

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Trade and Finance



Bachelor Thesis

The Impact of Covid on the Economy of Kazakhstan

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BACHELOR THESIS ASSIGNMENT

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Economics Policy and Administration
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The Impact of Covid on the Economy of the Selected Country(Kazakhstan)

Objectives of thesis

The objective of the thesis is to investigate the impact of Covid-19 on the economy of the Republic of Kazakhstan.

Methodology

The methodology of this research paper is based on the development of literature review focused on the major effects of the coronavirus on the economic performance of Kazakhstan. The practical part of the thesis will be based on the qualitative research of domestic attitudes towards government's measures in response to the Covid-19 threat. This thesis will discuss the state's crisis management strategy along with changes in the government revenues and expenditures to provide financial support to the citizens. It will also focus on changes in specific economic sectors such as domestic tourism and how the global pandemic altered the behaviour of domestic consumers.

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Covid-19, Crisis Management Strategy, Domestic Tourism, Government Assistance

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Declaration

I declare that I have worked on my bachelor thesis titled "The Impact of Covid on the Economy of Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 14.03.2022

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The Impact of Covid on the Economy of Kazakhstan

Abstract

The central idea of the research for the Bachelor thesis, is the ongoing COVID-19 pandemic and its impact on the economic performance of the Republic of Kazakhstan. The further aim of the thesis, is to understand how Kazakhstan handled the consequences of the pandemic and the state's Crisis Management Strategy. At last, public opinion of the state's measures is taken into consideration to formulate a conclusion.

The literature review provides an introduction to the global pandemic and its overall effects on the world. Additionally, the theoretical part of the thesis takes a closer look at Kazakhstan and its economy, as to how it was affected by the spread of the coronavirus. It will also highlight the changes in domestic tourism.

The Practical Part of the research work is focused on understanding the attitudes of Kazakhstan's citizens towards the state's Crisis Management Strategy, whether people think the measures were any helpful or effective in achieving the economic recovery of the country. Further, finalized by the evaluation of its strengths, weaknesses, threats and opportunities.

Keywords: Covid-19, Crisis Management Strategy, Domestic Tourism, Government Assistance.

Dopad Covidu na Ekonomiku Kazachstánu

Abstrakt

Hlavní myšlenkou výzkumu pro bakalářskou práci je zhodnocení probíhající pandemie COVID-19 a její dopad na ekonomickou výkonnost Republiky Kazachstán. Dalším cílem práce je porozumět tomu, jak se Kazachstán vypořádal s následky pandemie z pohledu státní strategie krizového řízení. Nakonec je pro formulaci závěru zohledněno veřejné mínění o opatřeních státu.

Přehled literatury poskytuje úvod do globální pandemie a jejích celkových dopadů na svět. Teoretická část práce se podrobně zabývá Kazachstánem a jeho ekonomikou a dopadem šíření koronaviru. Upozorní také na změny v domácím cestovním ruchu.

Praktická část výzkumné práce je zaměřena na pochopení postojů kazašských občanů ke státní strategii krizového řízení, zda si lidé myslí, že opatření byla užitečná nebo účinná pro dosažení hospodářské obnovy země. Dále pak dojde k vyhodnocení jeho silných a slabých stránek, hrozeb a příležitostí.

Klíčová slova: Covid-19, Strategie krizového řízení, Domácí cestovní ruch, Vládní pomoc

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List of abbreviations

GDP – Gross Domestic Product

CMS – Crisis Management Strategy

SME – Small and Medium sized Enterprises

HoReCa – Hotel/Restaurant/Café

VAT – Value-Added Tax

EMDE – Emerging Market and Developing Economies

ILO – International Labour Organization

IMF – International Monetary Fund

1 Introduction

A significant amount of time has passed since the world has encountered a massive outbreak of a disease that could affect the economic and social functioning of a country or the world entirely. The previous pandemic has been observed in 1918, the Spanish Flu. (Onion, Sullivan, & Mullen, 2020)

In 2020, the global economy has been shocked by another pandemic caused by the spread of COVID-19 virus, causing a significant decline of the global GDP of the same year. (International Monetary Fund, 2021). Just how every country in the world has been impacted in one way or another, the following research works studies the consequences of the coronavirus pandemic on the economy of Kazakhstan.

Some of the significant economic indicators such as GDP, used to measure the total value output produced by an economy. (Todaro & Smith, 2015) Aside from that changes in unemployment levels, performance of major economic sectors as well as tourism are being considered to assess the impact of COVID-19 on Kazakhstan.

Overall, just like any global state, Kazakhstan has suffered greatly from the spread of the virus. The country has seen both economic slowdown, as well severe consequences on its society, in terms of deaths and infected individuals, problems such as increased unemployment, poverty and bankruptcy of many Small and Medium sized Enterprises.

The general public as well as domestic entrepreneurs, generally do not approve of or have a good opinion of the state's anti-crisis measures. The majority of the population and businesses seem to be of an opinion, that the government has not handled the coronavirus crisis in the most effective or efficient manner.

2 Objectives and Methodology

2.1 Objectives

The objective of the thesis is to investigate the impact of Covid-19 on the economy of the Republic of Kazakhstan.

2.2 Methodology

The methodology of this research paper is based on the development of literature review focused on the major effects of the coronavirus on the economic performance of Kazakhstan. The practical part of the thesis will be based on the qualitative research of domestic attitudes towards government's measures in response to the Covid-19 threat.

This thesis will discuss the state's crisis management strategy along with changes in the government revenues and expenditures to provide financial support to the citizens. It will also focus on changes in specific economic sectors such as domestic tourism and how the global pandemic altered the behaviour of domestic consumers.

