	Nurly Zher[e]	SPIID-3[f]
Initial budget	[a]	600	421	511	2 775	4 837	781
Budget increase*	[b]	400	40	30	172	219	-
<b>Current budget</b>	<b>[c]=[a]+[b]</b>	<b>1 000</b>	<b>461</b>	<b>541</b>	<b>2 947</b>	<b>5 056</b>	<b>781</b>
Amount of financing	[d]	196	58	39	1 144	n/a	n/a
Guaranteed amount	[e]	20	21	8	n/a	n/a	n/a
<b>Amount for drawdown</b>	<b>[f]=[c]-[d]-[e]</b>	<b>784</b>	<b>382</b>	<b>493</b>	<b>2 947</b>	<b>5 056</b>	<b>781</b>

Sources: State programs, Government resolutions, Damu, KazAgro, KPMG analysis

Note: Data given as of 25 June 2020. The drawdown was calculated using the available information. The drawdown period was expected to equal the effective term of the program

\*The budget increase was primarily associated with Government measures to fight the COVID-19 pandemic

(a) Program effective for 2018-2020. Data given for 2018-5 months of 2020

(b) Program effective for 2020-2024. Data given for 5 months of 2020

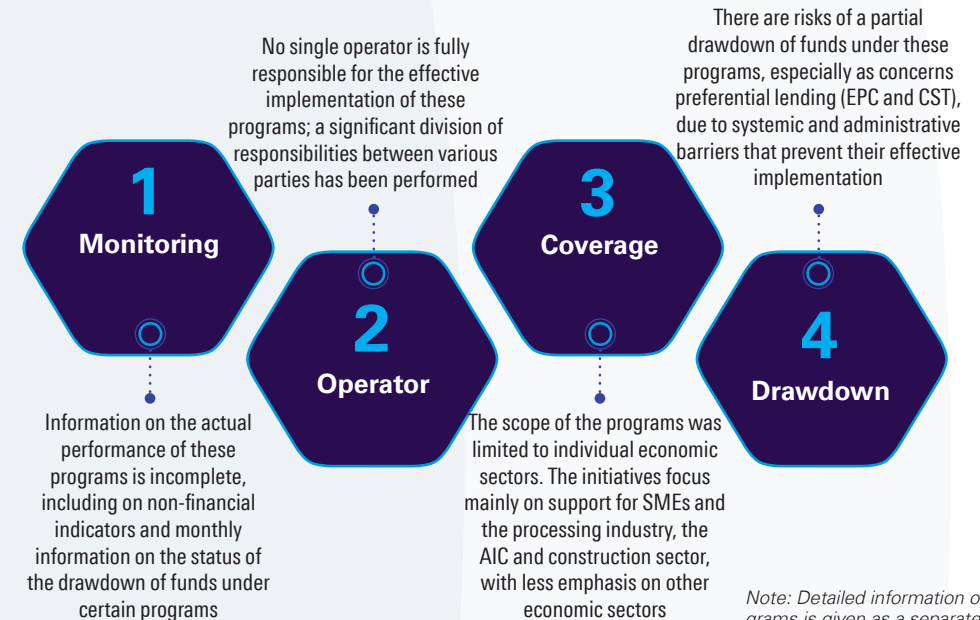
(c) Program effective for 2017-2021. Data given for 2017-5 months of 2020

(d) Program effective for 2017-2021. Data given for 2017-2019

(e) Program effective for 2020-2025

(f) Program effective for 2020-2025

## Main conclusions



Note: Detailed information on the programs is given as a separate Appendix to this Research

“Of the KZT 600 billion earmarked for the “Economy of Simple Things”, on 20 March 2020 only KZT 82 billion had been drawn down. Now they are allotting another KZT 300-400 billion. Why give even more money, if it is not being drawn down? Besides, the money is passing into the economy of “complex” things. Industries such as furniture manufacturing, food production, clothing, and others are just getting crumbs

Adilbek Bektibayev, Executive Director, Union of the Processing Industry

# KZT 5.9 trillion, or around 9% of GDP in 2019, were earmarked for the fight with COVID-19

**KZT 125 billion**

Fight with the epidemic

**KZT 237 billion**

Compensation of losses of local budgets

**KZT 240 billion**

Expansion of existing programs

**KZT 313 billion**

Additional indexation of up to 10% of social benefit payments

**KZT 370 billion**

Payments to the public

**KZT 390 billion**

Residential construction

**KZT 575 billion**

Support for citizens and the economy, including through the implementation of the orders of the Head of State

**KZT 1 000 billion**

"Economy of simple things" and preferential lending to SME

**KZT 300 billion**    **KZT 700 billion**

"Employment road map"

**KZT 1 700 billion**

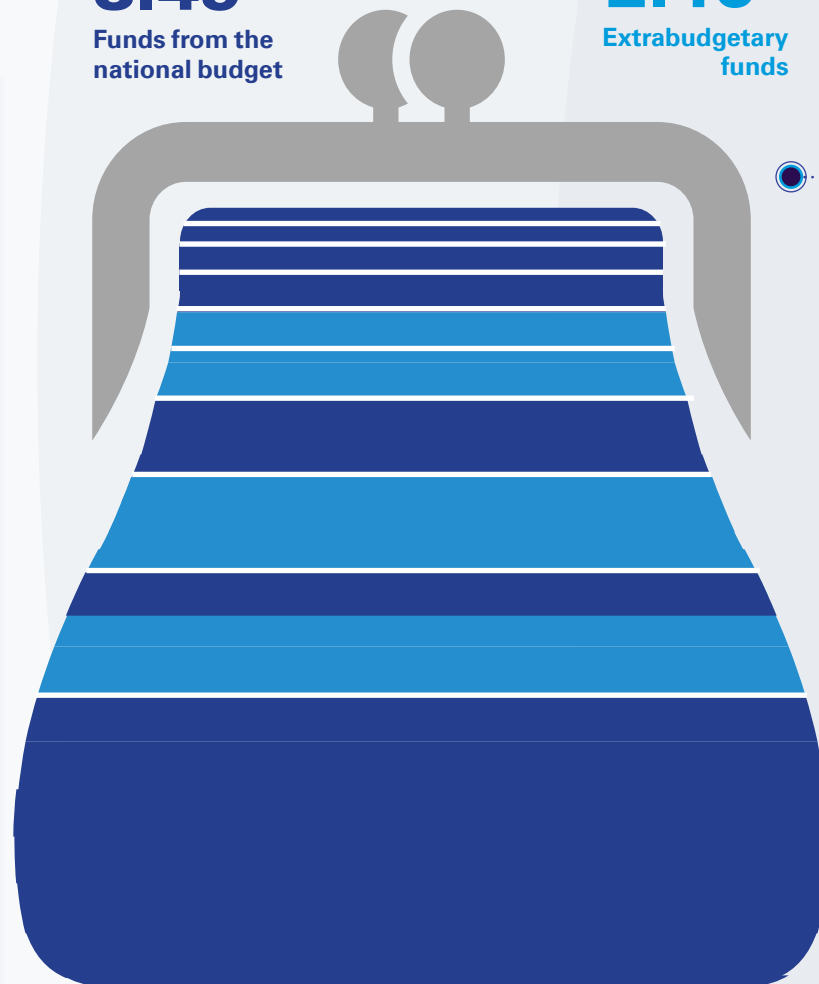
Compensation for lost tax revenues and performance of all the state's social obligations

**3.49**

Funds from the national budget

**2.46**

Extrabudgetary funds



Support for business\*

**KZT 2.63 trillion**

**KZT 5.9 trillion**

Local budgets and the general public

**KZT 3.32 trillion**

Note: (\*) Support for business includes the program "Economy of simple things", preferential lending to SMEs, the "Employment road map", residential construction, and expansion of programs. The "Employment road map" is directed at both assistance for business and assistance with employment of the general public

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# First package of anti-crisis measures to support business in light of COVID-19



## Lending to SMEs

- KZT 600 billion were set aside as part of the Preferential Lending Program for Small and Medium-Sized Enterprises adversely affected by the pandemic
- Interest rate – 8%
- Period of up to one year



## Suspension of payments on loans

- Payments of principal and interest on loans to SMEs adversely affected by the pandemic were suspended for up to three months
- Banks do not accrue fines and late payment interest on late payments caused by the introduction of the state of emergency



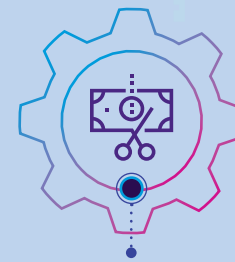
## Currency interventions of the National Bank

To stabilize the tenge exchange rate, in March 2020 the National Bank conducted a currency intervention in the amount of USD 1 487 billion. The National Bank did not conduct any currency interventions after March 2020



## Measures to support agribusiness sector

- The land tax on agricultural lands was canceled until the end of 2020
- Imports of biological assets by the agribusiness sector were exempted from VAT until the end of 2020
- Guaranteed procurements from agricultural enterprises



## Deferral on the payment of taxes by SMEs

- Small and medium-sized enterprises, and in certain sectors big business, were granted a deferral on the payment of all types of taxes and other mandatory payments for the period starting from March 2020 to 1 June 2020 (three months)
- Tax audits of SMEs were suspended until the end of 2020, the export of benzene and diesel fuel was exempt from excise taxes until the end of 2020, certain types of petroleum products were exempted from the payment of export customs duties (distillates, bitumen, fuel oil, etc.)

