



Impact of the coronavirus crisis on SMEs in Kazakhstan

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“ The current economic crisis caused by the COVID-19 pandemic is quite unique in nature, as it has impacted most sectors of the economy. At the same time, the share of SMEs affected by this crisis worldwide turned out to be disproportionately high.

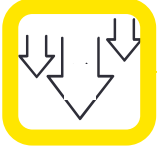
Given that in OECD countries, 60% of jobs and 50-60% of GDP are generated by SMEs, it is not surprising that many countries have made significant efforts to support SMEs. In particular, the main government measures are aimed at restoring solvency, stimulating domestic demand, simplifying bankruptcy procedures and creating conditions for a quick and smooth business restart.

It should be noted that approaches to economic recovery and, in particular, support for SMEs differs significantly in different countries due to the epidemiological situation, the duration of quarantine measures and various country characteristics. In addition, the introduction and cancellation of certain measures is carried out as the situation develops.

In this regard, in order to take the most effective and necessary measures for SMEs, it is extremely important for the Government of Kazakhstan to maintain a constant open dialogue with businesses to understand the current situation and urgent problems of SMEs.

With this in mind, in June 2020, we conducted a study on the impact of the coronavirus crisis in Kazakhstan, interviewing 285 SMEs. We are pleased to present the results of this study, which contains an analysis of the current situation, our assessment of the effectiveness of state support and the need for additional measures for the recovery and further development of SMEs in Kazakhstan.

Main Findings and Key Conclusions (1/2)



The COVID-19 pandemic, as in most countries of the world, has had a **significant negative impact on SMEs** in Kazakhstan, **especially micro-businesses** with fewer than 10 employees.



This is due, on the one hand, to the **high concentration of SMEs and the population employed in the sector within the most affected industries**, such as trade and services, and, on the other hand, to **limited resources and lower access of SMEs to capital** compared to big business.



In addition to this, it is worth to note **the structural features of SMEs in Kazakhstan**, which are characterized by high concentration in the two largest cities, a low share of medium-sized enterprises with a headcount of 100 to 250 people, and concentration in industries with a relatively low level of labor productivity.



The government of Kazakhstan has implemented a **wide range of measures to support SMEs** in the pandemic, and there are tools that should be considered in addition to those adopted.



The study showed that among the measures provided by the state, the majority of SMEs took advantage of (1) **deferred tax payments**, (2) **exemption from taxes and contributions from payroll taxes**, and (3) **suspension of loan payments in financial institutions**, which is due to the faced problems with liquidity



However, at the same time, about 15% of respondents answered that they could not take advantage of state support measures, since they **do not apply to their field of activity**, and more than half (51%) of the survey participants noted **various barriers they faced in receiving assistance**, such as lack of available information, bureaucracy, negligence and lack of proper communication from the support operators

Main Findings and Key Conclusions (1/2)



As the most requested additional measures of state support, the survey participants noted:

- ▶ Providing an interest-free loan; allocation of direct financial subsidies; reimbursement of rental and utility costs as **direct financial support**
- ▶ Provision of government guarantees for loans; restructuring of the loan in the form of a decrease in the interest rate or prolongation of the loan; additional deferral of loan payments as **measures to increase access to liquidity**
- ▶ Simplification of import and export procedures; cancellation of forfeit, penalty interest and extension of deadlines for execution of government contracts; providing support for the inclusion of large international and domestic companies in supply chains as **measures to increase demand for goods and services**
- ▶ Provision of personal protective equipment at a reduced price or free of charge; services for disinfection of workplaces; subsidizing the purchase of equipment and services to enable employees to work remotely as support **measures to comply with quarantine and lockdown restrictions**
- ▶ Training and advice on getting access to financial assistance; support for the revision of credit conditions; organization of a support hotline for receiving complaints and appeals; support for the transition to digital platforms; obtaining expert support on a wide range of issues as **measures of non-financial support**

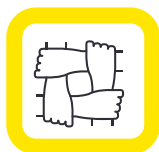


In order to enhance the role of SMEs in the economy of Kazakhstan and achieve the goal set by the Government to increase the share of SMEs in GDP to 35% in 2025 and 50% in 2050, it is important that the government support measures provided in the future are aimed at stimulating an increase in labor productivity and the transition of SMEs to a qualitatively new level of development in the most promising and productive sectors of the economy

Key recommendations

Recommendations for improving government measures to support SMEs:

- ▶ Assess current measures and improve their availability and applicability based on the sectoral and regional concentration of SMEs
- ▶ Expand the range of financial measures provided and make a more flexible set
- ▶ Provide non-financial support measures and assistance in creating safe jobs
- ▶ Form regional programs to support SMEs, taking into account the opportunities and characteristics in the regions of Kazakhstan
- ▶ Organize a single hotline for all measures to support SMEs and make the measures more accessible by providing them online on the principle of a "one-stop shop"
- ▶ Change the focus of measures from "survival" to "recovery" and quality business development, taking into account long-term goals to increase the contribution of SMEs to the economy