3 Literature Review

3.1 Introduction to COVID-19 Pandemic

Coronavirus, also commonly referred to as COVID-19, is a newly discovered infectious virus or a diseases, which spreads through the saliva (from speaking, coughing or sneezing) or through the liquid particles from the nose of the infected person. (World Health Organization, 2021)

The disease has become a cause of an international crisis. The first case is said to have been reported from Wuhan, China on the 31st of December, 2019. Since then, the news about this particular virus have been dominating the media outlets from all over the world. The reports regarding the number of cases, deaths and number of those who managed to recover from the virus since have been published on daily basis.

At the start, it was often presumed that this is a spread of pneumonia due to a number of closely similar symptoms that were monitored in the infected individuals. Some of the commonly observed symptoms in COVID-19 patients are high fever, coughing, and feeling of fatigue. Moreover, some of the patience said to have lost the sense of smell and taste. (He, Deng, & Li, 2020)

It has also been stated that the older population is at a higher risk of getting infected by the coronavirus, this is due to their weakened immune system. Moreover, the existence of underlying health-conditions such as diabetes, heart-diseases, high blood pressure and etc., in adults had been linked to higher death rates among the aging population in different countries. (Benksim, Ait Addi, & Cherkaoui, 2020)

According to the latest information from WHO, as of March 9th of 2022, there are have been almost 449 million cases of COVID-19 infections, which resulted in over 6 million deaths across the globe. However, on the positive note, almost 11 billion doses of various vaccines have been administered.

Aside from resulting in the loss of countless precious lives, the global pandemic has brought significant damage to the worldwide trade and business ventures. On top of those casualties, COVID-19 has completely changed and affected in one way or another, every aspect of our lives, whether it is related to our job, mental and physical health, social interaction and our environment.

3.1.1 Casualties of the Global Pandemic

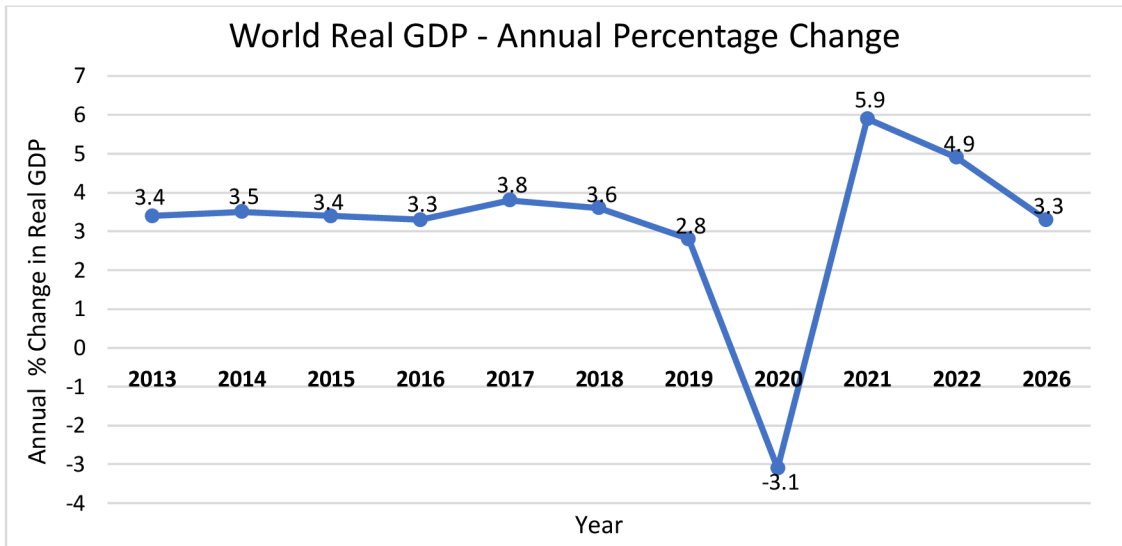
COVID-19 is not the first disease or a virus that has shocked the world. The previous notable epidemics include The Great Plague of London, which occurred in 1665 and it has killed nearly one-fifth of the city's population. Other, grand break outs of infectious diseases include the numerous waves of cholera, such as the first one in 1817, resulting in millions of lives lost in Russia, India and the British Empire, along with countries like Africa, Spain, China and etc. (Onion, Sullivan, & Mullen, 2020)

Aside from that, flues that originated in different countries, have caused extreme casualties in infected regions. The Russian Flu begun in Russia and Kazakhstan in 1889, spreading to Europe and claiming lives of over 350 thousand people. Another pandemic that the world has remembered is the Spanish Flu of 1918, which is the deadliest pandemic, as it brought about an awful 20 to 50 million deaths. (Onion, Sullivan, & Mullen, 2020)

3.1.2 Changes in the World GDP and Trade Volume

The spread of the newly detected coronavirus too, had a severe impact on the well-being and the economic performance of every country in the world. Needless to say, many regions have seen increasing deaths, a rise in unemployment and dramatic decrease in various economic activities. Some of the common indicators of economic activity, that can be taken into consideration to assess the impact that the COVID-19 crisis had on the global economy, are the changes in GDP, world trade, unemployment rates, inflation as well as the performance of the leading stock exchanges.

Figure 1: Percentage change in Real GDP of the World



Source: (International Monetary Fund, 2021)

According to the data collected by the International Monetary Fund, the global Real GDP has declined by 3.1% in the year of 2020, as a result of an economic slowdown. Moreover, the total volume of the global trade in goods and services has fallen by 8.2% in 2020. Meanwhile in the same year, the imports in Advanced economies and Emerging Market and Developing Economies (EMDEs) fell by 9% and 8% respectively. Consequentially, the global export figures have dropped as well, with Advanced economies declining by 9.4% compared to 2019, and EMDEs falling by 5.2% in the year of 2020. (International Monetary Fund, 2021)

However, on the positive note, the global economy began to recover in the year of 2021 and further slow but steady growth is projected in the upcoming period. As it can be interpreted from Figure 1, the global Real GDP has grown by 5.9% in 2021, and it is anticipated to continue growing by 4.9% in 2022, and with an average of 3.4% between 2023 to 2026. (International Monetary Fund, 2021)

Therefore, the global exports and imports are improving as well. The global trade volume has rebounded with an annual growth of 9.7% in 2021, with a projected positive growth of

6.7% in the following year. While the average growth of trade between 2023 to 2026 will make up about 3.9% change. (International Monetary Fund, 2021)

3.1.3 Changes in Global Unemployment

The economic recession triggered by the coronavirus pandemic has resulted in the shutting down of businesses in many countries. This led to a global an increase in unemployment rates and to a fall in labour income.