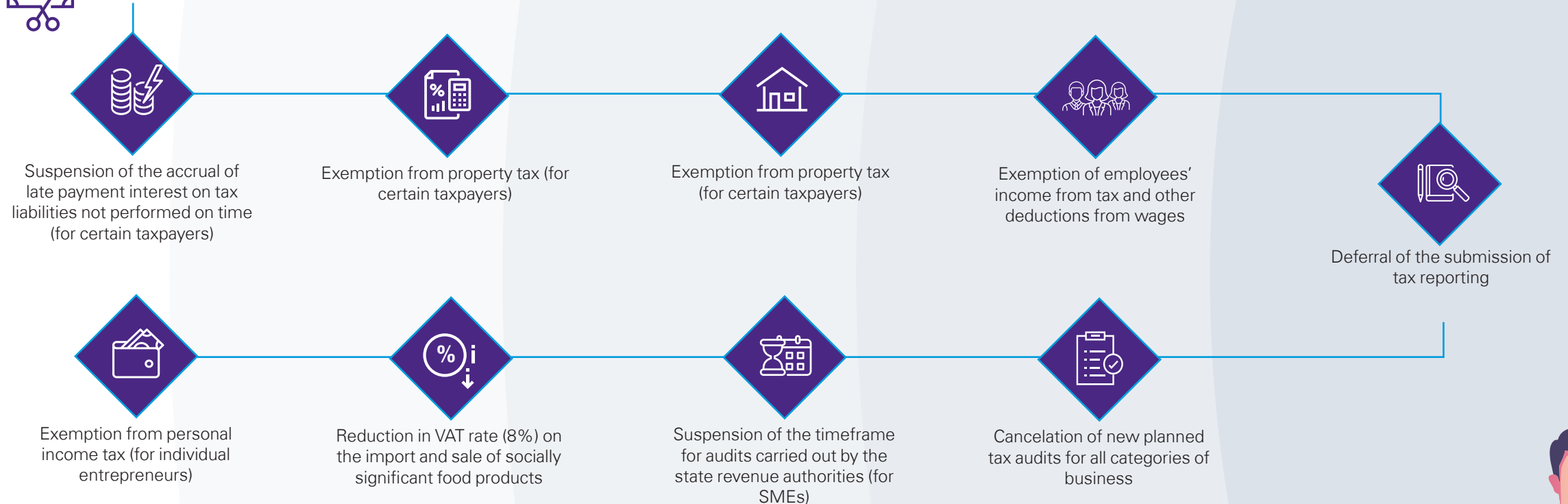




# Tax and customs business support measures during and after the state of emergency



## Tax and customs breaks\*



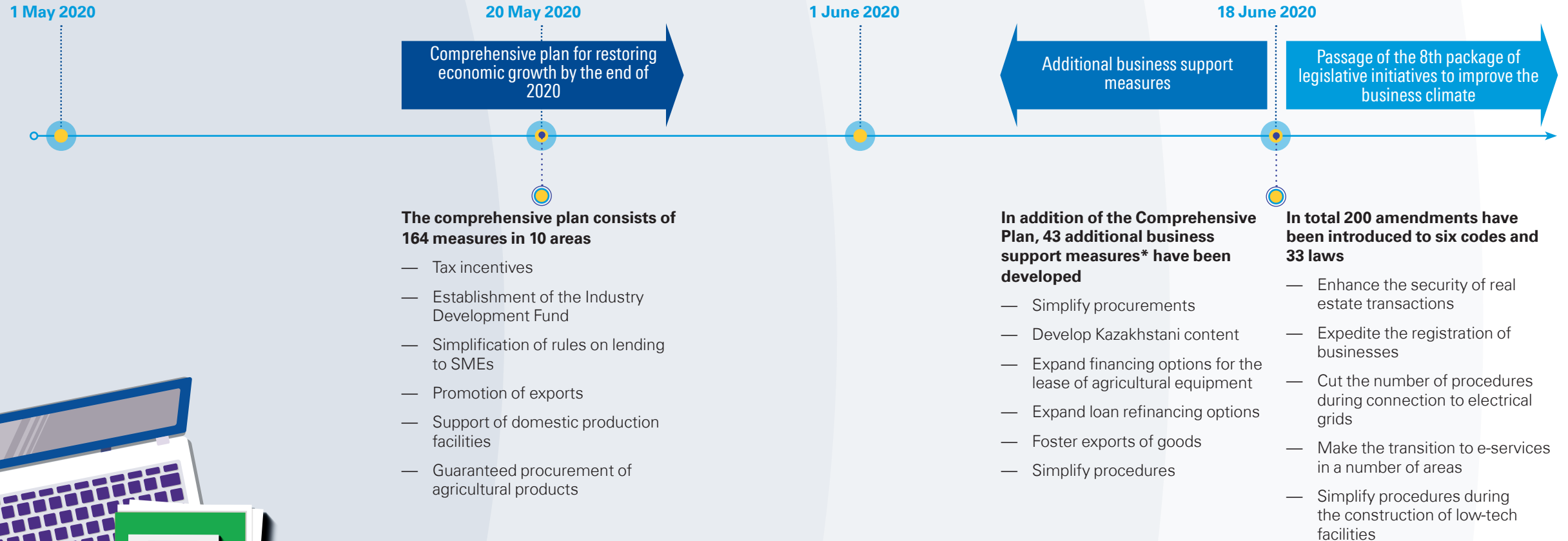
\* as at 26 June 2020

Note: Detailed information on the programs is presented as a separate Appendix to this Research



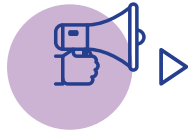
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# In May-June 2020 the Kazakhstan Government introduced additional business support measures



*Note: \*The full list of 43 additional business support measures was not available in public sources as at the date of the research*

# Comprehensive plan<sup>a</sup> to restore economic growth by the end of 2020



**Uneven distribution of measures. Most measures focus on support for the agribusiness sector, whereas the measures for the trade sector only concern administration (two measures)**

After the introduction of the first anti-crisis measures during the state of emergency, in May 2020 the Government submitted a Comprehensive Plan for Restoring Economic Growth by the End of 2020.










The measures indicated in the Comprehensive Plan aim to support small and medium-sized enterprises and big business. The comprehensive plan consists of 10 sections and 149 measures to promote business activity, support employment and increase earnings.

Under the Comprehensive Plan business will receive support in several sectors. Support will be provided to the real sector of the economy (agribusiness, the fuel and energy complex, the processing industry, construction and the metals and mining sector), the service sector (transport, trade and tourism), and also SMEs.

Notes: (a) Only the draft comprehensive plan is publicly available.

(b) The detailed comprehensive plan can be found by clicking on the link XXX.

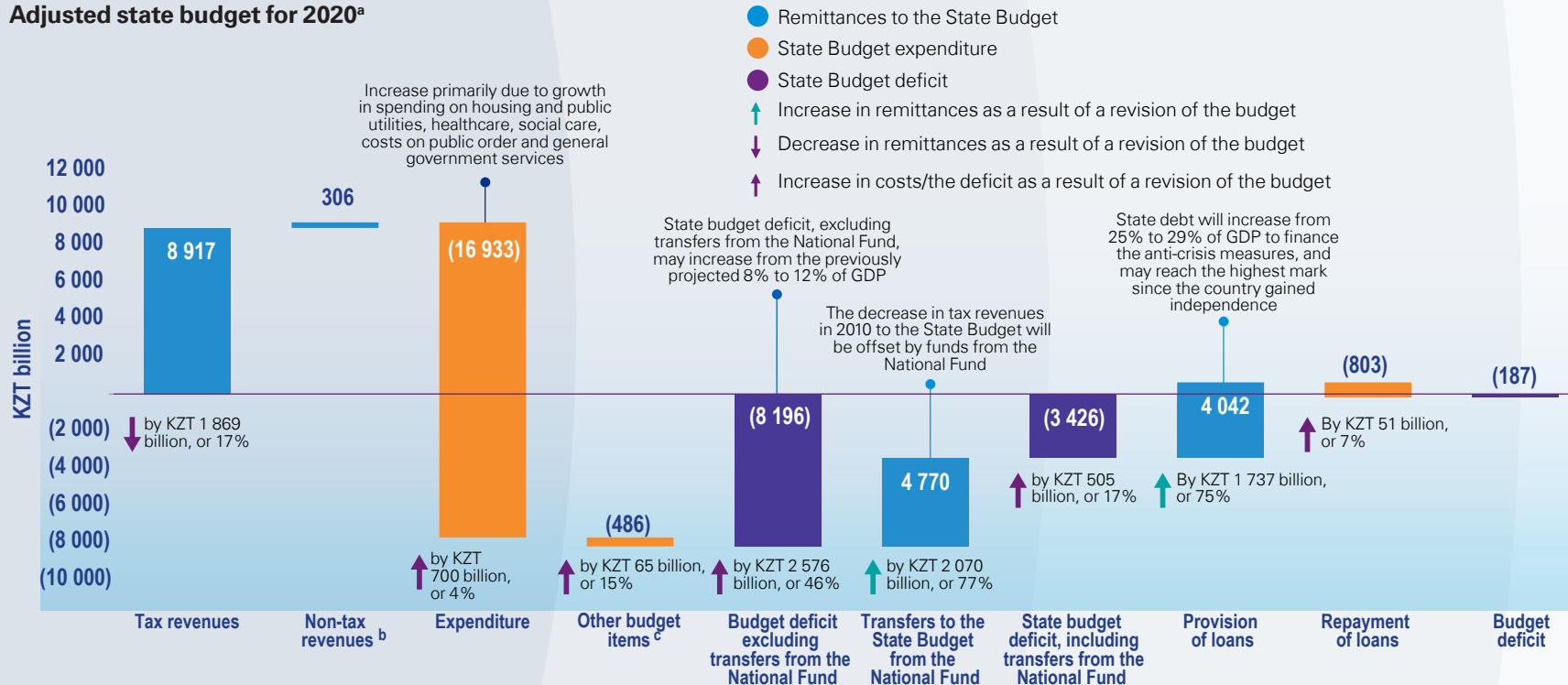
Source: Draft comprehensive plan, KPMG analysis.

	Lending	Administration	State procurements	Taxes	Subsidizing	Reimbursement of costs
 AIC	✓	✓	✓	✓	✓	✓
 FEC	✗	✓	✗	✓	✗	✗
 Processing industry	✓	✗	✓	✗	✓	✓
 Construction	✓	✓	✗	✗	✗	✗
 MMC	✗	✓	✗	✓	✗	✗
 Transport	✓	✓	✗	✓	✓	✗
 Trade	✗	✓	✗	✗	✗	✗
 Tourism	✗	✓	✗	✗	✓	✗
 SMEs	✓	✓	✗	✓	✗	✗

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# Government spending in 2020 will be almost double budget revenues (excluding transfers from the National Fund)

## Adjusted state budget for 2020<sup>a</sup>



The two-month lockdown has had a material impact on tax revenues. A second wave and repeat stringent measures to counter the spread of COVID-19 could exacerbate even more the state budget and the state of the economy. State expenditure at double the level of tax revenues, and also the material dependence of the state budget on the National Fund and borrowings, attest to the need to diversify the economy of the Republic of Kazakhstan and ramp up tax revenues from economic sectors other than the commodities sector

Note:

a) Data on the state budget were given as of 1 June 2020;

b) Non-tax revenues to the state budget consist primarily of revenues from the lease of the Baikonur Cosmodrome, dividends from state enterprises, and the sale of fixed assets;

c) Other budget items consist of net budget lending and the balance on transactions with financial assets;

Source: National Bank of the Republic of Kazakhstan, Ministry of Finance of the Republic of Kazakhstan, Ministry of the National Economy of the Republic of Kazakhstan, KPMG analysis

