

# INVESTMENT OPPORTUNITIES IN KAZAKHSTAN

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*June 2017, Almaty*

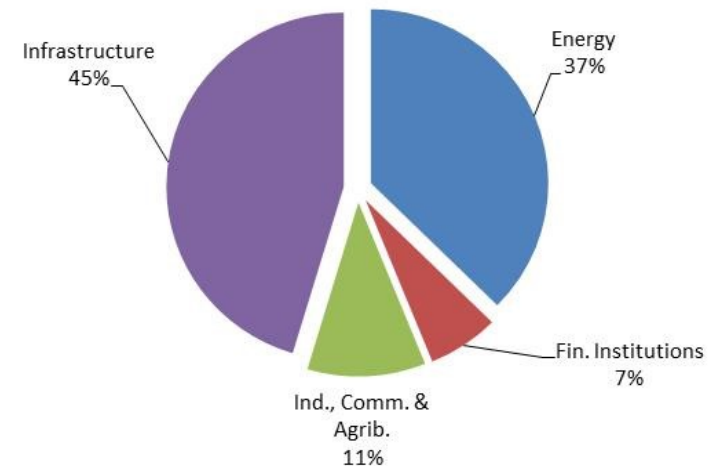


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# EBRD IN KAZAKHSTAN: LARGEST INVESTOR OUTSIDE OIL & GAS

- In 2016 the Bank invested more than **EUR 1 billion** in **33 projects** in **Kazakhstan**, making the country second largest country of operations in EBRD by business volume (second only to Turkey).
- Since establishing its office in Kazakhstan in 1993, the Bank invested more than EUR 7.4 billion in more than 220 projects.
- There are **52 infrastructure projects** in Kazakhstan for a portfolio of **EUR 1.2 billion**.
- **80 per cent** of the infrastructure portfolio is in transport (highways, railways, ports, airports and **20 per cent** is in municipal infrastructure (water and wastewater projects, district heating, urban transport and solid waste).

Portfolio composition



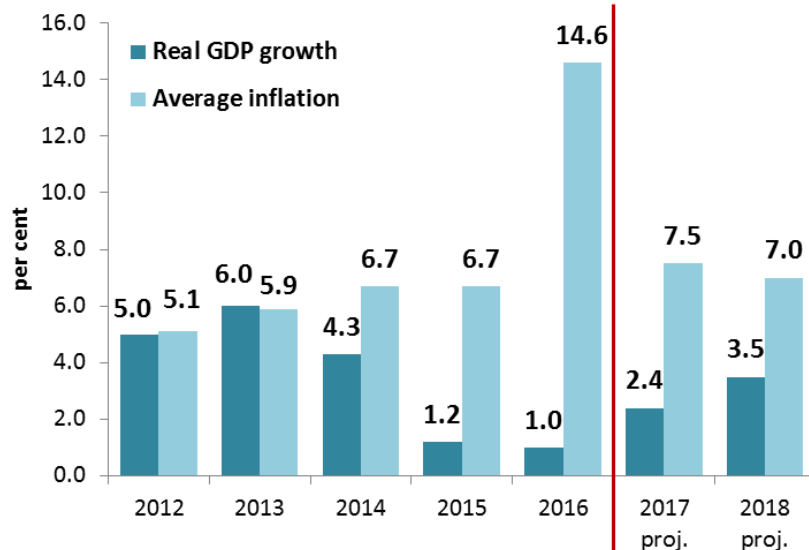
# MACROECONOMIC OVERVIEW (1)



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- **Kazakhstan's economy has been slowing over 2014-2016:** Real GDP growth decelerated to 1.2 per cent in 2015 and further to 1.0 per cent in 2016, compared to 4.3 per cent in 2014, reflecting the plunge in oil prices, recession in Russia and weaker domestic demand.
- **Economy has bottomed out:** Growth is expected to improve to 2.4 per cent in 2017 and further to 3.5 per cent in 2018, supported by the improved external environment, more stable commodity prices and higher oil production volumes. Monetary conditions are improving, exchange rate stabilised and inflation is on a downward trend.
- **However, downside risks to growth outlook remain:** The legacy of high non-performing loans continues to weigh on the banking sector; social issues coming to the fore.