Pre-pandemic unemployment rate across the world was equal to about 5.4%. Later, with the rapid spread of the virus and introduction of lockdowns, the global unemployment has increased by almost 33 million, as more people are being out of jobs, bringing the number to 6.5%. (International Labour Organization, 2021)

Due to higher unemployment, an approximate amount of \$3.7 trillion or 8.3% has been lost in the form of labour income in 2020. And this number contributes to a little less than 4.5% of the world's Gross Domestic Product figure of 2019. (International Labour Organization, 2021)

The people that have lost the most significant amount of labour income are the population of Americas, followed by Europe and Central Asia. Meanwhile, the inhabitants of Asia and the Pacific have faced the least recorded decline in labour income. (International Labour Organization, 2021)

Today, an estimated number of 220 million individuals have no jobs in 2021, or the world unemployment rate is equivalent to 6.3%, that's a small yet important decline in unemployed population of the global economy. ILO, also projects a downward or declining trend in the unemployment rate for the upcoming period, as it is expected to fall to 5.7% in the year of 2022. (United Nations , 2021) It is obviously a higher rate than the one maintained before the pandemic, yet it serves as a good sign of economic recovery.

3.2 Selected Country: The Republic of Kazakhstan

The Republic of Kazakhstan, or as it is simply known as Kazakhstan, is a country situated in Central Asia. The country holds the position of the 9th largest country in the world by territory. Despite occupying a vast area, the country has a relatively small population, as the estimated population in the year of 2020 was equivalent to 18.8 billion inhabitants. (The World Bank, 2021)

As it can be interpreted from Figure 2, Kazakhstan is landlocked or bounded by neighboring countries such as Russia, China, Kyrgyzstan, Uzbekistan and Turkmenistan. And all of these states happen to be important trade partners of the country. Kazakhstan is a country gifted with an abundance of raw materials such as oil and metals. Therefore, the country' economy relies largely on the exports of those natural resources.

Figure 2: Kazakhstan on World Map



Source: Turkey Travel Guide, 2021

Kazakhs constitute to an estimated 63% of the country's community, whereas ethnic Russians form a quarter or 24% of the total population. The ratio regarding Kazakhstan's religions remains about the same as its ethnic division, with Islam or Muslims being the dominating share of 70% the population. Meanwhile Christian faith, consisting of mostly Russian Orthodox group, attributes to slightly more than one-fourth of the population, 26%. (Figus & Shaikin, 2019)

3.2.1 Brief Economic Overview of Kazakhstan

Prior to the pandemic, Kazakhstan's economy has been performing well, as it observed a steady growth or improvement in major economic indicators of the country such as its GDP, inflation rate and unemployment. According to the World Bank, Kazakhstan can be classified as an economy with an upper-middle-income.

The Gross Domestic Product of Kazakhstan has been growing rapidly. In 2015 and 2016, the GDP growth was achieved, however it was not significantly large, as the production only grew by 1.2% and 1.1%. (Focus Economics, 2021) The economic slowdown of the country was explained by the decline in the global oil prices, plus the aftereffect of previous drastic depreciation in the value of Kazakhstan's tenge. Together, the decline of a major industry and the loss in the value of the country's currency, had a severe impact on the private consumption within the country, as it declined from previous 1% in 2015 to -0.3% in 2016. Meanwhile, the downward trend in consumption has fueled an increase in average prices for goods and services, with inflation rising as high as 14.56%. (Sarsenov & Urazov, 2017)

However, the economy begun to recover in 2017, as the GDP grew at a much higher rate of 4.1% in two consecutive years. And the economy has observed further improvement, as the production levels increased at a rate of 4.5%. (Focus Economics, 2021) Meanwhile, according to the data published on the website of the World Bank, the GDP per capita in the country is equivalent to USD 9,106 and the total GDP amounted to USD 171.2 billion. (The World Bank Group, 2021)

The economic recovery has helped boost employment in the country, resulting in a small reduction in unemployment rates, which was equal to 5.1% in 2015 and 4.8% in 2018. (Focus Economics, 2021) A more substantial improvement was observed with the inflation rate, as it has subsided to an average of 6% in 2018 and 5.2% in 2019. (CoFace, 2021)

Regarding international trade, Russia happens to be Kazakhstan's major trade partner. For instance, in 2019, trade between the two states accounted to almost one-fifth (19%) of total trade turnover of Kazakhstan. Aside from that, Italy was another important trade partner, the transactions between the two states accounted for 14% of the total trade turnover in the same year. (AO Deloitte & Touche CIS, 2019)

According to the 2019 report by Deloitte, some of the main goods that Kazakhstan exports are natural resources or raw material, such as oil and oil products, making up an impressive share of 70% of exports. It is followed by various metals which contribute to 14% of exports and food products such as wheat, flour and etc. make up 5%. (AO Deloitte & Touche CIS, 2019)

Meanwhile, the main imported products or goods are different types of machinery and equipment, which sum up to 40% and chemical products with a share of 16% of total imports of 2019. The last major category is attributed to metals and articles, with a proportion of 13% of imports. (AO Deloitte & Touche CIS, 2019)

Overall, it is an obvious fact that the economy of Kazakhstan relies heavily on oil and gas industry, and any change in the global oil market can have harsh effects on the economic well-being of the country. Aside from that, the country is also overly dependent on the production and trade of other natural commodities such as uranium, iron, copper and steel. Furthermore, the country has to work on improving its trade relationship with other states, as Russia stands to be overly important for Kazakhstan, in terms of both trade and diplomatic relationships. Thus, the country is in dire need of economic diversification from export of commodities. More focus has to be paid to other sectors such as tourism, agriculture and etc., to increase the potential efficiency and productivity of the state. (CoFace, 2021)