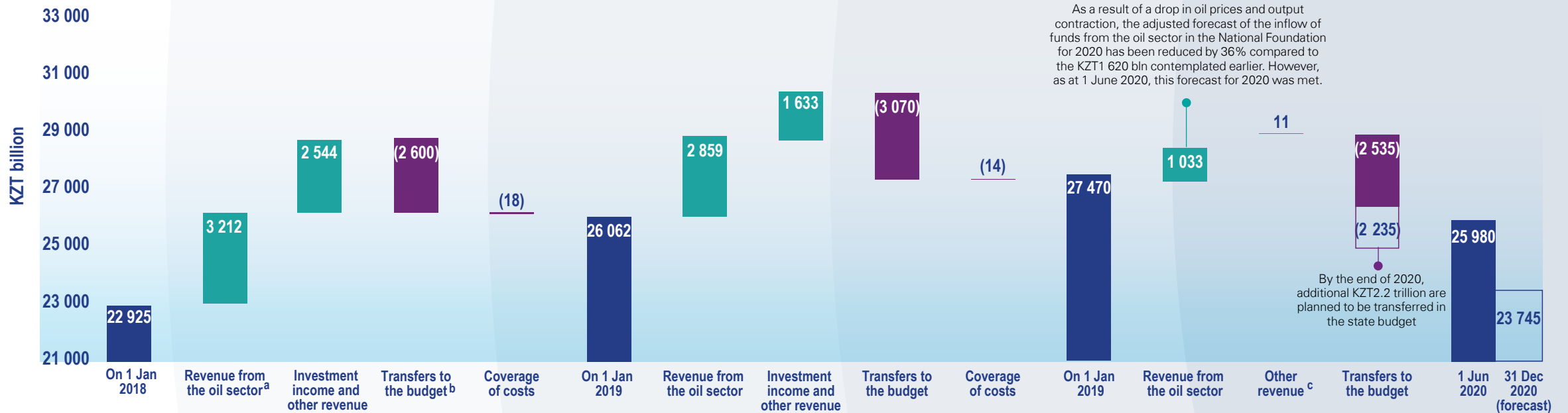
### Tax revenues

As a result of the state of emergency caused by the COVID-19 pandemic and the decrease in global oil prices, the government revised its forecasts on the republican budget. It is anticipated that there will be a decrease in the main types of tax revenues, by 10% in the case of CIT and by 16% in the case of VAT. A fall in tax revenues is also anticipated, primarily due to the decrease in customs duties on the export of crude oil from USD 55 to USD 0 per metric ton and exemptions from the payment of excise taxes on goods to be exported. The amendments in the republican budget will as a result affect the State Budget (inter alia, local budgets)



# Transfers from the National Foundation to the state budget in 2020 may be four times the National Foundation revenues (net of investment returns)

## Receipt and use of the National Foundation funds



● Assets at the balance sheet date

● Additions

● Use

○ Prognosis

Note:

a) Other revenues from the oil sector include: CIT, windfall profits tax, mineral extraction tax, export rental tax, Kazakhstan's share under production sharing agreements, bonuses, and other receipts from the oil sector

b) Guaranteed and targeted transfers from the National Foundation to the state budget

c) Other revenues include revenues from privatization of Republican property, denationalization of assets of national companies and holdings, revenues from the sale of agricultural land, return of transfers to the state budget, and other receipts

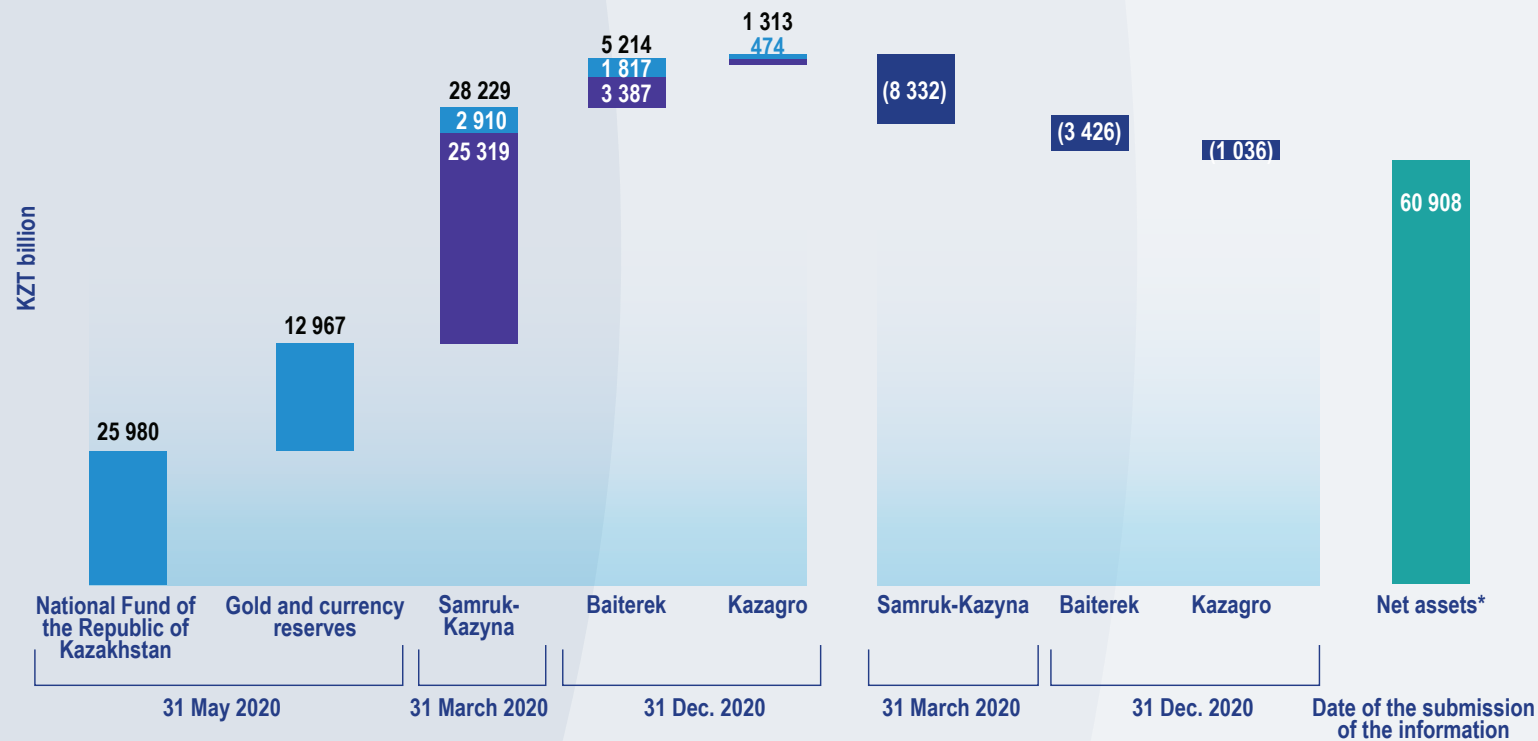
Source:

National Bank of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan, KPMG review

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# Kazakhstan has net asset reserves, making it possible to attract additional financing for expenditures and investments

## Assets



- Liquid assets
- Illiquid assets

Note: Net assets do not include other liabilities in the state sector

Source: Financial statements of Samruk-Kazyna, Baiterek and KazAgro, information of the Ministry of Finance, information of the National Bank of Kazakhstan, KPMG analysis

## Key notes:

- Liquid assets consist of cash and cash equivalents, current financial instruments, funds at credit institutions, loans to clients maturing within 12 months. At the same time, here we did not consider liquid such assets as land, buildings and other assets of the state authorities of the Republic of Kazakhstan
- **Financial liabilities** include non-current and current borrowings, debt securities, eurobonds, and also the funds of clients, the government of the Republic of Kazakhstan and credit institutions
- The analysis did not include information on the **Unified Accumulative Pension Fund, the Social Medical Insurance Fund and the State Social Insurance Fund**, as these have accrued liabilities to the residents of the Republic of Kazakhstan

# Government support in Kazakhstan and other countries



**Government support in Western countries (where the share of SMEs in GDP and employment is very large) is directed at all economic sectors. In addition to support for SMEs, Kazakhstan should think about support for big business, which dominates the economy**



Lending/  
financing:

 <b>Kazakhstan</b>	 <b>Russia</b>	 <b>Germany</b>	 <b>United Kingdom</b>	 <b>USA</b>
<ul style="list-style-type: none"> <li>— Preferential lending to supplement by KZT 600 billion the working capital of:               <ul style="list-style-type: none"> <li>— SMEs</li> </ul> </li> <li>— Lending for priority projects (Economy of simple things)</li> <li>— Subsidizing of rates and guarantees on the performance of obligations</li> <li>— Suspension of payments of the principal and interest on loans</li> </ul>	<ul style="list-style-type: none"> <li>— Subsidizing of the interest rate for the financing of:               <ul style="list-style-type: none"> <li>— SMEs</li> <li>— Big business</li> </ul> </li> <li>— State guarantees to ensure the performance by business of obligations</li> </ul>	<ul style="list-style-type: none"> <li>— Provision of finance in an unlimited quantity for:               <ul style="list-style-type: none"> <li>— SMEs</li> <li>— Big business</li> </ul> </li> <li>— State guarantees to ensure the performance by business of obligations</li> <li>— Fast-track lending to SMEs</li> <li>— Short-term lending to supplement working capital</li> <li>— Loans to facilitate the expansion of businesses</li> <li>— Financing from the European Central Bank under the bond redemption program as support to revive the economy after COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>— Fast-track lending to SMEs of up to 25% of the company's turnover, with a state guarantee of 80% to 100% and payment of interest for up to 1 year</li> <li>— Lending to SMEs through loans and overdrafts against collateral of future funds to be received or against a pledge of assets of up to GBP 5 million, including a state guarantee of up to 80%</li> <li>— Lending to SMEs for R&amp;D totaling GBP 750 million</li> <li>— Lending of up to GBP 25 million to big business, including a state guarantee of up to 80% for 3 years</li> <li>— Purchase by the Bank of England of short-term bonds issued by major companies (up to GBP 1 million) for up to 12 months</li> </ul>	<ul style="list-style-type: none"> <li>— Federal guarantees for commercial borrowing, or direct financing of:               <ul style="list-style-type: none"> <li>— SMEs</li> <li>— Big business</li> </ul> </li> <li>— Financing of the banking system for preferential lending to SMEs, with the provision of credit holidays of up to six months on the payment of principal and interest</li> <li>— Financing by the Federal Reserve System of housing programs and corporations through the buyback of bonds</li> <li>— Support program to stabilize problem sectors of the economy</li> </ul>










Sector-based  
finance and  
grants:

<ul style="list-style-type: none"> <li>— Support for the processing industry</li> <li>— Nurly Zher and Nurly Zhol programs for 2020-2025</li> <li>— Government development program for the agro-industrial complex</li> <li>— Implementation of the contract financing mechanism through forward contracts (offtake)</li> <li>— Subsidizing of the rate of coupon yield on the bonds of carriers</li> </ul>	<ul style="list-style-type: none"> <li>— Financing of systemically important enterprises to supplement working capital for 12 months of up to RUB 3 billion</li> <li>— Bank loans to finance construction</li> <li>— Interest-free loans to employers for the payment of the salaries for employees during COVID-19</li> <li>— Compensation of the losses incurred by banks from the granting of interest-free loans</li> </ul>	<ul style="list-style-type: none"> <li>— Start-up loans for companies founded during the past five years</li> <li>— Recapitalization of companies through the purchase of subordinated loans, participation in the capital of companies</li> <li>— Financial assistance for cultural centers</li> <li>— Financial assistance to companies in the public transport sector on digitization and the development of artificial intelligence</li> </ul>	<ul style="list-style-type: none"> <li>— Grants for retail trade, the hotel and entertainment sector of GBP 10 000 to 25 000</li> <li>— Grants for microbusinesses and the self-employed of up to 80% of average monthly profit</li> <li>— Grants to employers on the payment of 80% of employee salaries on leave in connection with COVID-19</li> <li>— Issue of convertible loans for innovative companies</li> </ul>	<ul style="list-style-type: none"> <li>— Preferential financing of:               <ul style="list-style-type: none"> <li>— Companies related to national security</li> <li>— Airlines and related businesses</li> <li>— Freight forwarders</li> </ul> </li> <li>— Grants for exporter support organizations</li> </ul>
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Note: The measures presented for Kazakhstan and other countries reflect only general information and do not include a detailed analysis of all government programs  
Sources: Public sources

