

LOCAL SKILLS MATTER

KAZAKHSTAN



The entrepreneurial community in Karaganda is an illustration of the voluntary mobilisation that the implementation of human capital development policies requires at the local level in order to be effective. In Karaganda, the private sector and vocational education and training providers have joined forces and are pulling in one direction, in order to raise the competitiveness of the local economy and reach the Kazakhstan 2050 goals for private sector growth.

Kazakhstan is a country with important oil-related wealth, which it has used to reform its economy. Following privatisation and diversification, the attention has shifted to **increasing the size of the micro and SME sector which currently represents only 20% of the country's GDP**, but employ approximately 70% of the labour force. Private sector participation is seen as critical for stimulating Kazakhstan's future economic growth, and a driver for increasing the size of the middle class and enhancing social cohesion.

Implementation of the 2050 policy priorities has taken off in Karaganda, where actors are **making use of their various strengths to enhance the relevance of initial vocational education and training**. The local Youth Business Association (60 mostly small and medium sized businesses), together with the local Chamber of Entrepreneurs (over 100,000 businesses from micro to multi-national), is orchestrating

a consultative mechanism that is bridging communication gaps and has earned them a solid position in the eyes of local and regional authorities.

The Youth Business Association and the Chamber of Entrepreneurs identified the availability of **qualified human capital as key for the competitiveness of the local private sector**. The most direct route to enhancing the quality of local human capital, they believe, is **by strengthening education and business cooperation**. The realisation led the Youth Business Association and the Chamber of Entrepreneurs to join forces with 26 local vocational education and training providers.

The aim of the Entrepreneurial Community is to re-establish a modern version of the link between education and business that once existed, but which was lost when the Soviet Union collapsed. A complementary aim of the partnership is that by fostering the main engine of growth for the local private sector – i.e. local human capital – the emerging middle class would also shift the economic centre of gravity from the capital city and oil-producing regions towards other regions of Kazakhstan. Together they are driving the expansion of the local private sector through human capital-centred approaches built on relevant vocational education and training and entrepreneurial learning for employment.

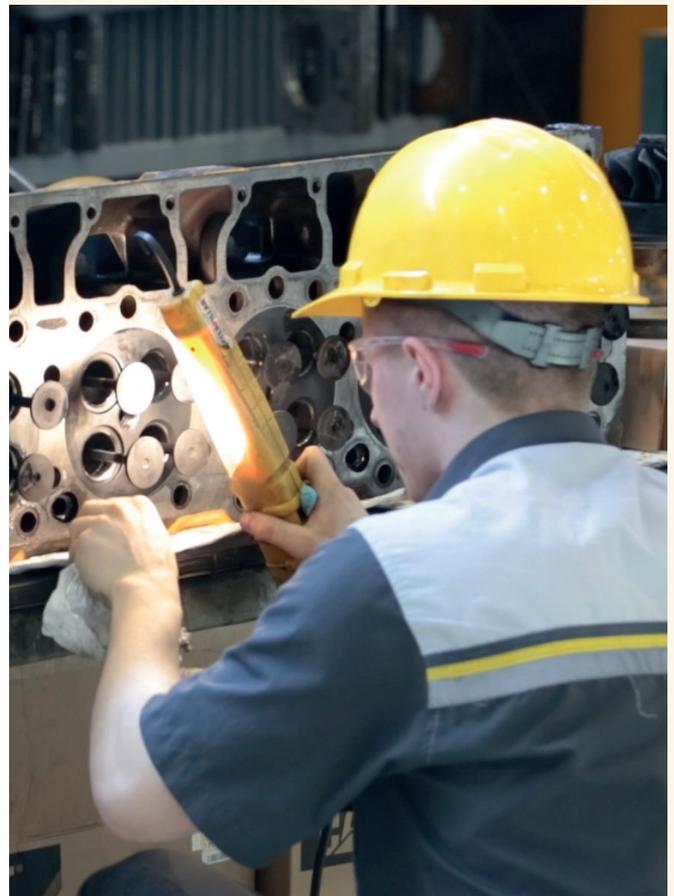
Right now most people who want to start a business lack the knowledge to do so. We decided to fill this vacuum by offering them quality practical and theoretical knowledge

PARTNERS:

- **Chamber of Entrepreneurs of Karaganda Region**, a non-governmental and non-profit organisation within the Chamber of Commerce of the Republic of Kazakhstan
- **Youth Business Association**, a non-profit business association of small and medium sized companies from various sectors in Karaganda
- **Over 100,000 local businesses, including:**
 - **MOVI**, a creative industry micro enterprise
 - **The Cairo Restaurant and entertainment centre**, a medium sized local business
 - **Borusan Makina**, a branch of a large Turkish conglomerate Borusan Holding, which, since its founding, has grown into a single union of 40 companies employing more than 6,000 people
- **26 VET schools** in the Karaganda region, including
 - **The Karaganda College of Business and Law**
 - **The Karaganda Polytechnic College**, and within it the Karaganda Business School.