3.3 COVID-19 in Kazakhstan

The first case of the newly discovered coronavirus in Kazakhstan, has been confirmed on 13th of March, 2020. (Flanders Trade, 2022) After a period of almost two years, as of March 12 of 2022, there has been a total of 1,304,344 COVID-19 cases in the country. They have result in 13,642 deaths, although 1,280,084 recoveries from the infectious disease have been observed. (Kazinform, 2022)

On the positive note, according to the data published by one of the largest news agencies in the country, Kazinform, a total of 895,411 first doses of vaccine have been administered. Meanwhile, the second round of vaccination, currently stands at 688,552 doses, as of March 12, 2022. (Kazinform, 2022)

3.3.1 COVID-19 Impact on the Economy of Kazakhstan

Evidently, the introduction of lockdowns and other social distancing measures has had a negative impact on the economic performance of Kazakhstan, as it caused a drastic fall in the demand for all goods and services, and at the same time an increase in unemployment led to a general fall in the disposable income of the nation and individual households.

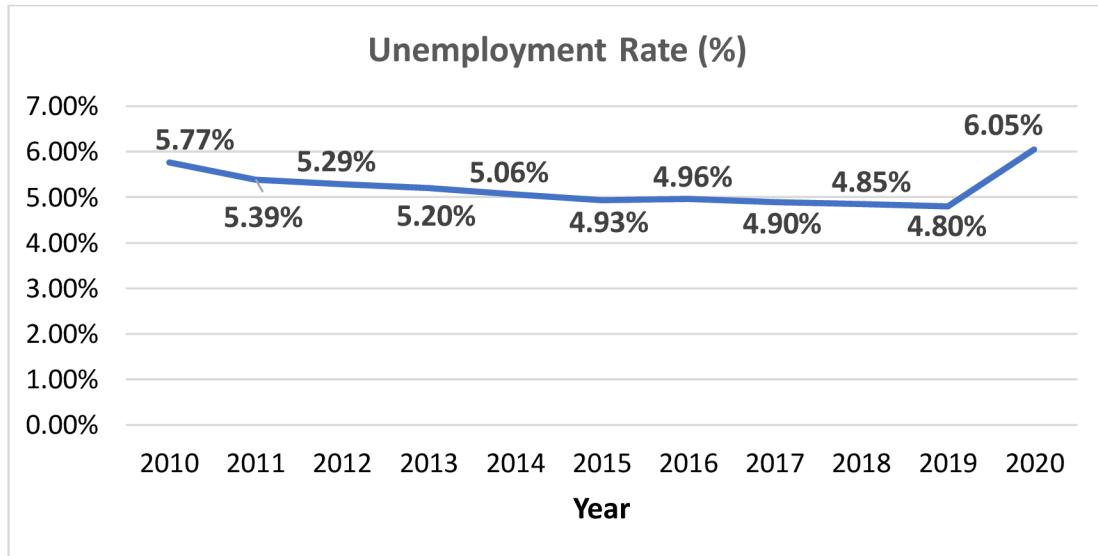
General Indicators of the economic Impact

Various SMEs in Kazakhstan add up to almost one-third (29.5%) of country's GDP, which includes the output of medium, small, and micro businesses or enterprises. That is a significant contribution to the total domestic production. Furthermore, SMEs hold a 38% share of Kazakhstan's working population, with an estimated number of 3.3 million people employed by SMEs. (KPMG , 2020)

According to the International Monetary Fund, an estimated number of 300 thousand Small and Medium Enterprises of Kazakhstan, had to suspend their economic activity as a result of the COVID-19 pandemic. (OECD, 2020) Therefore, a considerable proportion of SMEs has been heavily affected by the pandemic.

Exactly a quarter of domestic SMEs have operated their businesses in two main cities of the country, Almaty and Nur-Sultan. (KPMG , 2020) The entrepreneurial activity in Almaty alone, an extreme 80% of all SMEs in the city had to stop working. (OECD, 2020)

Figure 3: Unemployment Rate % in Kazakhstan



Source: (Macrotrends LLC, 2022)

The disrupted operation of SMEs and other large business entities, has had a terrific impact on the national GDP and employment levels. The GDP of Kazakhstan for the year of 2020, has had a negative growth of an estimated 2.5% to 2.8%, compared to the figure of 2019. (Flanders Trade, 2022) At the same time, an approximate figure of 1.5 million people have been forced to leave their jobs or go on an unpaid leave by their employers. (OECD, 2020) As seen on Figure 3, it caused 1.25% increase in unemployment, from 4.8% in 2019 to a 6.05% in 2020. (Macrotrends LLC, 2022)

Industries with the highest COVID-19 risk exposure

The current subsection of the Literature Review looks at the industries within Kazakhstan, which were least likely to be negatively affected by the spread of COVID-19 virus. First and foremost, Kazakhstan is a country which relies largely on the output of oil and gas industry. According to the information of the Prime Minister of Kazakhstan, the oil

production for the year of 2019 totaled to 90 million tons. Due to declining oil prices and the impact of the coronavirus, the 2020 oil production levels have seen a substantial fall as well. In that year, the oil production has fallen by almost 5% to the quantity of 85.7 million tons. (Prime Minister of the Republic of Kazakhstan, 2021)