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# Government support in Kazakhstan and other countries

	 <b>Kazakhstan</b>	 <b>Russia</b>	 <b>Germany</b>	 <b>United Kingdom</b>	 <b>USA</b>
 <b>Taxes:</b>	<ul style="list-style-type: none"> <li>— Cancellation of payments of:               <ul style="list-style-type: none"> <li>— customs duties on the export of petroleum products</li> <li>— excise taxes on the export of fuels and lubricants</li> </ul> </li> <li>— Exemption from payment of:               <ul style="list-style-type: none"> <li>— Property tax</li> <li>— Land tax</li> <li>— Income tax</li> </ul> </li> <li>— Deferral of the payment of:               <ul style="list-style-type: none"> <li>— CIT, VAT, PIT and other taxes</li> </ul> </li> <li>— Decrease in VAT on food products from 12% to 8%</li> </ul>	<ul style="list-style-type: none"> <li>— Expenses on fighting COVID-19 are deducted when calculating CIT</li> <li>— Change in the tax base on advance payments on CIT</li> <li>— Deferral of payments on:               <ul style="list-style-type: none"> <li>— CIT and other taxes (other than VAT)</li> <li>— Property tax and land tax (Moscow)</li> </ul> </li> <li>— Amendment to the Russian Tax Code regarding double taxation</li> </ul>	<ul style="list-style-type: none"> <li>— Decrease in VAT rates</li> <li>— Increase in the carryover of tax losses to the next year</li> <li>— Other tax breaks on advance payments</li> </ul>	<ul style="list-style-type: none"> <li>— Deferral of payments on VAT and other taxes</li> <li>— Exemption from the payment of property tax for retail trade, the hotel and leisure sector, and also children's development centers</li> <li>— Exemption from customs duties on the import of medicines and scientific goods</li> </ul>	<ul style="list-style-type: none"> <li>— Suspension of payments of excise taxes on kerosene and disinfectants</li> <li>— Reduction in personal income tax</li> <li>— Amendments to legislation on the carryover of tax losses</li> <li>— Expenses on charity in 2020 have been declared deductible for tax purposes</li> <li>— Tax changes on the accounting of interest expenses and depreciation of fixed assets</li> </ul>
 <b>Other:</b>	<ul style="list-style-type: none"> <li>— State program for the development of productive employment and mass entrepreneurship</li> <li>— Employment road map</li> <li>— Sales of fuels and lubricants at a preferential price</li> <li>— Unemployment compensation</li> <li>— Deferral on the payment of lease payments</li> </ul>	<ul style="list-style-type: none"> <li>— Simplification of the procedures for receiving financing</li> <li>— Amendment to the bankruptcy law</li> <li>— Unemployment compensation</li> <li>— Ban on the termination of lease agreements due to insolvency</li> </ul>	<ul style="list-style-type: none"> <li>— Start-up loans for companies founded during the past five years</li> <li>— Simplification of the procedures for receiving financing</li> <li>— Amendments to the bankruptcy law</li> <li>— Unemployment compensation</li> <li>— Ban on the termination of lease agreements due to insolvency</li> </ul>	<ul style="list-style-type: none"> <li>— COVID-19 sickness allowance</li> <li>— Protection of tenants for non-payment of lease payments in the period from April to June</li> <li>— Amendments to the bankruptcy law</li> </ul>	<ul style="list-style-type: none"> <li>— Preferential financing of businesses for the provision of education, consulting, training, and business support</li> <li>— Compensation for unemployment related to COVID-19</li> <li>— Loans for the payment of salaries</li> <li>— Amendments to the bankruptcy law</li> </ul>

Note: The measures presented for Kazakhstan and other countries reflect only general information and do not include a detailed analysis of all government programs

Sources: Public sources



# Government support by sector: in Kazakhstan and other countries

## Agribusiness sector

### Kazakhstan

- Deferrals on payments of up to 90 days granted to clients that received a loan/lease before 16 March 2020
- Increase in financial support by KZT 450 billion as part of the programs “Economy of Simple Things” and development of agribusiness

### Russia

- Preferential lending to agribusiness
- Support for certain agricultural production facilities

### Australia

- Cooperation with China to support agricultural activity through the delivery of training courses, conferences, exchange of technologies and experience

### USA

- Allocation to agricultural producers of financial support for the amount of USD 16 billion, and also USD 3 billion on the procurement of products from farmers
- Provision of additional assistance to farms and ranches in the amount of USD 14 billion

### Canada

- Creation of a fund for the manufacturers of food products for the purchase of protective equipment, upgrade of technologies and the adoption of other measures for effective supplies of products
- Reimbursement of the expenses of companies and organizations in the agribusiness sector incurred in connection with the COVID-19 pandemic
- Creation of a fund for the re-allocation of unsold agricultural products to the country's population
- Provision of loans to companies in the agribusiness sector
- Financing of the development of online activity in the agribusiness sector

### Germany

- Provision of loans to farmers for the maximum amount of up to EUR 3 million. At the same time, the state guarantees 90% of the loan for SMEs and 80% for big business

### Singapore

- Allocation of USD 21 million on the provision of support to local farmers in production activity

*Note: The measures presented for Kazakhstan and other countries reflect only general information and do not include a detailed analysis of all government programs-  
Sources: Public sources*



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# Government support by sector: in Kazakhstan and other countries



## Construction



### Kazakhstan

- Allocation of KZT 390 billion to stimulate housing construction



### Russia

- Increase in contract advances on infrastructure projects from 30% to 50%
- Provision of interest rate subsidies on loans of construction companies and on the financing of the projects of property developers where the return on the projects is less than 20%
- Implementation of preferential mortgage lending at 6.5% for the acquisition of new housing
- Additional capitalization of the Fund for the Protection of Rights of Participants Participating in Shared Equity Construction of RUB 30 billion
- Provision of guarantees to the Agency for Housing Mortgage Lending in the amount of RUB 50 billion, which will make it possible to buy flats from property developers



### USA

- Allocation of USD 2 billion for the financing of current operations and the construction of new infrastructure
- Introduction of holidays for mortgage borrowers and 60-day moratorium on the eviction of lodgers in the event of default



### Australia

- Provision of deferral on employee payroll tax liabilities (excluding the application of interest on overdue amounts until 1 October 2020)
- Provision of financial support to the population for the construction of a new house or modernization of current housing



### Singapore

- Exemption of construction companies from contractual obligations for six months
- Granting of one-time advance payment on construction projects in the state sector
- Extension of project implementation deadlines by six months



## Cargo traffic



### Kazakhstan

- Subsidizing of coupon interest on the bonds of carriers
- Cancellation of the tenfold duty on the storage of freight for more than 48 hours after a notification on downtime
- Cancellation of customs inspections of container trains in transit



### Australia

- Government financing of the export of high-value agricultural and fish products



### USA

- Provision of loans and guarantees for the amount of up to USD 4 billion to companies handling cargo shipments by air



### Singapore

- Maintenance of a minimum level of air traffic for the carriage of cargo
- Granting of a 10% discount on the landing charge of all air travel-cargo carriers planned until 31 October 2020
- Granting of 20% discount to agents on cargo carriage for the lease of premises in the air cargo center of Changi Airport

Note: The measures presented for Kazakhstan and other countries reflect only general information and do not include a detailed analysis of all government programs

Sources: Public sources

# Government support by sector: in Kazakhstan and other countries



## Aviation



### Kazakhstan

- Potential coverage of some of the costs of airlines on airport services
- Exemption of airports from the payment of land tax
- VAT exemption on the import of aircraft spare parts until the end of 2020
- VAT exemption on maintenance and other aviation services for a non-resident until the end of 2020



### Australia

- Exemption of the aviation industry from the payment of a number of taxes and other government contributions
- Exemption of commercial and ambulance aviation from the payment of tax on jet fuel for eight months, from 1 February 2020
- Exemption from the payment of a number of airport duties for navigation services, and also the services of the rescue, fire-fighting and meteorological services for eight months, from 1 February 2020



### Russia

- Provision of RUB 23.4 billion to Russian airlines to pay salaries to airline staff, make leasing payments, pay for the parking of aircraft, operating activity and the maintenance of assets
- Provision of RUB 10.9 billion to airports to pay:
  - salaries to employees (other than senior management)
  - Insurance contributions, and also for the maintenance, repair and operation of buildings, equipment and transport
- Allocation of subsidies in connection with the decrease in passenger traffic in the amount of RUB 365 per passenger who was not carried



### USA

- Allocation of USD 50 billion to aviation companies: 50% of this amount will be used to pay salaries for six months, the remaining 50% will be spent on providing loans and credit guarantees
- Compensation of USD 3 billion to airline contractors, for example, catering contractors



### Canada

- Exemption of the administration of the 21 airports of the country from the payment of lease payments to the government



### Germany

- Potential provision of support to the German airline Lufthansa in the form of the allocation of a financial aid package for the amount of EUR 9 billion, provided that the airline complies with specific terms and conditions



### Singapore

- Granting of a 50% discount on the lease by airlines of halls and offices in the terminal building of Changi Airport in the period from 1 April 2020 to 31 October 2020
- Provision of financial support to companies in the aviation sector
- Provision of a deferral on specific payments in the period between 1 April 2020 and 31 March 2021

Note: The measures presented for Kazakhstan and other countries reflect only general information and do not include a detailed analysis of all government programs

Sources: Public sources



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# Government support by sector: in Kazakhstan and other countries



## Tourism/Hotel and restaurant business



### Kazakhstan

- Exemption of companies operating in the SME sector from the payment of PIT and social payments (social taxes and insurance) for the period of April-September 2020



### Russia

- Reimbursement of the costs of tour operators related to the COVID-19 pandemic
- Potential decrease in the amount of annual payments of tour operators to the personal liability fund
- Temporary termination of the obligations of tour operators to reimburse clients for payments of plane tickets
- Option of granting passengers vouchers for equivalent future trips (instead of the reimbursement of monetary amounts)



### USA

- Loans and guarantees to ticket sales agencies
- Small loans to companies in the accommodation and food services sector with a headcount of 500 employees or less (these funds should be used to pay salaries and social benefits, leases, utility services and interest on previous debts)



### Canada

- Financial support to the tourist sector



### Germany

- Decrease in the sales tax rate from 19% to 7% for restaurants and companies in the public catering sector (other than sales of beverages)



### Australia

- Reimbursement to hotels and companies in the services accommodation sector of expenses on fees for water supplies
- One-time reimbursement to cafes and restaurants of electricity costs from May 2020
- Government financing of the development of regional tourism
- Provision of financial assistance to SMEs in the tourist sector



### Singapore

- Financial support to hotels, tourist agencies and other companies in the tourist sector to cover 75% of employee salaries
- 100% exemption from property tax for a number of companies in the tourist sector
- Allocation of funds for the recovery of the tourist sector