Kazakhstan real GDP growth and inflation – recovery expected in 2017-2018



Source: National sources, EBRD REP projections – May 2017

Kazakh Tenge against US dollar



Source: National Bank of Kazakhstan

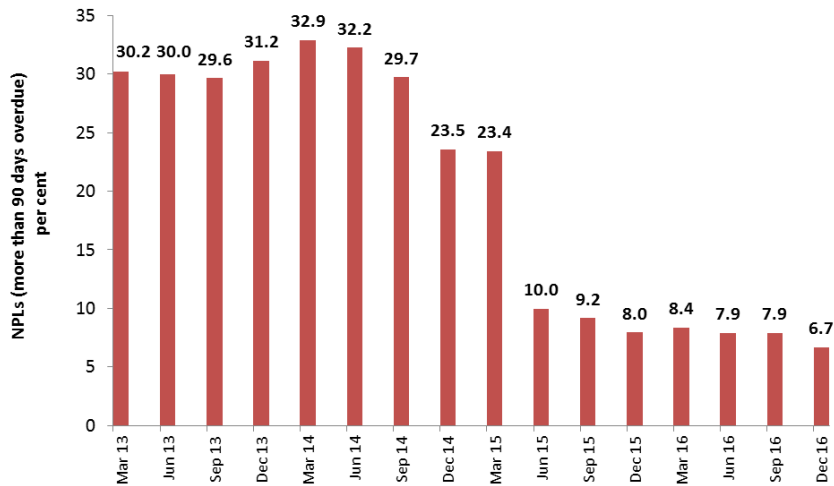
# MACROECONOMIC OVERVIEW (2)



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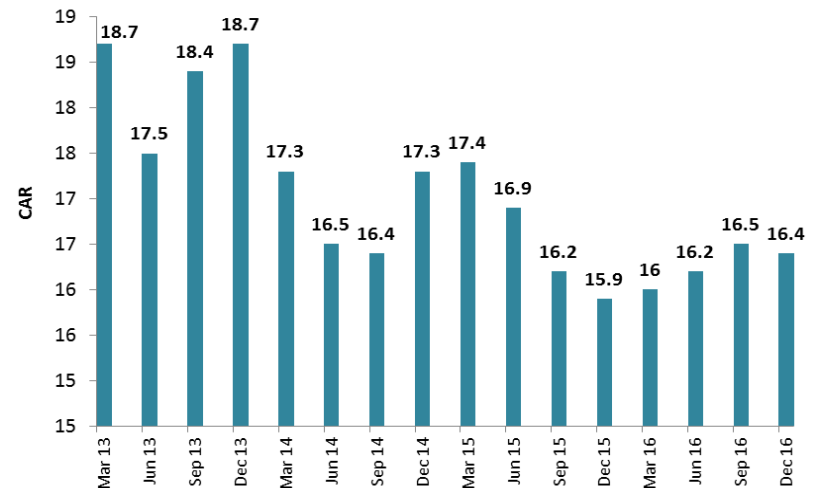
- Changing regulatory approach in banking sector
  - review of medium-sized banks, Asset Quality Reviews (AQRs)
- M&A activity
  - Halyk and Qazkom; BCC and Tsesnabank; others
- Distressed Asset Fund to receive addition Tenge 2tr (USD 6.4 billion)

### Non-performing Loans



Source: National Bank of Kazakhstan

### Banking Sector Capital Adequacy Ratio



Source: National Bank of Kazakhstan

# 10 REASONS TO INVEST IN KAZAKHSTAN



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1. Attractive investment climate
2. Reform minded government
3. Centrally located between Europe and Asia
4. Infrastructure/logistics needs
5. Oil, gas and mineral rich country
6. Agribusiness potential: top 10 global wheat producer
7. Low taxes and strong investment incentives
8. Educated workforce: 99% literacy rate
9. Access to regional and global markets through Eurasian Economic Union/ WTO membership
10. Government's commitment to energy efficiency/green economy

