

ANNOUNCEMENT

Kadryzhan Damitov: it was planned that the pension reform would become an impetus for the development of the stock market in Kazakhstan

The next link in the series of dialogues about the pension system of Kazakhstan for its 25th anniversary was a conversation with Kadryzhan Kabdoshevich Damitov, an economist and political figure in Kazakhstan, ex-chairman of the National Bank of the Republic of Kazakhstan (1998-1999), ex-president of the Kazakhstan Stock Exchange: KASE (2009-2013), acting as a member of the Board of Directors, independent director of Unified Accumulative Pension Fund JSC (2017-2020).

Kadryzhan Damitov spoke about the situation in the country at the time of the implementation of the pension reform, the role of pension funds in the development of the state's economy, the tasks facing the UAPF, difficulties and ways to overcome them, and much more in an interview with the БЖЗК ЕНПФ YouTube channel.

“In 1998, when I became the head of the National Bank, the distributive pension system, which was unable to meet the needs of pensioners and created a large burden on the country's economy and budget, was replaced by a funded mixed pension system. It was a difficult year, the Asian financial crisis continued, one of the most severe economic crises in Russian history broke out, accompanied by default and a sharp devaluation of the ruble, which also affected the economic state of Kazakhstan. There was a devaluation of the tenge and a transition to a freely floating exchange rate. The government took timely anti-crisis measures, the National Bank implemented compensation measures, thanks to which it was possible to secure the functioning of the banking system and mitigate the consequences of the crisis. A lot of work was done to improve many internal and external processes in governing the country, a number of new approaches were developed in the country's economic policy,” recalls Kadryzhan Damitov, talking about how the financial system survived the trials of that time.

When the pension reform was conceived, it was planned that it would become an impetus for the development of the stock market. In the funded component of the implemented multi-level pension system, an important part is the investment component: pension contributions are invested and generate income. At the same time, the stock market receives long-term capital, which, through various financial instruments, ensures the development of sectors of the domestic economy. The share of investment income in 1998 was 6% of pension savings, and in 1999 it was already 20%; in subsequent years it grew and continues to grow.

Pension funds at one time became significant institutional investors, as well as the main buyers of securities of Kazakh issuers. Kadryzhan Damitov emphasized the active participation of pension funds in the People's IPO program, which contributed to the development of the stock market of Kazakhstan. In 2013, the largest institutional investor was the UAPF, which united the pension funds operating at that time in the country.

“Combining all pension funds into one is not a simple decision, but it has a number of positive aspects. Now the state, represented by the Government, as the sole shareholder of the UAPF, and the National Bank, as an investment manager with extensive professional experience, are responsible for the safety of pension capital. Thanks to the activities of the UAPF, a unified database of contributors and pension assets was created, and a lot of work was done to return problem assets. After the initial settlement

in 2017, when I held the position of independent director of the UAPF, the portfolio of problem assets amounted to 40 billion tenge. Moreover, 70% of the repaid debt was settled between 2017 and 2020.

I would also note that during the period of activity, the work of the UAPF information systems has been significantly improved, internal control has been strengthened, and instructions and rules of the UAPF have been developed and implemented in terms of risk management to maintain the continuous activities of the fund. A test such as the global COVID-19 pandemic has demonstrated the ability of the UAPF to provide remote services to the population without failures or problems, which indicates the technical equipment, proven business processes and powerful IT infrastructure of the UAPF,” shared Kadyrzhan Damitov.

Watch the interview on the БЖЗК ЕНПФ YouTube channel at the link https://youtu.be/_G3G0xFJiFE

The UAPF was established on August 22, 2013 on the basis of GNPf APF JSC. The UAPF founder and shareholder is the Government of the Republic of Kazakhstan represented by the State Institution “Committee of State Property and Privatization” of the Ministry of Finance of the Republic of Kazakhstan. UAPF pension assets are managed by the National Bank of the Republic of Kazakhstan. From January 1, 2016, the functions for developing proposals to improve the management of pension assets were transferred to the National Fund Management Council. In accordance with the pension legislation, the UAPF attracts compulsory pension contributions, compulsory occupational pension contributions, voluntary pension contributions, pension benefits, individual accounting of pension accumulations and benefits, provides the contributor (beneficiary) with information on the status of his pension accumulations (for more information visit www.enpf.kz)