According to the report prepared by KPMG, other industries which were at the significant risk of low revenues are Aviation, Retail (non-edible goods), Real Estate, Catering, Entertainment and Restaurant businesses. Evidently, the restaurants and activities such as fitness, have been affected the most, as they have seen an average decline in the revenue of 80% and 100%. This is simply explained by the imposed social distancing measures and introduction of lockdowns, to avoid the chances of crowded places. Whereas, the operation of gyms and fitness clubs had to be closed down completely. Other major victims of the COVID-19 pandemic are Aviation and Non-food retailing businesses. With regards to the aviation sector, an approximate 72% of revenues have been lost due of constant cancellation of passenger flights, as more and more countries have entered high-risk zones. However, the airlines attempted to switch from passenger flights to transportation of goods. Non-food retailing sector has seen a similar decline of 69% of their revenues. They suffered heavily from disrupted supply of raw materials and other goods, especially the supply of materials from China. Moreover, most non-food retailers happen to fall into the SMEs category, and over 60% of those businesses have had to postpone or completely cancel their expansion plans to avoid any unaffordable expenditure. (KPMG, 2020)

Industries with the lowest COVID-19 risk exposure

There is a number of industries that has seen relatively smaller decline in the revenues. Meanwhile, businesses operating in other sectors have benefitted from the ongoing coronavirus pandemic in 2020. The Primary sector of Kazakhstan's economy has faced a comparably small fall in its sales. For example, the Agricultural sector observed a downward trend in its revenue, as they fell by slightly more than one third or 35%. It is mainly explained by the fall in exports, because Kazakhstan exports a significant amount of its grains abroad. The fall in revenue of Meat production, is an aftermath of closure of hotels and other catering services providers. Another industry which was not affected as

much as Aviation or entertainment providers, is Power and Utilities. The revenue of the energy providers has decreased by 23% in 2020, which is mainly explained by the shutdown of SMEs as their offices or physical stores were out of use. (KPMG, 2020)

On the other hand, three sectors in Kazakhstan, have enjoyed the benefits of increased demand, as they are responsible for the supply of some of the basic goods and services. Undoubtedly, these three industries are Food Retailing, Telecommunication providers and Pharmaceuticals. As more and more people were forced to stay indoors and stocked up on essential groceries, Food Retailing industry has seen an overall growth in sales of 11%. An even greater rise was accomplished by Telecommunications, whose income from home internet and WIFI provision, as well as mobile communication services, grew by exactly one-fifth. At last, the largest positive growth was sustained by the pharmaceuticals industry, where medicine retailers have increased their sales by exactly one-third or 33%. This is easily explained by a high demand for over-the-counter medication, which was often used as simple measures for protection from the COVID-19 virus. (KPMG, 2020)

Domestic Tourism in Kazakhstan

Clearly international travel and tourism was not an option for consumers in 2020, due to international travel bans imposed by a huge number of countries across the globe. Similarly, domestic tourism was hit hard as well. Travel and tourism includes the previously mentioned hospitality and aviation industries, which both have been affected badly in the economy of Kazakhstan due to lockdowns. In 2020, the demand for international travel and tourism declined by a massive 73%. And the demand for domestic travel plummeted by 76%. (Kazinform, 2021)

However, in the following year of 2021, the domestic tourism has observed a great improvement, as the industry grew by 10.5% after the first year of the pandemic. Over 900 thousand Kazakhstan citizens chose to explore the touristic destinations within their country. The rise in demand caused the daily prices for accommodation in regional areas to increase on average by 6.25%, as prices for hotels rose from average KZT8,000 to KZT8,500. Meanwhile higher prices but with the same growth can be noticed in two major

cities, Almaty and Nur-Sultan, ranging from KZT11,500 to KZT12,000. (Zhanmukhanova & Khassenkhanova, 2021) Overall, the revenue of various resorts and hotels rose by KZT7,5 billion from KZT17 billion to KZT24,5 billion. Moreover, private investments pooled into tourism sector of Kazakhstan's economy rose by 30%. (Kazinform, 2021) Thus, the post-pandemic performance of domestic tourism has seen an upward trend and is expected to grow further.

3.4 Kazakhstan's Crisis Management Strategy

As the first case of COVID-19 infection was recorded on 13th of March, the government shortly announced that Kazakhstan is entering a state of emergency on 15th of March, 2020. In terms of state's measures falling under the fiscal policy, an estimated amount of KZT4.4 trillion, which makes up 6 to 7% of national GDP, has been allocated to the anti-crisis measures or the Crisis Management Strategy. (OECD, 2020) According to a KPMG report, the government expenditure was estimated to be twice the amount of state's budget revenue. (KPMG , 2020)

Different measures have been undertaken by the government of Kazakhstan to prevent the further spread of the virus, such as lockdowns, ban on international travel, closure of many public places and etc. Aside from that, government aid was provided to citizens in terms of direct social payments. And various incentives were created to help the domestic SMEs. (Ybrayev, 2020)

3.4.1 COVID-19 Prevention and Control Measures

The first lockdown was announced on 15th of March, 2020, with the initial duration from the 16th of March to the 15th of April of 2020. Two major social events were cancelled, those were the celebration of a national holiday "Nauryz" and a military parade to honour the 75th anniversary since the end of the Second World War. However, the lockdown was further extended to end on the 11th of May, 2020. This marked the first lockdown in Kazakhstan. (Ybrayev, 2020)

The second lockdown was organized in July of 2020, which lasted from 13th of July to the 16th of August. The operation of public places such as shopping malls, sports facilities, entertainment including cinemas and exhibitions were halted. And organization of massive gatherings such as weddings, celebrations and etc. were banned. (Flanders Trade, 2022)

Educational organizations such as schools and universities were closed, along with any business whose good or service was not considered an essential need, were closed. Education was moved to distance learning, just like in many countries. (OECD, 2020)

Aside from that, in April of the following year, an application called “Ashyq” was developed, which worked through QR codes that indicate the status of a person, such as “Green” for vaccinated, “Blue” for non-infected, and “Red” for those who have positive PCR test results. (Flanders Trade, 2022) The application is integrated into all public places such as business and shopping centers, restaurants and cafes, sport centers and gyms, cinemas and etc.