*Note: The measures presented for Kazakhstan and other countries reflect only general information and do not include a detailed analysis of all government programs*

*Sources: Public sources*





# Baiterek and KazAgro holding companies play the key role in providing financial support to businesses



## Baiterek



The holding company pursues the goal of fostering sustainable economic development in the Republic of Kazakhstan

### Capital

984

### Foreign financing

714

### 11 subsidiaries

11

### Ownership in 48 companies

48

Note: 1) Information as of March 31, 2020, (2) All amounts are denominated in KZT billion  
Source: Financial statements of the company, KPMG analysis

## Subsidiaries of the holding company are key operators in implementing government programs

- KDB** ..... Investment in the non-resource sector
- Damu** ..... Support to SMEs
- Zhilstroysberbank** ..... Providing affordable housing to the population
- Unified housing construction operator** ..... Providing affordable housing to the population
- QazTech Ventures** ..... Development of technology entrepreneurship
- Investment Fund of Kazakhstan** ..... Rehabilitation of troubled projects
- Kazakh Export** ..... Non-resource exports
- Kazyna Capital Management** ..... Capital raising
- KPPF** ..... Support for infrastructural projects



## KazAgro



The holding company pursues the goal of fostering sustainable economic growth of the agro-industrial complex in the Republic of Kazakhstan

### Capital

193

### Foreign financing\*

1 383

### 4 subsidiaries

4

### Volume of agro-industrial complex financing\*

477

Note: (\*) As of December 31, 2018

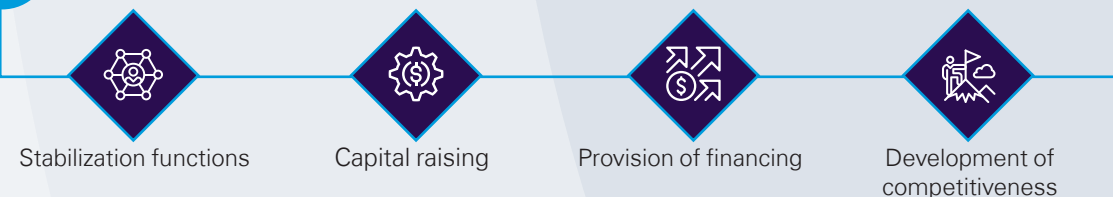
Note: (\*) As of December 31, 2019

## Subsidiaries

- Agrarian Credit Corporation** ..... Provision of financing
- Fund for Financial Support of Agriculture** ..... Provision of financing to small businesses and increasing the level of local employment
- Food Contract Corporation** ..... Purchase and storage of agricultural products
- KazAgroFinance** ..... Upgrade of agricultural machinery and equipment



## Strategic business areas



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# Other institutes and business associations operate in various sectoral and functional areas



## QazIndustry

Coordination of manufacturing enterprises at all stages



### Key goals and objectives

- Compensation of a portion of expenses on increasing productivity and export costs
- Certification of goods, works and services
- Development of the internal market of processed goods



## Kazakh Invest

Encouraging foreign investment into top-priority sectors



### Key goals and objectives

- Support for investment projects
- Negotiations with foreign investors
- Service support and consulting
- Assistance in getting the financing
- Concentration of top-priority economic sectors
- Improvement of the domestic investment climate



## QazTrade

One contact for exporters



### Key goals and objectives

- Protection of rights and interests of exporters
- Information and analytical support
- E-commerce development
- Increase of the number of export companies



## Atameken

Representation of small, medium and large businesses



### Key goals and objectives

- Protection of rights and interests of businesses
- Improvement of conditions for doing business
- Monitoring of business activity
- Capital raising

“ Every year we assess our tools as and where necessary. It is true that some tools can be ineffective, but we try to rectify the situation here: either we remove them or improve them. When we create support tools, we proceed from business requirements. That is why I can say that our tools are timely

Representative of development institutions



# Certain government programs were revised towards expansion due to COVID-19



## Business roadmap (2020-2024)

<b>Goal</b>	Ensuring the growth of regional businesses, support of the existing, and creation of new, jobs
<b>Objectives</b>	<ol style="list-style-type: none"> <li>1. Support of entrepreneurs based in monocities, small towns and villages</li> <li>2. Support of entrepreneurs operating in top-priority economy sectors</li> <li>3. Non-financial support</li> </ol>
<b>Operators</b>	Damu, the Ministry of Industry and Infrastructural Development, the Ministry of National Economy, social and business corporations, second-level banks
<b>Mechanisms</b>	<ol style="list-style-type: none"> <li>1. Subsidizing a part of the remuneration rate</li> <li>2. Loan guarantees</li> <li>3. Payment of grants</li> <li>4. Development of industrial zones and infrastructure</li> </ol>
<b>Hyperlink</b>	<a href="https://online.damu.kz/ru/public/announces/show/108">https://online.damu.kz/ru/public/announces/show/108</a>

Program budget (KZT billion)	Current status
Initial amount	421
Increase driven by COVID-19	+40
Current amount	461
Projects signed, pieces	1 290
Amount of projects signed, KZT billion	57.7
Subsidies paid, KZT billion	8.8
Guaranteed, KZT billion	7.2

Note: All amounts are denominated in KZT billion, unless otherwise stated. Information is presented for 5 months of 2020, as of June 1, 2019. The amount of projects covers the total loan amount

Sources: Resolutions of the Government of the Republic of Kazakhstan, Baiterek's website, KPMG analysis

## Target indicators by 2025

- ▲ **33.8%** percentage of SMEs in the GDP
- ▲ **13.4%** percentage of the processing industry
- ▲ **13.7%** percentage of medium enterprises in the economy
- +30 000** jobs
- X2** tax contributions of participants

## Conditions for subsidizing the rate

- ✓ — For entrepreneurs of small towns
- All industries
- Investment and working capital

Loan amount, KZT million	Maturity, years	Rates for businesses
<b>up to 750</b>	<b>up to 5 years*</b>	<b>6%</b>
✓ — Top-priority sectors	— Investment and working capital	

Loan amount, KZT billion	Maturity, years	Rates for businesses
<b>up to 2.5</b>	<b>up to 5 years*</b>	<b>6%</b>

\*up to 3 years for the purposes of replenishing the working capital



## Economics of simple things (2018-2020)

<b>Goal</b>	Provision of liquidity to second-level banks for granting further loans to top-priority sectors
<b>Areas</b>	<ol style="list-style-type: none"> <li>1. Agro-industrial complex (KZT 800 billion)</li> <li>2. Processing industry (KZT 200 billion)</li> </ol>
<b>Mechanisms</b>	<ol style="list-style-type: none"> <li>1. Subsidizing a part of the remuneration rate</li> <li>2. Loan guarantees</li> </ol>
<b>Operating principle</b>	<ol style="list-style-type: none"> <li>1. The National Bank of the Republic of Kazakhstan provides liquidity to second-level banks and the Agrarian Credit Corporation at the rate of 8%, and the latter grant loans to enterprises at the rate of 15%</li> <li>2. Damu performs the subsidizing of a portion of rate</li> </ol>
<b>Hyperlink</b>	<a href="https://online.damu.kz/ru/public/announces/show/115">https://online.damu.kz/ru/public/announces/show/115</a>

Program budget (KZT billion)	Current status
Initial amount	600
Increase driven by COVID-19	+400
Current amount	1 000
Projects approved, pieces	570
Amount of projects, KZT billion	216
Subsidies paid, KZT billion	3.1
Guaranteed, KZT billion	8.4

\*up to 3 years for the purposes of replenishing the working capital

Note: All amounts are denominated in KZT billion, unless otherwise stated. Information is presented for 2019 and 5 months of 2020, as of June 1, 2019. The amount of projects covers the total loan amount

Sources: Resolutions of the Government of the Republic of Kazakhstan, Baiterek's website, KPMG analysis

## Conditions for subsidizing the rate



**Goal:** investment and working capital

Loan amount **no limits**

Maturity, years **up to 10 years\***

Rates for business **6%**

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# Agro-industrial complex development and Nurly Zher programs are primarily focused on agriculture and construction



## Agro-industrial complex development program (2017-2021)

<b>Goal</b>	Workforce productivity improvement and increasing exports of processed agricultural products
<b>Key objectives*</b>	<ol style="list-style-type: none"> <li>1. Increasing the accessibility of financing for agro-industrial complex entities</li> <li>2. Ensuring manufacturing safety</li> <li>3. Ensuring the accessibility of sales markets and development of exports</li> <li>4. Development of the agrarian science, technicality, efficiency and quality improvement</li> </ol>
<b>Operators</b>	KazAgro, Baiterek, second-level banks, ministries, regional authorities
<b>Key mechanisms*</b>	<ol style="list-style-type: none"> <li>1. Preferential loans</li> <li>2. Subsidizing and compensation of costs</li> <li>3. Guaranteeing and insurance</li> <li>4. Support for exports and sales</li> </ol>

\*Only the key mechanisms and objectives that are mostly applicable to businesses are reflected

### Program budget (KZT billion)

Program amount	2 947
Subsidies, compensation of costs, insurance	2 323
Infrastructure construction and other activities	624

### Current status

Actually financed 1 144

Note: All amounts are denominated in KZT billion, unless otherwise stated. Information is presented for 2017-2019, as of June 12, 2019

Source: Resolutions of the Government of the Republic of Kazakhstan, KazAgro's website, KPMG analysis

### Target indicators by 2025

▲ **3.7 million** labor productivity per capita

▲ **2 400 million** exports of processed agricultural products

× **2.5** equity investment

× **9** amount of borrowings

### Program conditions

✓ Depending on types of support mechanisms



## Nurly Zher program (2020-2025)

<b>Goal</b>	Increasing the accessibility and comfort of housing and development of the residential infrastructure
<b>Objectives</b>	<ol style="list-style-type: none"> <li>1. Implementation of the unified housing policy, renovation of the housing stock</li> <li>2. Upgrade and development of housing and public utilities</li> <li>3. Provision of drinking water, water disposal services, town-planning, architectural and construction activities</li> </ol>
<b>Key operators</b>	Baiterek, second-level banks, ministries, regional authorities
<b>Key mechanisms</b>	<ol style="list-style-type: none"> <li>1. Granting loans and subsidizing the rate</li> <li>2. Loan guarantees</li> <li>3. State procurement</li> </ol>

Initial amount 4 837

Increase driven by COVID-19 +219

Current amount 5 056

Construction and repair of housing and public utilities infrastructure 2 365

Housing construction 1 474

Granting loans to contributors 590

Other 627

### Program conditions

Private housing developers

Depending on types of support mechanisms

### Target indicators by 2021

▲ **20 mln m<sup>2</sup>** annual housing delivery

▲ **26 m<sup>2</sup>** housing per capita

▲ **100%** access of population to water supply services

▼ **47%** reduction of tear and wear of heat and water supply, as well as water disposal networks

▼ **18.1%** percentage of facilities requiring major repair

▲ **+60 000** creation of new jobs

Note: All amounts are denominated in KZT billion, unless otherwise stated.  
Sources: Resolutions of the Government of the Republic of Kazakhstan, Baiterek's website, KPMG analysis