Just two years into their collective undertaking, the entrepreneurial community presents compelling evidence of the impact of their joined-up actions. Employers today play an active role in work based learning with **60% of the learning successfully shifted from VET schools to the workplace.** Furthermore, in addition to students, teachers too get the opportunity to attend in-service training programmes with industry that enable them to keep abreast of constantly evolving industry standards. For those with entrepreneurial aspirations, the community has brought **entrepreneurial learning to local VET schools and universities.** By learning from young entrepreneurs with multiple businesses the students learn to think and act like entrepreneurs.

The Karaganda entrepreneurial community has understood that fostering local human capital is not merely about the transmission and embodiment of knowledge in people. Human capital is equally about the **production of new knowledge, which is the source of innovation and technological change,** and that represents unparalleled sources for social cohesion, economic growth, and resilience for the local economy. Recognising and exploiting the **transformative power of vocational education and training,** this community is laying the foundations for a thriving local economic and learning ecosystem.



A blessing for all: How young entrepreneurs are creating change in Karaganda

“We want to see a powerful entrepreneurial class ready to take risks, master new markets and introduce innovations. The entrepreneurs are the driving force behind the modernization of the economy.” So wrote President Nursultan Nazarbayev, in his 2010 Message from the President of Kazakhstan. This ambition took greater shape two years later with the publication of the Kazakhstan 2050 strategy, a wide-ranging approach to economic and social reform. The strategy has set important targets for education and employment, including the aim of generating 50% of the nation’s GDP via small and medium-sized enterprises (SMEs) by 2020.

Arman Toskanbayev is a living embodiment of the ‘universal economic pragmatism’ of Kazakhstan 2050. He started his first business fixing computers while still in the eighth grade at school, and by the ninth grade had moved on to selling computer technology, and opened his own shop. He enrolled to do a degree in rocket building at university but left in the second year, convinced that his future lay in developing his business ideas. He is now a successful entrepreneur owning a number of businesses, ranging from agricultural equipment to cafés and restaurants. He also continues to run the computer shop that he started at school, and which now counts many large companies among its customers.

Toskanbayev picks up the story; “My thirst for entrepreneurship comes from the fact that I wasn’t raised rich, and I’ve had to work my way up in order to make a living. I established a Youth Business Association in the spring of 2014, because I saw that there were a lot of rocks in the road for young entrepreneurs and I didn’t want them to stumble.” The Association combines theory and practice for aspiring young entrepreneurs, supporting them through the provision of business incubator functions to grow initial ideas into real businesses, such as support with business plans, developing strategy, marketing and accounting capabilities, and so on.

“We opened it with twelve young entrepreneurs who are all experts in their respective areas,” says

Toskanbayev. He acts as the executive director, and has set a clear objective for the Association – to strengthen young people’s business knowledge and coordinate the work of youth business development. “We do this by increasing the quality of young entrepreneurs’ knowledge through practical and theoretical training. We also act as coordinators for youth organisations in Karaganda in sports and other areas, so we’re in contact with a number of youth associations across Kazakhstan and internationally.” Toskanbayev himself is a certified trainer, and he and his partners have trained 400 people in Karaganda, and 1,000 in Kazakhstan overall. “Our Association collaborates with a number of VET schools and universities in terms of entrepreneurial learning,” he explains, “and our partnership is coordinated through the Karaganda Chamber of Entrepreneurs.”

The Triple-E partnership: Education, entrepreneurship, and employment

Madeniyet Bozhbanov is Director of the Chamber of Entrepreneurs of the Karaganda region, established in 2013 as a result of the government’s decision in 2010 to liberalise some controls on private sector development. “It’s our job to support the dialogue between public and private sectors,” he says, “and to support the growth of business.”

The Chamber works with seven sector-based committees consisting of businesses with day-to-day knowledge of their respective sectors. Through a process of mutual questioning the committees report back via the Chamber, which feeds the information into regional and national expert groups. “We also work with various government committees,” Bozhbanov notes, “because they have experts on specific topics too.” Referring to the 2050 goals, Bozhbanov points out that the most important objective is to transfer activity away from oil production to diversify the economy, through the ambitious goal for SME growth. “This is why our focus is on supporting new entrepreneurs and businesses.”