The vaccination on a national scale was launched at the beginning of February of 2021, which is provided free of any charges. And the available vaccines in Kazakhstan include Sputnik V, QazVac (national vaccine), Sinopharm, CoronaVac and Pfizer, however the last option is only available to certain groups of people. Pfizer is only administered to teenagers, population above 60 years, pregnant women and breast-feeding mothers. (Flanders Trade, 2022)

3.4.2 State Measures to Support the citizens

As it has been mentioned before, direct social payments in the amount of KZT42,500 were provided to the citizens during the two lockdowns, meaning the payment was made twice to most individuals to who applied for the government aid, due to the loss of jobs and income. The amount was equivalent to an estimated USD100, which was set in accordance with the minimum national wage in Kazakhstan. (Ybrayev, 2020)

An approximate total of 8 million individuals applied for this government aid, however slightly more than half (4.6 million people) of them actually received the money in the first round of payouts. An even smaller number of citizens received the payout during the second round, with the direct social payment being provided to only 2.9 million individuals. (UN Kazakhstan, 2020)

Other incentives were the wage subsidies financed by the National Social Security Fund of Kazakhstan, was meant to payout an amount of KZT42,000 or USD95 as a compensation for their unpaid leave. Aside from that, non-monetary aid was provided to certain vulnerable groups such as people with disabilities, or low-income families, families with only one parent and etc., were eligible to receive “baskets” with essential goods such as basic food items (flour, vegetables, canned food, oil and etc.), basic hygiene products and so on. (OECD, 2020)

3.4.3 State Measures to Support SMEs

Aside from developing measures to support domestic buyers or citizens, the government of Kazakhstan needed to support domestic entrepreneurs. Therefore, different measures have been designed to provide aid to Small and Medium sized Enterprises of Kazakhstan. First of all, deferrals of various business expenses have been allowed. This encompassed the deferral of Value-Added Tax (VAT) and payroll taxes. Additionally, the commercial banks were instructed to allow postponement of loan repayments and interests expenses for SMEs until the period of June 15th of 2020. (OECD, 2020)

The previously mentioned unpaid leaves and a part of salaries for employees of SMEs have been financed by the government subsidies. On top of that, bank loans were made more accessible or affordable for SMEs, at reduced interest rates. (Flanders Trade, 2022) Additionally, government introduced another financial aid in terms of cash payments, intended to cover the overhead expenses, to SMEs who have reported a decline in their turnover levels which exceeds 40%. (OECD, 2020)

As reported by KPMG, only a small proportion of 14,000 to 15,000 SMEs were able to receive the deferral of their bank loan payments. While the total number of small to medium sized firms that suffered exponentially from the COVID-19 pandemic was estimated at 300,000. As of general state support measures, they were only received by a third or 30% of the domestic SMEs. (KPMG , 2020)

Another incentive undertaken by the government in their CMS, is the lowered VAT on some of the basic food items, to support the Food Retail industry of Kazakhstan. The Value-Added tax had been reduced by 4%, from 12% to 8%, which granted an opportunity for groceries and food retailers to set more affordable prices for consumers. (KPMG, 2020)

However, the representatives of domestic SMEs generally had a bad experience with accessing the government aid. Those who did receive it, have said that it generally took 3 or more weeks to actually get the intended aid. And the main obstacles that they have encountered were lack of proper and effective communication between the authorities and SMEs, excessive bureaucracy and administrative work, harsh application requirements and limited financial aid. (KPMG , 2020)

4 Practical Part

4.1 Research Design

The Practical Part of the Bachelor thesis utilizes qualitative research methods, in order to achieve the main objectives of the research work. This section of the paper aims to collect information regarding domestic attitudes towards government's policies and measures, undertaken to tackle the COVID-19 pandemic in Kazakhstan.

The qualitative methods applied in research are:

- Interviews to understand the individual opinions on Kazakhstan's Crisis Management Strategy.
- SWOT analysis of Kazakhstan's Crisis Management Strategy is produced.

4.2 Overview of Interviews

As stated above, data for the research is collected from an interview with two respondents, as well as a SWOT analysis of state's enforced policies and measures is performed.

First, an interview consisting of seven open-ended questions, is designed to understand public's opinions on how the state has dealt with the COVID-19 crisis. Two interviewees from different professional backgrounds have been interviewed. The identities of the interview participants are kept anonymous, however their professional qualifications are disclosed.

4.2.1 Interviews: Output

1. Could you please introduce your occupation?

Interviewee 1, is a journalist working at a press agency, Tengrinews.kz, which is one of the largest news portals in Kazakhstan. Her articles mostly cover events related to national politics, parliament and senate.

Interviewee 2, has recently started working as a manager in one of the domestic banks of Kazakhstan.

2. *What is your opinion the state's crisis management with regards to the COVID-19 pandemic?*

Interviewee 1, stated that the government has found itself in an unexpected environment, simply because of the fact that such a situation is completely unknown to many countries. Since, the last time a global pandemic occurred, has been hundred years ago. And Kazakhstan's government has undertaken an excessive amount of responsibility for its people. Whereas, the public has failed to understand that each one of us is accountable for ourselves. There was a poor information management, and government failed to properly communicate the seriousness of the current situation. Thus, many people have neglected their duties and responded negatively towards any state measures and regulations, such as masks enforcement, vaccination, quarantine and social distancing.

Interviewee 2, thought that the government has relied more on the "quantity" of the regulations, rather than their "quality". For the first time in history of Kazakhstan, such a great number of people lost their jobs, thus government aid was provided to the public. Relatively "simplified" aid was provided to different stakeholders, such as SMEs and the general public. And the authorities tried to avoid properly controlled "documentation" of the administrative processes, thus there was less paperwork. Moreover, the government acted in a very unpredictable manner, as it constantly introduced and lifted lockdowns, which negatively affected the economy of the country. Overall, the interviewee said that he'd rate the state's Crisis Management with a 4 or 5 out of 10 point, justifying that government didn't arrange appropriate assistance to domestic businesses and households.