# GPIIR-3 and Enbek programs put emphasis on the processing industry and mass entrepreneurship in regions



## GPIIR-3 (2020-2025)

<b>Goal</b>	Competitive processing industry of the Republic of Kazakhstan in the internal and external markets
<b>Objectives</b>	<ol style="list-style-type: none"> <li>1. Increasing the potential of industrial entrepreneurship</li> <li>2. Increasing the output and expansion of nomenclature of goods</li> <li>3. Increasing industrial capacities</li> <li>4. Technological development and digitalization</li> </ol>
<b>Key operators</b>	KDB, KDB-Leasing, Damu, QazTech Ventures, Kazakh Invest, QazIndustry, Atameken, Samruk-Kazyna, ministries, regional authorities
<b>Key mechanisms*</b>	<ol style="list-style-type: none"> <li>1. Preferential loans</li> <li>2. Compensation of costs</li> <li>3. Guaranteeing</li> <li>4. Development of industrial zones</li> </ol>

\*Only the key mechanisms that are mostly appealing for businesses are reflected

### Program budget (KZT billion)

Program amount	781
Lending, leasing, compensation of costs	635
Special zone construction	114
Other costs	32

Note: All amounts are denominated in KZT billion, unless otherwise stated. Information is presented for 5 months of 2020, as of June 1, 2019  
Sources: Resolutions of the Government of the Republic of Kazakhstan, Baiterek's website, KPMG analysis

### Target indicators by 2025

<b>▲ 55</b>	place in the Economic Complexity Index
<b>X 1.5</b>	operating enterprises per 1 000 of the economically active population
<b>X 1.6</b>	equity investment
<b>X 1.9</b>	volume of exports
<b>X 1.5</b>	labor productivity

### Program conditions

Depending on types of support mechanisms



## Enbek program (2017-2021)

<b>Goal</b>	Assistance in productive local employment and engagement of citizens in entrepreneurship
<b>Key objectives</b>	<ol style="list-style-type: none"> <li>1. Educating, re-skilling and training employees</li> <li>2. Expansion of microlending in villages, monocities and small towns</li> <li>3. Rendering extensive assistance in local employment</li> </ol>
<b>Key operators</b>	Fund of Financial Support for Agriculture, Atameken, Damu, ministries, regional authorities
<b>Key mechanisms*</b>	<ol style="list-style-type: none"> <li>1. Subsidizing a part of the remuneration rate</li> <li>2. Loan guarantees</li> <li>3. Grants to implement business ideas</li> <li>4. Training and information support</li> </ol>
<b>Hyperlink</b>	<a href="https://damu.kz/programmi/detail.php?ELEMENT_ID=4794">https://damu.kz/programmi/detail.php?ELEMENT_ID=4794</a>

\*Only the key mechanisms that are mostly appealing for businesses are reflected

### Program budget (KZT billion)

Initial amount	511
Increase driven by COVID-19	+31
Current amount	541

### Current status

Projects approved, pieces	4 973
Loans granted	39.4
Guaranteed	8.3

Note: All amounts are denominated in KZT billion, unless otherwise stated. Information is presented for 2017 - 5 months of 2020, as of June 12, 2019

Sources: Resolutions of the Government of the Republic of Kazakhstan, Baiterek's website, KPMG analysis

### Target indicators by 2021

<b>▲ 10%</b>	acting SMEs
<b>▼ 4.8%</b>	unemployment rate
<b>▼ 20%</b>	percentage of resources with basic education as part of the workforce
<b>▼ 10.2%</b>	unproductive among the self-employed in self-employed population

### Lending and guaranteeing conditions

Unemployed, self-employed and individual entrepreneurs, agricultural cooperatives

Loan amount, KZT million	Maturity, years
<b>up to 16</b>	<b>up to 5 years*</b>
Rate for entrepreneur	<b>6%</b>

### No sectoral limits

\*up to 3 years for the purposes of replenishing the working capital

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# Other support mechanisms imply a set of measures for business



## Tourism development program (2019-2025)

The program is aimed at tourism development and is primarily focused on taking measures for public officials, including infrastructure construction, investor relations and promotion of the image of Kazakhstan in a foreign environment. Measures to directly support businesses basically include indirect efforts, such as:

### State procurement

- ✓ Infrastructure construction and repair
- ✓ Information services

### Administration

- ✓ Simplification of laws
- ✓ Encouraging the involvement of entrepreneurs

### Consulting

- ✓ Informational support

Note: The most recent changes to the program are presented as of February 4, 2020

Budget,  
KZT billion ▼  
**1 386**



## Employment roadmap (2020-2021)

Indirect business support via government orders for construction and repair of infrastructural and social facilities, as well as localization requirements

Projects planned	5 506
Jobs planned, thousands	255
Projects started	5 898
Jobs provided, thousands	114

Sources: Resolutions of the Government of the Republic of Kazakhstan, KPMG analysis



Program  
budget,  
KZT billion ▼  
**1 000**



## Digital Kazakhstan program

Indirect support for enterprises via the development of digital infrastructure in the Republic and support for IT-startups



## Special economic zones (SEZ) and industrial zones (IZ)

Enterprises operating in such zones obtain the following support:

- ✓ Special tax treatment
- ✓ Government infrastructure
- ✓ Compensation of costs and financial grants
- ✓ Simplified administration

	SEZ	IZ
Functional zones	13	23
Projects launched	185	142
Jobs created, thousands	15.6	8.5
Refund in the form of taxes, KZT billion	167	n/a
Private investment, KZT billion	976.9	213.8
Infrastructure investment, KZT billion	340.8	58.9



In addition to SEZ and IZ, the Fintech Lab site at the Astana International Financial Center assists startups and IT enterprises by offering special tax treatment

Note: Information is presented as of December 12, 2019



## Other mechanisms

In addition to the above measures and government programs, business is also supported via direct interaction of government and regional authorities with each other and with business entities.

# RK Government Resolutions No. 126 and No. 224



## Indulgences offered



## Target group / entities subject to taxation



## Duration

### Resolution of the Government of the Republic of Kazakhstan dated March 20, 2020 No. 126

Option to pay VAT by set-off on imported cattle and pedigree chicks

All importers

Until December 31, 2021

Income tax exemption

Individual entrepreneurs (generally accepted taxation procedure)

Until December 31, 2020

Land tax exemption

Manufacturers of agricultural products

Property tax exemption

— Legal entities and individual entrepreneurs employed in sports and entertainment (cinemas, shopping malls, theaters, etc.)

Suspension of accruing penalties on overdue tax liabilities

— Manufacturers of agricultural products

Deferral of submitting tax reporting

Deferring the submission of tax reporting for liabilities of 2019

All taxpayers

Deferred to Q3 2020

Deferred from March 31, 2020 to May 31, 2020

Exemption of employees' income from taxes and other payments from salaries

Persons involved in private practice, micro-, macro or medium business entities

From April 1 to October 1, 2020 (income for March-August 2020)

Large business entities

From April 1 to July 1, 2020 (income for March-May 2020)

Property tax exemption

— Air strips at airdromes and airport terminals  
— Persons involved in private practice

From April 1 to October 1, 2020

Deferral of VAT payment for a non-resident in respect of maintenance and legal support of aircraft leasing transactions

Kazakh resident taxpayers involved in air passenger transport activity

Until January 31, 2021

Exemption from taxes and other payments from salaries and allowances for employees involved in epidemiological response paid since March 1, 2020

Healthcare facilities involved in epidemiological response as part of combating COVID-19

Applies to employment relations that have occurred since March 1, 2020

### Resolution of the Government of the Republic of Kazakhstan dated April 20, 2020 No. 224

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# RK Government Resolution No. 141

**Resolution of  
the Government  
of the Republic of  
Kazakhstan dated  
March 27, 2020  
No. 141**



## Indulgences offered



## Target group / entities subject to taxation



## Duration

Reduced VAT rate (8%) on imports and sales of essential food products

All importers and taxpayers

Until October 1, 2020

Exemption from paying excises on exported gasoline and diesel oil (except for aviation fuel)

Manufacturers of excisable goods

Until December 31, 2020

Property tax exemption

Legal entities and individual entrepreneurs (for entities subject to taxation used in tourism, food service industry and hotel services)

During the state of emergency (from March 16 until May 11, 2020)

Suspension of deadlines for audits performed by national revenue authorities

Deferral of deadlines for paying all taxes and other statutory payments to the budget, as well as social contributions

Suspension of measures to the extent dealing with securing performance of overdue tax liabilities and enforcement of tax and customs payables, as well as arrears for social contributions, except for high-risk taxpayers

Micro-, small or medium businesses

Until June 1, 2020

Extension of deadlines for performing notices issued after horizontal monitoring during the state of emergency, except for high-risk taxpayers




# Additional tax and customs support measures for business

## Measures to support businesses after the state

Currently\*, additional business support measures and incentives to restore the economy are under consideration, namely:

- option the defer the deadline for paying 33% of advance payments for the corporate income tax determined for Q2 and Q3 of 2020 until April 10, 2021 for enterprises involved in industries that have suffered most from the introduction of the state of emergency, without penalties;
- exemption, until the end of 2020, from paying VAT on imports of spare parts to aircraft and from VAT for non-resident in respect of maintenance and other aviation services;
- exemption of airports from paying for the use of land plots and from paying the land tax until the end of 2020;
- extension of deadlines for submitting tax reporting for a month, from June 1 until July 1, 2020;
- exemption of non-state mass media from taxes and statutory payments on payroll until October 1, 2020;
- deferral, until December 31, 2020, of deadlines for submitting residence certificates issued for the tax period of 2019 to tax authorities;
- recognition of the legitimacy of scans (copies) of source documents generated during the state of emergency for financial and tax accounting, with subsequent submission of their originals;

- facilitation and acceleration of VAT refund, with the increase of the autorefund limit up to 80%;
- expanding the list of activities where employers are allowed not to withhold and pay taxes on salaries from and for their employees during a particular period (IT sector, event industry, construction);
- inclusion of bus terminals and bus stations in the list of taxpayers exempt from paying the property tax until the end of 2020;
- cancellation of VAT on passenger carriage services until the end of 2020;
- additional tax amnesty of individuals to write off the amount of penalty held on the taxpayer's personal account as of April 1 of the current year for the property tax, land tax and tax on motor vehicles on the condition of paying deficiencies thereon until December 31, 2020;
- excluding the duty for initial registration of semi-tractors, enterprises involved in international motor transportation and cargoes from July 1 until the end of 2020;
- examination, together with the EAEU, of the issue of setting customs duties to zero until the end of 2020 for components and spare parts for agricultural manufacturers, as well as for a number of commodity goods for the agricultural processing industry (confectionary, manufacturers of juices, etc.).