His colleague Elena Petrenko, Deputy Director of

Social Affairs at the Chamber, is closely involved in a long-term project to bring VET leaders and practitioners together to share good practice, with a focus on technological developments. "The community of practice brings together school directors and teachers," she explains, "everybody on a voluntary basis, and because of the drive of the people who take part they are actually motivated to use technology in the education process, they're able to transform the lessons that they learn into practice." Through this community of practice the Chamber also got involved in cross-regional collaboration, finding like-minded people throughout Kazakhstan. "We realised that we can solve a lot of problems on an informal level, without necessarily having recourse to the formalities," says Petrenko. This sense of ownership and self-organisation contributes to the growing interest in entrepreneurial attributes across the education and employment worlds, and encouraged Petrenko to believe that "we can solve problems through initiative, through taking action, rather than through formal hierarchy."

The centrality of the VET system for both the Youth Business Association and the Chamber of Entrepreneurs is a fundamental part of this dynamic entrepreneurial environment, as Madeniyet Bozhbanov points out. "VET is an important question in Karaganda. In the last two years we have seen twice as many students studying in VET, there are twice as many VET schools active, and there are twice as many businesses as there were. This is a big success and it needs to be promoted, but it is important to say that the study needs to be closer to the world of work."

Students and teachers together

This view is echoed by Ardak Uderbayev, Learning and Development Manager at Borusan Makina, the Kazakhstani dealer for Caterpillar machinery and a significant employer of VET graduates in Karaganda. In 2010 Borusan Makina launched a collaboration with local VET school the Karaganda Polytechnic College, and now Uderbayev describes the relationship as "a deep communication and understanding of each other".

The most important task is bringing vocational education and training as close as possible to the real sector. We've lost these links during the years of building up of Kazakhstan and now we are trying to re-establish them, and developing a cooperation agenda in general

Madeniyet Bozhbanov, Director of the Chamber of Entrepreneurs of the Karaganda region

The programme involves students at every stage of their studies, as well as their teachers. Uderbayev explains how students' level of involvement with practical training deepens as their studying progresses, with Borusan Makina just organising walk-around excursions for first years while second years get practical tips on using tools as well as insights into the culture of the organisation. In their third year students gain experience as regular technicians, and work with a dedicated mentor. Finally, fourth year students are invited to take part in a tough recruitment process. "We test 100 students and select the 20 with the best scores. Then we invite them for interview – three, maybe four times – and finally we recruit ten." The company invites teachers from the Polytechnic to work in the workshops alongside its engineers. "We are also interested in developing the teachers," says Uderbayev, "sometimes their experience is remote from current operational processes. So we invite them to spend four hours a day with us for one

Three things related to Kazakhstan from recent ETF work:

1. The ETF School Development Initiative links developments at VET provider level with the policy agenda, and promotes the exchange of experience and practices in five Central Asian countries, including Kazakhstan. A policy dialogue meeting held under this initiative in Astana in 2014 focused on quality and qualifications in secondary education
2. Kazakhstan's 2014 Torino Process report notes increased education-business cooperation, particularly in economic areas where small and medium enterprises prevail. The report goes on to suggest that new approaches to work-based learning should be explored in order to continue recent progress and promote more and better involvement of SMEs in VET.
3. A workshop in Astana on social partnership and education-business cooperation shows how the ETF is supporting social partners in Kazakhstan's VET sector by providing opportunities for mutual learning. Some twenty participants took part in the event, including representatives of employers' organizations, trade unions, enterprises, vocational schools, and the Ministry of Education.

month." However, it is not taken up with perhaps the enthusiasm that the company would like to see. In the past year only three teachers have been to Borusan Makina, and Uderbayev suggests that they are uncomfortable returning both to the operational realities and to the experience of being students again. "Teaching adults differs from teaching students or teaching children. So teachers come here with expectations that sometimes we cannot cover – we simply cannot pay as much attention to them as they might expect."

To dream is to do

The Polytechnic itself is aware of the need for continuous development of the Triple-E partnership. The college's Deputy Director for Practical Training, Svetlana Zatonskaya, highlights the lack of practical training that has dogged VET since the days when, under the Soviet system, education-business cooperation was a given. This relationship now needs to be rebuilt in a manner befitting today's context, not least because the technological needs of the labour market are changing so rapidly.

"The technology employers use is changing very quickly, and in order to meet this need from employers we study the labour market and have incorporated changes throughout the curriculum," says Zatonskaya. "We have implemented a new system where 60% of the curriculum is based on practical training and 40% on class-based study, in order to better meet employers' needs." Picking up on the Borusan Makina situation, she supports Uderbayev's focus on teachers, pointing out that they also need to be trained to respond to the needs of the labour market. "Besides," she adds, "practical training in the most complex disciplines is partly carried out by representatives of the enterprises themselves."