# INVESTMENT OPPORTUNITIES IN INFRASTRUCTURE



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- Infrastructure investment needs in Central Asia exceed \$21 billion, according to ADB estimates. Kazakhstan is among the key players to close that infrastructure gap.
- According to the United Nations Conference on Trade and Development, trade volume among major markets of the Eurasian continent will reach \$1.2 trillion by 2020, up from \$800 billion in 2014.
- The Government is determined to capitalize on Kazakhstan's geographic location, lying on the crossroads between China and EU and over the last few years has been massively investing in transport infrastructure to boost transit.
- Roads, railways, regional airports and port infrastructure continue to represent significant investment opportunities.



# INVESTMENT OPPORTUNITIES IN AGRIBUSINESS



- Large and growing food and agriculture industry : 10th largest wheat producer with c. 80% being high quality; #1 flour exporter in the world
- FDI-driven import of expertise, particularly in the processing industries
- Strong Government support towards the sector, in particular via Agribusiness 2020 Program by provision of investment and industrial subsidies, tax exemptions, etc.
- The sector benefits from natural compliance with global environmental and food safety requirements – Kazakhstan has one of the lowest levels of chemicals application in crop production
- An ever increasing demand for food in major markets which are geographically close to Kazakhstan (China, Central Asia, Russia)

# INVESTMENT OPPORTUNITIES IN ENERGY, RENEWABLES AND NATURAL RESOURCES



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- Abundant renewable energy resources – hydro, wind, solar and others
- A strategic initiative called “Green Economy” to support development of “green” projects, including renewable energy projects
- Encouraging policies backed by feed-in tariffs are expected to ensure an increased share in the forms in coming years
- Government strategy to extend energy production from renewables (3% in 2020, 10% in 2030, 50% in 2050)
- Key theme of the upcoming EXPO-2017 is Energy of the Future
- Natural resources : top 10 world producer of uranium, chrome, zinc, coal and lead



# ADVICE FOR SMALL BUSINESSES (ASB) IN KAZAKHSTAN – overview

- ASB International Advisory began its operations in Kazakhstan in 1998. Local Consultancy (ASB), Kazakhstan, began work in October 2001. 15 years of successful private sector development track record, with over 2000 projects successfully completed.
- ASB Kazakhstan is operating out of 2 resident offices in Almaty and Astana and 6 regional offices (Ust-Kamenogorsk, Kostanay, Aktobe, Shymkent, Karaganda, Aksai) covering all 14 oblasts of Kazakhstan. This is the largest ASB Programme in all EBRD countries of operations.
- EBRD has launched the Women in Business programme in September 2015. The programme supports women entrepreneurs by providing them with access to finance (USD 45 million envelop) and know-how to grow their businesses. To date 88 enterprises started projects with local consultants.

# ADVICE FOR SMALL BUSINESSES (ASB) IN KAZAKHSTAN - results

- 75% of ABS-assisted enterprises increased their turnover;
- 58% increased employment, creating more than 14,326 new jobs;
- Two thirds of the enterprises increased their productivity;
- Over €30.5 million in donor support currently under management (including own funds and contributions from our clients).

## **In 2017 ASB will implement approx. 270 projects.**

- In March 2017 ASB Kazakhstan launched the first localized mentorship programme (in Russian and Kazakh) under the Women in Business in Central Asia, initiating 28 mentor-mentee couples.



- EBRD is interested in providing long terms financing solutions both to private and state sector clients, across sectors of economy, including:
  - (1) infrastructure (transport and municipal),
  - (2) green energy, power and natural resources,
  - (3) financial institutions,
  - (4) agribusiness and
  - (5) support SMEs via Advice for Small Businesses programme.

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