However, in parallel with discussing business support measures, governmental authorities are considering changes and additions to tax laws to the extent dealing with the increase of corporate income tax rate up to 24% and of VAT rate up to 16%

\* as of June 26, 2020



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# Damu business support programmes

NAME OF THE PROGRAMME	WAY OF SUPPORT	TARGET SEGMENT	CEILING AMOUNT	MAXIMUM TERM	LINK
<b>Damu Micro</b>	Microfinance	Micro, small and mid-sized businesses (MSMBs) and sole proprietors (SP)	(8 000 MCI (microfinance organisation) 2 000 MCI (loan society)	7 years	<a href="https://online.damu.kz/ru/public/announces/show/120/">https://online.damu.kz/ru/public/announces/show/120/</a>
<b>Damu Leasing</b>	Funding of leasing transactions	MSMBs	KZT 300 mln	7 years	<a href="https://online.damu.kz/ru/public/announces/show/121/">https://online.damu.kz/ru/public/announces/show/121/</a>
<b>Damu Regions</b>	Funding of priority regional projects	SMEs	KZT 750 mln	7 years	<a href="https://online.damu.kz/ru/public/announces/show/122/">https://online.damu.kz/ru/public/announces/show/122/</a>
<b>Support programme in processing industry</b>	Funding in three trenches	SMEs in processing industry	KZT 1 850 mln per trench (except for the unlimited food industry projects)	10 years	<a href="https://online.damu.kz/ru/public/announces/show/123/">https://online.damu.kz/ru/public/announces/show/123/</a>
<b>Damu ADB</b>	Funding	MSMBs	KZT 1 080 mln	3 years	<a href="https://online.damu.kz/ru/public/announces/show/127/">https://online.damu.kz/ru/public/announces/show/127/</a>
<b>Funding from EBRD funds</b>	Funding	of MSMBs, women-run business entities	KZT 900 mln	5 years	<a href="https://online.damu.kz/ru/public/announces/show/128/">https://online.damu.kz/ru/public/announces/show/128/</a>
<b>Regional funding programs</b>	Regional funding of companies located in the Republic of Kazakhstan	SMEs	KZT 30 mln to 400 mln	2-7 years	<a href="https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/list.php?SECTION_ID=190">https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/list.php?SECTION_ID=190</a>
<b>Islamic finance</b>	Funding	SMEs	To be set by the Bank	7 years	<a href="https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/islamic/murabah/">https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/islamic/murabah/</a>
<b>Regional funding programs</b>	Funding	SMEs	KZT 10 mln to 180 mln	5-7 years	<a href="https://www.damu.kz/programmi/programmy-dlya-nachinayushchikh-predprinimateley/kreditovanie/">https://www.damu.kz/programmi/programmy-dlya-nachinayushchikh-predprinimateley/kreditovanie/</a>
<b>Support of energy service initiatives</b>	Subsidies	Companies that support city infrastructure sector (heat supply, electricity supply, residential houses, treatment facilities, etc.)	KZT 350 mln is the ceiling loan amount to be subsidised. Subsidised remuneration rate: 10%, subsidised portion of the principal: 40%	6 years	<a href="https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/subsidirovanie/subsidii-PROON/">https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/subsidirovanie/subsidii-PROON/</a>
<b>Subsidising a part of the coupon remuneration rate</b>	Subsidies	SMEs	KZT 7 bln is the ceiling amount for issuing bonds to be subsidised. However, 7% of the coupon remuneration rate will be subsidised	5 years	<a href="https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/subsidirovanie/skupon/">https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/subsidirovanie/skupon/</a>
<b>Damu Optima</b>	Guaranteeing	SMEs	For emergent entrepreneurs: KZT 30 mln is the ceiling loan amount to be guaranteed. However, the ceiling amount of the guarantee accounts for 85% of the loan amount for current entrepreneurs: KZT 180 mln is the ceiling loan amount to be guaranteed. However, the ceiling amount of the guarantee accounts for 50% of the loan amount	To be defined in the loan agreement	<a href="https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/garantirovanie/garantii-damu-optima-d/">https://www.damu.kz/programmi/programmy-dlya-deystvuyushchikh-predprinimateley/garantirovanie/garantii-damu-optima-d/</a>

Note: The list of programmes provided is not an exhaustive one  
Source: Official Damu web site: [damu.kz](http://damu.kz)

# Business support programmes: KDB

NAME OF THE PROGRAMME	WAY OF SUPPORT	TARGET SEGMENT	MINIMUM AMOUNT / FUNDING LIMIT	MAXIMUM TERM	LINK
<b>Medium- and long-term funding of investment projects</b>	Funding	Infrastructure facilities (power industry, transport, telecommunications)	KZT 7 bln is a minimum loan (for projects in the sphere of producing of food and beverages, KZT3 bln)	5-20 years	<a href="https://kdb.kz/services/investment-projects/">https://kdb.kz/services/investment-projects/</a>
<b>Crediting of current operations</b>	Funding	Processing industries (metals industry, chemistry, petrochemical industry, pharmaceuticals, machine building, etc.)	Up to 40% of the amount of the approved credit line	Less than the investment project funding term	<a href="https://kdb.kz/services/investment-projects/">https://kdb.kz/services/investment-projects/</a>
<b>Syndicated funding</b>	Funding through joint interest of KDB and banks	Service sector (paid services): travel, environmental, medical, educational, sports and health, hospitality businesses Food and beverage producers	The minimum amount of funding by KDB is KZT 7 bln The minimum amount of funding by the bank is KZT 3.5 bln	n/a	<a href="https://kdb.kz/services/investment-projects/">https://kdb.kz/services/investment-projects/</a>
<b>Project funding</b>	Funding	Agricultural industries including producing and/or purchasing and transportation of raw materials, processing thereof, and distribution of of finished product as part of an investment project	KZT 7 bln is a minimum loan amount	20 years	<a href="https://kdb.kz/services/investment-projects/">https://kdb.kz/services/investment-projects/</a>
<b>Granting of guarantees</b>	Guaranteeing		KZT7 bln is a minimum loan amount	20 years	<a href="https://kdb.kz/services/investment-projects/">https://kdb.kz/services/investment-projects/</a>
<b>Crediting of export (pre-export) transactions</b>	Funding	Exporters of work and services resident in the Republic of Kazakhstan and exporters of products produced in the Republic of Kazakhstan	KZT 1 bln is a minimum loan amount	Depending on the terms and conditions of the export transaction	<a href="https://kdb.kz/services/export-operations/">https://kdb.kz/services/export-operations/</a>
<b>Crediting of projects in the processing industry</b>	Funding	Large-sized businesses engaged in the processing industry	KZT 5 bln (except for the unlimited food industry projects)	10 years	<a href="https://kdb.kz/services/interbank-lending/">https://kdb.kz/services/interbank-lending/</a>
<b>Support to domestic car producers</b>	Funding	Individuals	KZT 62 bln is the total funding limit	7 years	<a href="https://kdb.kz/services/interbank-lending/">https://kdb.kz/services/interbank-lending/</a>
<b>Support to the producers of railroad passenger cars</b>	Funding	Domestic producers of railroad passenger cars	KZT 5 bln is the total funding limit	20 years	<a href="https://kdb.kz/services/interbank-lending/">https://kdb.kz/services/interbank-lending/</a>
<b>Lease financing programme to renovate the machine and tractor fleet</b>	Lease financing	Domestic producers of agricultural machinery	n/a	7 years	<a href="https://kdbl.kz/госпрограммы/программа-лизинга-машинно-тракторно/">https://kdbl.kz/госпрограммы/программа-лизинга-машинно-тракторно/</a>
<b>Lease financing programme to renovate the bus fleet</b>	Lease financing	Domestic producers of buses	KZT 100 mln is a minimum funding amount	7 years	<a href="https://kdbl.kz/госпрограммы/программа-лизингового-финансирования/">https://kdbl.kz/госпрограммы/программа-лизингового-финансирования/</a>
<b>National Programme Nuryl Zhol 2020-2025</b>	Lease financing	Domestic car producers	n/a	5-10 years	<a href="https://kdbl.kz/госпрограммы/нурлы-жол-2015-2019-поддержка-отечественны/">https://kdbl.kz/госпрограммы/нурлы-жол-2015-2019-поддержка-отечественны/</a>

Note: The above list of programmes is not an exhaustive one  
Source: KDB official website: [kdb.kz](http://kdb.kz)

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# Business support programmes: KazAgro

NAME OF THE PROGRAMME	WAY OF SUPPORT	TARGET SEGMENT	CEILING AMOUNT	MAXIMUM TERM	LINK
<b>Ken Dala</b>	Funding of sowing and harvesting	Sole Proprietors, peasant households, private farms, legal entities	From KZT 1 mln to 25% of the Corporation's equity	Till 1 December of the respective funding year	<a href="https://credit.kazagro.kz/ru/public/announces/show/33">https://credit.kazagro.kz/ru/public/announces/show/33</a>
<b>Eginzhai</b>	Funding of sowing and harvesting	Legal entities, peasant households, private farms	KZT 6 mln	3 years	<a href="https://credit.kazagro.kz/ru/public/announces/show/74">https://credit.kazagro.kz/ru/public/announces/show/74</a>
<b>Investment projects</b>	Funding of priority investment areas	Enterprises in the agro-industrial complex	KZT 50 mln to 40 bln	5-12 years	<a href="https://credit.kazagro.kz/ru/public/announces/show/54">https://credit.kazagro.kz/ru/public/announces/show/54</a>
<b>Sybag</b>	Funding	Legal entities, peasant households, private farms operating in the sphere of beef cattle production	KZT 12 mln to 40 mln	7-15 years	<a href="https://credit.kazagro.kz/ru/public/announces/show/110">https://credit.kazagro.kz/ru/public/announces/show/110</a>
<b>Yntymak</b>	Funding of service and procurement and processing enterprises	Agricultural production co-operatives	KZT 12 mln to 50 mln	5-7 years	<a href="https://credit.kazagro.kz/ru/public/announces/show/77">https://credit.kazagro.kz/ru/public/announces/show/77</a>
<b>Express leasing</b>	Lease financing of tractor-mounted and tractor trailer machinery, self-propelled farm machinery, vehicles	Enterprises in the agro-industrial complex	KZT 100 mln	10 years	<a href="https://credit.kazagro.kz/ru/public/announces/show/60">https://credit.kazagro.kz/ru/public/announces/show/60</a>
<b>Vehicles</b>	Lease financing of vehicles transporting agricultural and fish products and processed agricultural and fish products, biological assets	Enterprises in the agro-industrial complex	n/a	5-7 years	<a href="https://credit.kazagro.kz/ru/public/announces/show/64">https://credit.kazagro.kz/ru/public/announces/show/64</a>
<b>Master leasing</b>	Lease financing of agricultural and special-purpose machinery, reclamative engineering, vehicles transporting agricultural and fish products, biological assets, equipment that need not be mounted	Enterprises in the agro-industrial complex	n/a	1 year	<a href="https://credit.kazagro.kz/ru/public/announces/show/163">https://credit.kazagro.kz/ru/public/announces/show/163</a>
<b>Freight wagons</b>	Lease funding of freight wagons designed to transport grains and other types of agricultural products	Enterprises in the agro-industrial complex	n/a	10 years	<a href="https://credit.kazagro.kz/ru/public/announces/show/81">https://credit.kazagro.kz/ru/public/announces/show/81</a>
<b>Guaranteeing a loan</b>	Guaranteeing	Enterprises in the agro-industrial complex	8 000 MCI is the ceiling loan amount to be guaranteed. However, the ceiling amount of the guarantee accounts for 85% of the loan amount for emergent entrepreneurs and 50% for current entrepreneurs	7 years	<a href="https://credit.kazagro.kz/ru/public/announces/show/1">https://credit.kazagro.kz/ru/public/announces/show/1</a>
<b>Guaranteeing the obligations under grain and cotton receipts</b>	Guaranteeing	Cereal receiving stations and cotton processing industries	n/a	n/a	<a href="https://credit.kazagro.kz/ru/public/announces/show/3">https://credit.kazagro.kz/ru/public/announces/show/3</a>