Zatonskaya also invites businesses into the college to work with students, and through this approach demonstrates that there is no dichotomy between promoting greater practical and technical skills on the one hand, and increasing business acumen on the other. Indeed, economics teacher Ainur Tussupova acknowledges the central importance of that combination of practical training and entrepreneurial learning. This goes some way to explaining the decision to create a Business School within the Polytechnic College, with support from the government and the Chamber of Entrepreneurs. Again, it is the link with the Youth Business Association that cements the building blocks of the Triple-E partnership

together. "The Association organises meetings with our students," says Tussupova, "where their member entrepreneurs can share their experience. Our students are very interested in these meetings and usually have many questions to put to the young entrepreneurs."

One of her students, trainee chef Vladislav Dmitrovich, is keen to pursue both vocational and entrepreneurial goals. "The college gives us practical training," he agrees, "so we can get access to a real-life work environment." This exposure, while providing skills and experience, also brings with it access to business knowledge. "For a long time I wanted to open my own business," says Dmitrovich, "and in the Business School they teach me how to establish a business, how to make a business plan, and where to go to take an idea to fruition, how to realise my dream."

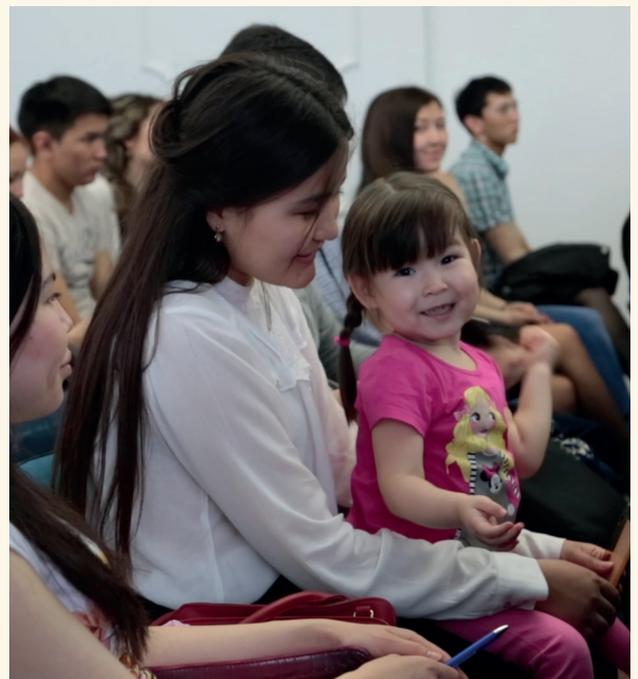
Another function of the Youth Business Association is to help entrepreneurs like Dmitrovich find business partners with complementary skills or experience. The Association has established three clubs – one for new businesses, one for investors, and one which brings big companies into the picture. The new business club provides a forum for successful entrepreneurs to share lessons learned, and this attracts big audiences. The investors club offers an opportunity for entrepreneurs to pitch projects to existing businesses who want to invest. The 'business core' club is facilitated by the Chamber of Entrepreneurs, and brings together young entrepreneurs and large businesses to explore life inside larger companies. The role of the Chamber of Entrepreneurs comes into focus again when Rita XXXX, manager of the restaurant and entertainment centre 'Cairo', recalls how the lack of graduate recruits with sufficient practical skills led her to establish a partnership with the Chamber and, in turn, with colleges that were interested in developing a dual education approach. "In Karaganda there are only two colleges that work on dual education programmes," she notes. "There are often clashes with official curricula, where less time is allocated to practice." However, it is clear that students not only welcome the dual education/employment approach but also add the third of the three Es by bringing their own entrepreneurial thinking to business development. "For example, thanks to their innovative ideas we have created a call centre service," says Rita.

All of the entrepreneurs that come to the Youth Business Association go through the same process of practice-based testing of multiple ideas to see what

has the most growth potential. As an example, Arman Toskanbayev cites the company 'Movi' which, he says, "within six months had become a company that is known throughout Kazakhstan. They produce video clips or commercials, especially of a social nature, and their main client is government. We helped the business to reach this level and to brand and market their services."

The founder of 'Movi', Ulan Sadnakassov, readily acknowledges this support; "The beginning was hard as I didn't have the knowledge or the experience, and I didn't know who could help me. In order to get started I got support from the Youth Business Association, which gave me all I needed. It felt like I was part of a bigger team and it helped me to get started." Like his mentor Arman Toskanbayev, Sadnakassov comes from a family of modest means, and didn't stay the course at university. "I was just a normal student – I watched videos and I listened to music, but this did not help me with my studies! I dropped out and decided to turn my hobby into a business, and my hobby is now generating my income. I guess the moral of the story is that every step you take helps to determine your future."

Toskanbayev smiles and nods when asked how he would summarise what the Association does. "It's simple," he says, "I would put it like this – business in the interest of the young is a blessing for all Kazakhstan."





The ETF is an EU agency that helps transition and developing countries to harness the potential of their human capital through the reform of education, training and labour market systems in the context of the EU's external relations policy.