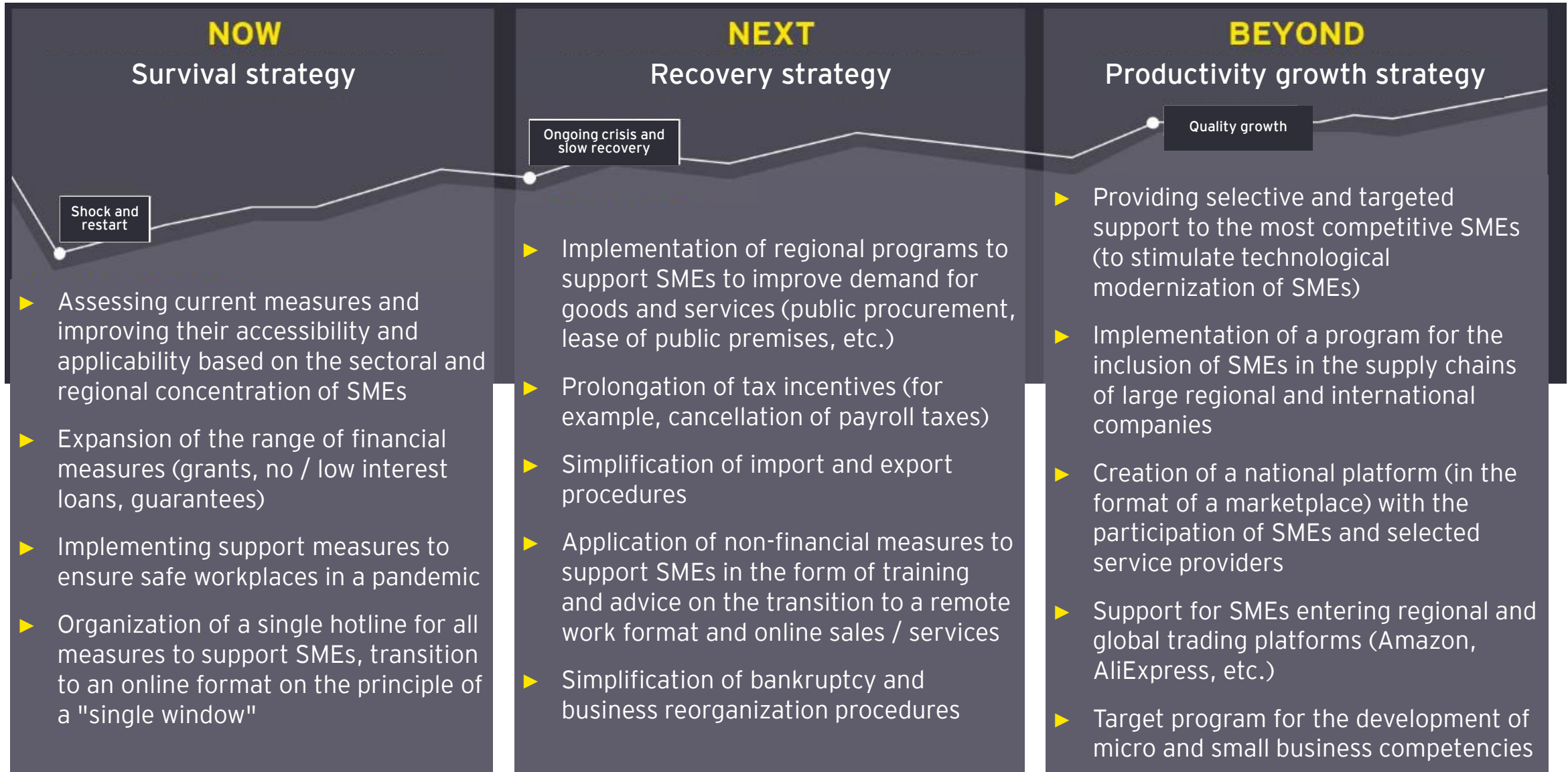


Recommendations for the development of SMEs in the economy of Kazakhstan :

- ▶ Ensure an ongoing dialogue with SMEs for a detailed understanding of current problems, needs and opportunities
- ▶ Stimulate an increase in labor productivity and quality development of SMEs by supporting digitalization, technological modernization and development of employee skills



We identify 3-phased strategies of measures to support SMEs to overcome the crisis and sustainable development in the post-crisis period



EY has supported SMEs around the world for many years



In May-June 2020, EY supported the Canadian Chamber of Commerce with [business advice to SMEs](#) via the hotline on how to deal with the impact of the COVID-19 crisis.



In 2019, as part of the EBRD's Women in Business program, we helped 15 commercial enterprises in Kazakhstan with high development potential [to take their business to a new level by providing advice in areas such as financial analysis](#) and forecasting, personnel motivation, strategic and operational business management, optimization of business processes, development of leadership qualities and many others.



For 30 years, EY has been running the [Entrepreneur of the Year](#) competition, which covers 145 cities in more than 60 countries, including Kazakhstan. In 2020, the winner of the EY international competition, "Entrepreneur of the Year 2020," was Kiran Mazumdar-Shaw, head of the Indian company Biocon Limited, who [managed to turn a company with a start-up capital of US \\$ 500 into one of the largest biotech companies in Asia](#)

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