

**NEWSLETTER**

**INTERNATIONAL**

 ENGLISH VERSION

KAZAKHSTAN



## KAZAKHSTAN: ECONOMIC PROSPECTS AND EXECUTIVE RECRUITMENT



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## "THE OPPORTUNITIES OUTWEIGH THE ISSUES"

**German companies seem to continue to show an avid interest in doing business in Kazakhstan. Would you care to comment on this?**

There has indeed been an increased interest in Kazakhstan, and Central Asia as a whole. There are several reasons for this, including sanctions against Russia and the German government's efforts to minimize risks with regards to its China strategy. Thus, Kazakhstan is becoming more prominent as an alternative when it comes to diversification.

The country has also made significant efforts to become more attractive to international investors. We have witnessed ambitious political and economic reforms, as well as strong economic dynamism driven by a young and growing population.

Kazakhstan, rich in natural resources, faces the challenge of catching up on investment, while simultaneously seeking to extend value chains, diversify, and decarbonize its economy. These factors have significantly contributed to the German companies' interest in the country. Last year, we saw 50 German companies enter the Kazakhstan market. Recent market entry strategies focus on establishing a strong presence on the market – large offices, production facilities, as opposed to previous strategies, which involved opening small or representative offices only.

There has also been a record number of delegations to Kazakhstan. AHK Central Asia organized eight of these last year. The past 18 months have also witnessed a significant number of government delegations. These include the German Federal President's visit to Kazakhstan, as well as that of the Foreign Minister. One must also mention the C5+1 meeting in Berlin, during which the President of Kazakhstan met with the German Chancellor.

**In terms of logistics, some view Kazakhstan as a transit point between Russia and other countries. What is your opinion on this subject?**

Based on our observations, many German companies here have significantly scaled back on their business transactions with representatives of the Russian market. In fact, it's rather the other way around. Previously, many companies supplied the Kazakh market from Russia, which is no longer possible. In terms of logistics, the supply chain has been restructured such that companies now deliver goods directly from Germany to Kazakhstan.

Specifically: Flows of goods that used to go through Russia to Kazakhstan now go directly from Germany to Kazakhstan; this also explains a large part of the increased German exports to Kazakhstan and shows that the sanctions are working as they should.



### **Hovsep Voskanyan**

has been the Delegate of the German Economy for Central Asia since 2019. He represents the interests of German companies in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Prior to assuming this role, he spent 12 years with Commerzbank, both at the company's headquarters in Frankfurt, and as its representative in Minsk.

## **In your view, which sectors offer the greatest opportunities for German companies in Kazakhstan?**

As part of the "Strategy 2050", Kazakhstan is modernizing its economy and aims to reduce its dependence on raw materials, especially, energy sources. As mentioned, it aims to diversify its economy and extend value chains. The entire "Green Economy" sector is of great interest to German companies. Kazakhstan aims for climate neutrality by 2060. Achieving this goal will require significant investments in emissions-intensive sectors, such as many branches of the heavy industry.

Also in this context, but not only, the mining sector has increased its dependence on German machinery, as has metallurgy. There is also great potential in sectors such as agriculture and agricultural machinery, medical technology and pharmaceuticals, as well as a sector increasingly in focus due to Russian sanctions - logistics. The importance of the Middle Corridor as a transport route between Europe and Asia has increased significantly. There are major projects and many initiatives. German companies can act both as logistics providers on the route and participants in many projects.

## **In your opinion, what are the biggest challenges that German companies face in Kazakhstan?**

Among the biggest challenges are certainly the unfamiliar bureaucracy for European companies and the lack of transparency in decision-making processes, especially in tenders. Production areas and warehouses are scarce due to high demand from Russia, China, and Europe. Additionally, there is a shortage of labor when it comes to recruiting highly qualified management and professionals in STEM fields alike.

However, the opportunities presented by the economic dynamism far outweigh the easily solvable problems. Kazakhstan is one of the most politically stable countries in the region and throughout the entire post-Soviet space. The events of two years ago had a cleansing effect; the country quickly returned to calm and stability afterward, and the pace of reform even increased.

## **What specific support programs are available for German companies in Kazakhstan?**

The importance of relations with Germany for the Kazakh side is evident from the fact that the First Deputy Prime Minister, Roman Sklyar, is specifically responsible for expanding bilateral cooperation. Germany has a close relationship with Kazakhstan, as is evident from the series of planned and held meetings, including that of the bilateral working group scheduled to meet in Berlin, this February.

At this point, there are no specific programmes offered by Germany to support market entry into Kazakhstan. However, this is where the federal government's export credit guarantees and other means, such as the Untied Resource Policy Financial Credits to support investments, come into play. On the Kazakh side, the state fund DAMU and the national company Samruk-Kazyna support investors.

## "ACTIVE ENGAGEMENT IN BUSINESS DEVELOPMENT IS DEFINITELY HELPFUL"

### What are the prospects for finding qualified and motivated employees in Kazakhstan?

The conditions for recruiting qualified and motivated professionals in Kazakhstan are comparatively favorable. A growing number of managers have experience in international companies and possess the necessary language and intercultural skills for employment in European firms.

The costs of establishing and maintaining local sales operations are low compared to many other countries, including Russia and China. According to Qazstat data, the average salary in Kazakhstan last year was approximately 660 USD. However, it is important to note that particularly skilled and managerial professionals receive significantly higher compensation.

If suitable specialists cannot be found locally, there is also the option to recruit Russian candidates. The unstable conditions in Russia have made cities like Astana and Almaty attractive to many Russians, creating a potential pool of skilled talent to recruit from. Due to Kazakhstan's membership in the Eurasian Economic Union, Russian citizens do not need work permits.