3. *In your opinion, which businesses / sectors have been affected the most?*

Interviewee 1, thought that first and foremost, any businesses that rely on mass gathering of people, have been affected the most by the coronavirus. This would include concerts, cinemas and operation of shopping centers. Although, every business has suffered losses due to the pandemic.

Interviewee 2, stated that clearly, the service sector of the economy has suffered the most. Especially HoReCa, or the hospitality industry, which includes hotels, restaurants and cafes. Aside from that, the interviewee, remarked that the transportation sector was affected, which encompasses the work of airlines and railways.

4. *In your opinion, which economic sectors have been affected the least?*

Interviewee 1, considered that the least affected sectors were pharmaceuticals and food industry, especially the groceries and retailing sectors. In general, the businesses that supply the basic goods and necessities.

Interviewee 2, also stated that businesses focusing on the supply of some of the essential goods and services, have not suffered as much as other sectors. He referred to supermarket chains, clinics and hospitals, pharmacies and etc.

5. *Have you noticed any changes in the domestic tourism in the country?*

Interviewee 1, thought that domestic tourism in Kazakhstan has not been developed before, and not even during the pandemic, in terms of large scale tourism. There are only a few destinations or spots that people come to visit, you can count them on one hand. In interviewee 1's opinion, the domestic tourism has not seen and significant changes. However, overall the country has very poor infrastructure which could be an underlying reason for poor performance of domestic tourism.

Interviewee 2, had a differing opinion regarding the state of Kazakhstan's domestic tourism. He said, that he observed a positive dynamic in this field. Evidently, an improvement has been made, because with the slowdown of the pandemic, an increased number of flights has been arranged from different regions of the country. Previously, the majority of the flights had to be connected through the major cities, such as Almaty or Nur-Sultan. Whereas now, there are more direct flights, for example Atyrau – Shymkent. This certainly stimulates domestic tourism in the country. In his opinion, lack of decent infrastructure was one of the main obstacles for the development of domestic travel. However, now there are more and more low-cost airlines, and he personally thought that travel to natural attractions of western parts of Kazakhstan has grown.

6. *Do you think the state has been successful in providing the necessary support to its citizens and SMEs?*

Interviewee 1, thought that the government has failed to provide any adequate support to SMEs as many domestic businesses have closed or declared bankruptcy. There was a clear lack of subsidizing and financial aid. Because businesses could not operate due to the enforced quarantine and social distancing measures, and they remained closed even after those restrictions have been lifted. As for the support to citizens, the government has paid out KZT42,500 to the citizens during the pandemic. In interviewees opinion, this was not a sufficient amount, as there are people who have large families (for example families with 4 kids) and this amount was insufficient to provide competent help to the citizens. Thus, factors such as the size of families, should have been taken into consideration or the payout should have been higher.

Interviewee 2, said that in terms of support to SMEs, again, the aid has been simplified down to just superficial aspects, such as monetary easing of filing and paying taxes, fines, penalties and so on. There wasn't actual government aid dedicated to domestic SMEs. And about support to citizens, once again the payment of KZT42,500 has been mentioned by the interviewee. Aside from that, he mentioned that additional payouts were given to those who were left unemployed due to redundancy and economic slowdown. To streamline the process, the administrative work in applying for government support was put aside. But overall, once again the interviewee was left dissatisfied with how the government handled the consequences of the pandemic and thought that the government support, especially to SMEs was insufficient.

7. *Is there anything that the state could have done to achieve better crisis management?*

Interviewee 1, suggested that the government should have encouraged more public initiative in a more efficient way. Because many people have not followed the restrictions of social distancing, and establishment of fines or penalties would have been a more persuasive method. The government should have communicated to people that absence of knowledge of laws, does not liberate you from punishment for breaking laws.

Interviewee 2, stated that in his opinion the government could have achieved better results with its Crisis Management Strategy. More efficient allocation and planning of government budget should have been overseen. Additional financial resources could have been gained from better budgeting and fiscal policy management. Less could have been spent on different events. And there is an underlying problem that more money is allocated to just the capital city of Kazakhstan and Almaty, which creates a huge income and population disparity between major cities and other regions. The country has to subsidize and help develop more economic centers in the country. Aside from that, perhaps the government could have provided various “vouchers”, instead of simply giving people KZT42,500. This would have ensured that “money” is being used in a proper and more efficient way by the general public, to benefit people and stimulate the economy.

4.3 SWOT Analysis

Second step of the Practical Part, is the SWOT analysis, which carried out based on the information discussed in the Literature Review, as well as the information collected from the answers of the interviewees. The qualitative analysis aims to assess Strengths, Weaknesses, along with Opportunities and Threats of state’s COVID-19 policies and measures, which will further be discussed and aligned in context of the Results and Discussion section of the thesis.

Table 1: SWOT Analysis of Kazakhstan's Economy and CMS

Strengths	Weaknesses
<ul style="list-style-type: none"> - VAT (from 12% to 8%) reduction helped set affordable food prices. - The pandemic increased revenues of Pharmaceuticals, Food Retailers and Telecommunications. - Affordable loans were provided to SMEs 	<ul style="list-style-type: none"> - Relatively inadequate number of citizens received the first (4.6 million) and second (2.9 million) direct social payment. - Only a small share of SMEs were able to receive the financial aid from the government (14 to 15 thousand SMEs).

<ul style="list-style-type: none"> - Simple application for direct social payments (KZT42,500), without excessive documentation for citizens. - Development of a very convenient status tracking, with “Ashyq” mobile application. 	<ul style="list-style-type: none"> - There was a long waiting period reported by SMEs, to get the government aid and difficult application process. - Uncertain lockdowns have had negative impact of domestic businesses.
Opportunities	Threats
<ul style="list-style-type: none"> - The international travel restrictions helped boost domestic tourism (10.5% increase) in Kazakhstan. - Improved infrastructure in aviation, as more of regular direct flights between regions were organized. - Lockdowns created an opportunity for remote education and work. 	<ul style="list-style-type: none"> - Income and Population, SMEs disparity between big cities (Almaty and Nur-Sultan) as well as other regions of the country. - Kazakhstan’s high dependency on oil production results in constant volatility of domestic currency. - Underlying problems of poor communication and lack of information, can pose further risks to proper functioning of the state.