Note: The above list of programmes is not an exhaustive one  
Source: KazAgro official website: [kazagro.kz](http://kazagro.kz)



# Glossary of Terms

**EIU** – Economist Intelligence Unit

**Kazakh Invest** – Kazakh Invest National Company JSC

**KCM** – Kazyna Capital Management JSC

**KPPF** – Kazakhstan Project Preparation Fund LLP

**ACC** – Agrarian Credit Corporation JSC

**AIC** – Agro-industrial complex

**ARDFM** – Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan

**Baiterek** – National Holding Company Baiterek JSC

**STB** – Second-tier banks

**BD** – Baiterek Development JSC

**DBK** – Development Bank of Kazakhstan JSC, DBK-Leasing JSC

**WHO** – World Health Organization

**MMC** – Mining and metals sector

**GPIIR** – Government Program for Industrial and Innovative Development

**BRM** – Business Road Map

**EAEU** – Eurasian Economic Union

**EBRD** – European Bank of Reconstruction and Development (wasn't sure from the Russian, so added second abbreviation)

**UAPF** – Unified Accumulative Pension Fund JSC

**ECB** – European Central Bank

**HUS** – Housing and utilities sector

**HCSB** – Housing Construction Savings Bank JSC

**IE** – Individual entrepreneur

**IFK** – Investment Fund of Kazakhstan JSC

**KazAgro** – KazAgro National Management Holding JSC

**KAF** – KazAgroFinance JSC

**KMC** – Mortgage Organization Kazakhstan Mortgage Company JSC

**IMF** – International Monetary Fund

**MSME** – Micro, small or medium business

**MNE** – Ministry of the National Economy

**SME** – Small and medium businesses

**IFCA** – International Financial Center Astana

**n/a** – not available

**NBRK** – National Bank of the Republic of Kazakhstan

**NMH** – National Management Holding

**OECD** – Organization of Economic Cooperation and Development

**FCC** – National Company Food Contract Corporation JSC

**Samruk-Kazyna** – Samruk-Kazyna JSC

**SEC** – Social Enterprise Corporation

**PSA** – Production Sharing Agreement

**FEC** – Fuel and energy complex

**HGF** – Housing Construction Guarantee Fund JSC

**FRS** – Federal Reserve System

**FAGR** – Fund of Financial Support for Agriculture JSC

**CBR** – Central Bank of Russia

**EST** – Economy of Simple Things

## QUOTES

“ A business needs to collect a vast number of documents to get any support, which at times makes a business reluctant to do so

Abilbek Bektibayev, Executive Director of the Union of the Processing Industry

“ The law on non-profit organizations states that the main objective of associations and unions is to protect and represent the interests of the members of these associations and unions before the state executive authorities. This wording is a bit out of date in the current environment. The objective of a union is not to justify business, but to create the right terms and conditions for development in the business environment

Representative of business associations

“ A number of programs include a significant emphasis on the creation of infrastructure, without making any attempt to improve or somehow stimulate standard services or the quality of the services being provided

Representative of development institutions

“ I would like the government to focus on establishing sustainable ties between agricultural producers and processors, so that food-grade wheat is not exported in large quantities as a raw material. This could result in the utilization of domestic capacities and the creation of new jobs

Taisiya Gasymova, representative of SevEsilZerno

“ Banks waited a long time for clarifications from the program regulator (for example, on the application of the criteria for determining “parties adversely affected as a result of the pandemic”), which meant it took longer to receive the funds. The reason the banks did this was they were afraid of violating the financing terms

Zhiger Suleymenov, General Director, TSSP Kazakhstan

“ A deferral on the payment of taxes is not support, but rather the reason why enterprises got bogged down in June. The cash flow gap was significant

Abilbek Bektibayev, Executive Director of the Union of the Processing Industry

“ In the new draft Tax Code under discussion we saw a clause on the application of CIT (20%) to the interest rate being subsidized by the state. How advisable is it in that case to participate in government support programs, if they may potentially request that you return everything? We hope that this will not be the case

Aziz Teymurov, Chief Financial Officer, Eureka

“ They introduced amendments to a number of existing programs and eased the financing conditions

Zhiger Suleymenov, General Director, TSSP Kazakhstan

“ The risks that inspectors/auditors might spread the infection to enterprises were not specified. If this happens, will the state be responsible? It would be a significant boost for the mining and metals sector if they were to announce a moratorium on all inspections and audits until the end of the year

Maxim Kononov, Association of Mining & Metals Enterprises

“ It would be more reasonable to call it government support for banks, and not business. The state allocates money to banks, which in turn earn 15% on loans to business. Business must first pay this 15%, and only then can it receive 9% subsidies from DAMU

Abilbek Bektibayev, Executive Director of the Union of the Processing Industry

“ They did not affect us at all. We have an industry that cannot be closed, we are from the food industry

Representative of business associations on state support measures

# QUOTES

“ At the bank we apply internal segmentation criteria to client businesses. Some medium-size enterprises according to our criteria are big businesses based on the government's criteria. As a rule, these companies only recently crossed this threshold

Dauren Sartaeu, Deputy Chairman of the Management Board of Halyk Bank

“ Financing is not distributed evenly. If a bank financing business is allocated less funds than other banks, comparatively speaking, then it goes without saying that there will be problems getting the funds, as they may be insufficient, and refinancing at another bank can take from two to three months from the time of the application

Zhiger Suleymenov, General Director, TSSP Kazakhstan

“ There is a time gap of one-two months between the payment of interest on the bank loan and reimbursement by the DAMU fund. Everything depends on the state budget

Marat Bakulov, General Director, Almaty Ventilation Plant

“ Business must be involved during the writing of these programs

Business must be involved during the writing of these programs

“ Not a single program set a clearly determined objective. We have no clear strategy for promoting products with high added value on external markets as our President is calling on us to do. There is a vast chasm between the messages of the President and the actual measures to develop this area, and it is not being reduced

Representative of business associations

“ In the case of sectors such as our sector, the Ministry of Trade must act as a one-shop window so that issues are resolved on a consolidated basis

Representative of business associations

“ State programs only focus on growth components and disregard elements of the qualitative changes underlying the figures and the issues of financing such changes

Representative of development institutions

“ State statistics are one to one and a half months late. As all government policy is based on official statistics, the speed of the response of the state authorities is sometimes considerably delayed

Representative of development institutions

“ At present, taxes and bank loans represent the biggest burden on enterprises. The government promptly addressed these two issues

Representative of development institutions

“ It is highly likely that the recovery measures will remain for up to a year. The government has a limited amount of resources at its disposal

Representative of development institutions

## QUOTES

“ It took more than a month, but that is still pretty good. This is a good example of when a commercial bank acts as the provider under this program, so the two sides are mutually interested in attaining common results and goals – that is why the process moves rapidly

Yernur Aidarkin, Executive Director, Kusto Agro

“ Cheap credit would help to stop the economic recession, because when you receive a lot of money on the cheap, you start thinking consciously or unconsciously about what to do with it. In the end you do something and in the process support some kind of economic activity

Aziz Teimburov, CFO, Eureka

“ Many enterprises, due to their lack of maturity when it comes to receipt of government support measures and internal competencies on these issues, do not participate proactively in the government support measures

Representative of development institutions

“ The most effective support measure is an exemption from paying taxes. There was no clear explanation on the specific taxes that did not have to be paid and the specific wages that needed to be paid. The mechanism was not clearly elaborated

Abilbek Bektibayev, Executive Director of the Union of the Processing Industry

“ We are not included in the programme “Economy of Simple Things”, as the program targeted different sectors operating on the domestic market. However, we represent an export-oriented industry

Representative of business associations



# KPMG has protective overalls and face respirators



▶ **KPMG has a wide range of market opportunities comprising crisis management and restructuring professionals and experts in all production and functional areas as may be necessary**



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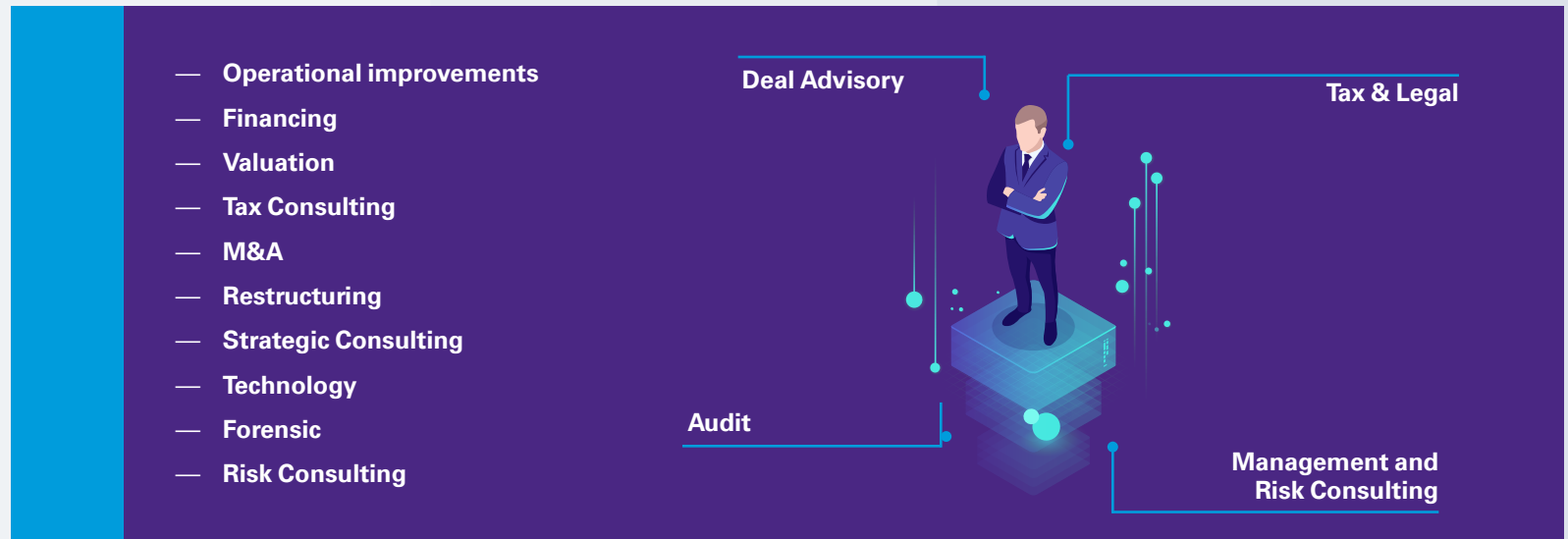
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The KPMG team constantly works with largest Kazakhstan and international banks and financial institutions



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