Furthermore, Russian-speaking expatriates are also interested in managerial positions in Kazakhstan, enabling the recruitment of German and other European candidates.

### How suitable is Kazakhstan from an HR perspective as a production location?

Kazakhstan has a considerable reservoir of unskilled or minimally trained labor available for entry level positions. However, the number of highly skilled personnel available can't satisfy the growing demand.

Remuneration in general is quite low, although salaries have been steadily increasing in recent years - not only nominally but mostly in real terms. The moderate taxation of income and comparatively low labor costs also speak for Kazakhstan as a production and outsourcing location.

However, companies intending to set up production facilities in Kazakhstan will most likely need to recruit foreign specialists for top management positions. The availability of local technical specialists is often limited, necessitating the initial use of foreign experts. At the same time, local workers can be trained and qualified accordingly.

In addition to Russian specialists, since Russian is still widely spoken in Kazakhstan, Chinese experts are also a viable alternative. Chinese companies often opt for this strategy when it comes to recruiting expatriates to the region.



**Christian Tegethoff,**  
Managing Director  
CT Executive Search

## What positions do you recruit to in Kazakhstan?

For most of our clients, Kazakhstan is primarily of interest as an export market, although its significance as a logistics hub and a potential investment location has increased over the past year and a half. The country is a significant buyer of agricultural and mining equipment and offers potential for a range of other investment goods, as well as the consumer goods industry.

Therefore, our clients mainly conduct sales and service activities in Kazakhstan, while the establishment of production plants is still the exception. However, we expect that Kazakhstan, with its 20 million inhabitants, relatively higher purchasing power in the region, and favorable geographical location, will become a more important production location for the European economy in the future.

Many international companies have historically managed Central Asia through their Russian subsidiaries. However, given the current political and economic changes in Russia, this approach is no longer practical.

Therefore, we increasingly observe companies managing their Central Asian activities from their headquarters. This shift is also elevating the region in many priority lists. The more engaged market support is certainly helpful in recognizing and effectively utilizing the region's potential.

In Kazakhstan, most companies establish their offices in the capital – Almaty. It's where the country's decision-makers are based. It's also a suitable location in terms of its proximity to the capitals of the neighboring republics Kyrgyzstan and Uzbekistan.

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## "UNDERSTANDING OF THE LOCAL CULTURE IS IMPORTANT"

### What is your executive search strategy in Kazakhstan?

At the current moment, Kazakhstan represents a self-sufficient market in terms of top personnel. If 10-15 years ago, companies typically relied on expatriates (mostly Russian speakers) to fill top positions, in the past years, Kazakhstan's pool of eligible candidates has evolved to include local managers who can handle the goals and tasks set before them.

This does not mean that companies have stopped recruiting expatriates to for managerial positions, but this percentage has decreased significantly. Following a significant increase in the number international companies in Kazakhstan, business processes have been infused with best practices adapted to local specifics. As a result, there are three approaches at this point that companies in Kazakhstan can



**Semyon Cherkasov,**  
Research Director  
Eastern Europe  
CT Executive Search

take when it comes to recruiting personnel to managerial roles. They can consider recruiting:

- local candidates
- candidates from other CIS countries
- expatriates from Europe, America, and other markets.

Let's consider each option:

### *Local candidates*

They have an in-depth knowledge and understanding of the local market, speak the local language and are of course, the most "cost-effective" option of the three.

### *Candidates from the CIS*

Here we mainly refer to candidates from Russia. In terms of cost to skill ratio, this would be the ideal option. They may have higher salary expectations than the local talent. However, hiring them would not be as expensive as bringing an expat from the West. These candidates are more attuned to the cultural specifics of the region, and are familiar with international best practices. The advantages of this option are also obvious – the company gets a candidate well versed in international best practices, and experienced in implementing tasks that some of the local talent is yet to familiarise themselves with.

### *Expatriates*

This option may only be relevant if companies require unique knowledge, skills, technologies, etc. Cost wise, this is undoubtedly the most "expensive" to implement and the most challenging in terms of attracting skilled professionals.

Any of the chosen options will yield the desired results for the company. The choice will depend on the client's requirements, budget and the current situation. As a rule, we advise our clients not to limit their options, and focus on choosing the best.

### **What are the challenges of executive recruitment in Kazakhstan?**

Lack of skilled local talent would definitely be one of the challenges faced. In terms of Russian candidates and those from other CIS countries, the situation has changed significantly in recent years. A significant number of highly skilled Russian personnel has moved to Kazakhstan, which has in turn expanded the pool of potential candidates. Many are also willing to relocate should an opportunity present itself to that effect, and are actively seeking employment in Kazakhstan, especially, if it provides the option of working in a Western company.

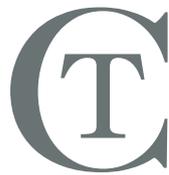
## **How do you assess the local talent pool?**

Kazakhstan is a recognised and thriving business region. This means that all available recruitment tools can be used to attract highly skilled personnel. Requirement for candidates at this point include an understanding of the local culture and business environment.

## **How attractive is the country to foreign specialists, and why are Russian candidates actively considering employment in Kazakhstan?**

To hire a manager from Russia, no additional documents or permits will be required, as Russia and Kazakhstan are part of the Eurasian Economic Union.

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#### BERLIN

CT Executive Search Europe GmbH  
Central Office  
Oranienburger Str. 22  
10178 Berlin, Germany  
Telephone: +49 30 2408 3401  
E-mail: [office@ct-executive.com](mailto:office@ct-executive.com)

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