Source: Own Creation

4.4 Results and Discussion

Through the studied literature and the conducted research, we can understand that the spread of COVID- 19 has caused a massive negative impact on the economic performance of Kazakhstan, as well as it has lowered the standard of living in the country due to low income and increased unemployment and halted activities of huge number of SMEs.

Some economic sectors may have seen a positive trend with an increased revenues in 2020, such as Telecommunications, Food Retail, and of course Pharmaceuticals. Stable or even good performance of pharmacies and food retailers was observed by the two interviewees,

as medication and food will always be in demand due to them being an essentials or staples for every individual. However, the majority of industries were hit hard, especially those operating in the service sector, such as restaurants, hotels and aviation. Once again, exactly the same industries, that require social gathering, were noted by the participants of the interview, with an exception that operation of railroads was noted by the Interviewee 2.

Overall, the interviewees didn't have a good impression of state's Crisis Management initiatives, thinking that not enough was done to help support citizens. The amount of KZT42,500 is considered a very insignificant help, especially for large households, as noted by Interviewee 1. And this was one of the main government aids to the citizens. Moreover, a very small proportion of the population received the payouts, especially in the second round. Less than 3 million people from a total of 8 million applicants, is not a good figure for the state's CMS assessment.

Another valuable agent in the economy of any country is SMEs or Small and Medium sized Enterprises. They can often be important drivers of innovation and economy as a whole, because they operations contribute to important research and development, they drive sales and the demand. And with innovations SMEs can even help open or broaden the existing markets. (Goffin & Mitchell, 2017)

Thus, it was vital to provide sufficient and utmost help to domestic SMEs, whereas once again, a small proportion has actually been able to receive some form of financial aid. Therefore, an immense 300,000 SMEs were forced to suspend their business operations during the pandemic of 2020, and many have declared bankruptcy even after the lift of lockdown. The requirements for admissibility of government aid, were perhaps too intricate or difficult to understand for SMEs owners. As it has been mentioned in the KPMG report, that the bureaucratic side of receiving government aid was made overly complicated for SMEs.

As for domestic tourism, it may have been in decline during 2020, due to the fact that most international and domestic flights were cancelled, along with the halted operation of hotels and resorts. But a massive improvement has followed in 2021 with a 10.5% increase in

domestic tourism, as more and more individuals chose to discover the destinations within Kazakhstan for their holidays. This may have been one of the reasons for an increased number of direct flights from more cities located in different regions of the country, as too noted by the Interviewee 2.

Overall, the economic performance of the country, is expected to grow and improve, at a GDP rate of 3.7% in 2022. (The World Bank, 2021) However, the government has to reconsider its strategic approach, as effective and well-thought strategy is crucial for an business or authority. (Ireland, Hoskisson, & Hitt, 2011) The same readiness, should be expected from domestic SMEs.

5 Conclusion

In conclusion, the main objectives of the research work are considered again, to finalize the findings of the thesis, from both the Literature Review and the Practical Part.

Once again, the breakout of the coronavirus disease caused the GDP of Kazakhstan to grow by an estimated negative 2.5% to 2.8% in 2020. At the same time, unemployment rate was increased by 1.25% to 6.05% in the same year. Due to lockdowns, most public places and SMEs operating in catering, hospitality and entertainment had to stop their businesses. While coronavirus only benefitted pharmaceuticals, telecommunications and food retailing.

The aviation, railways, oil and gas industries, and even agriculture along with power and utilities sectors, have all suffered from a decline in revenues. However, it was less significant than that of above mentioned service industries.

Altogether, the state's CMS has not been very effective, as only an insignificant proportion of both valuable stakeholders, households and SMEs, managed to receive some financial and non-financial aid from the government, either in form of tax and loans deferrals, or direct payouts. From the measures towards citizens support, the administrative worked was almost avoided, to streamline the payouts to the public. However, the opposite was done for SMEs, as more documentation and paperwork was expected from that, which has created somewhat of an obstacle for domestic businesses in receiving financial aid.

It has also been understood, that there is a number of initial underlying problems in the economy of Kazakhstan, which only worsened with the outbreak of the virus. The first one being, the lack of effective and proper communication or dialogue, between the government and its people. The authorities were unable to convince or communicate the seriousness of the pandemic to the citizens, as many of them avoided the social distancing measures. Thus, Ashyq application was developed to achieve better control of the spreading virus. On top of that, some SMEs reported to have not clearly understood the admissibility requirements for government aid.

Another problem is the fact, that Kazakhstan has one of the largest geographic areas in the world. Yet, 25% of all SMEs are located and operated in just two main cities, Almaty and the capital, Nur-Sultan. Both cities, especially Almaty, were hit hard by the pandemic. There is an urgent need to encourage business initiatives in other regions of the country, as this would reduce population disparity and would lower the income gap in rural and urban areas of Kazakhstan. Thus, more investments have to be poured into different cities of the country, to raise the general standard of living and lower the negative impact that could be faced by another outbreak of the coronavirus. Just as there is a need to diversify various economic activities in the country, to shift the focus from oil production to other sectors. Because high dependency on oil market, puts the domestic currency into a very unstable position, which can put the citizens and domestic businesses under the risk of constant devaluation of KZT and exposure to increase in inflation.

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Appendix

Interview Questions:

1. Can you please introduce your occupation?
2. What is your opinion the state's crisis management with regards to the COVID-19 pandemic?
3. In your opinion, which economic sectors have been affected the most?
4. In your opinion, which economic sectors have been affected the least?
5. Have you noticed any changes in the domestic tourism in the country?
6. Do you think the state has been successful in providing the necessary support to its citizens and SMEs?
7. Is there anything that the state could have done to achieve better crisis management?