Eurasian
Development
Bank

Eurasian Development Bank Country strategy
for the Republic of Kazakhstan
2022–2026

Acronyms and abbreviations

ADB	– Asian Development Bank
AIFC	– Astana International Financial Centre
AIIB	– Asian Infrastructure Investment Bank
Bank, EDB	– Eurasian Development Bank
DBK	– Development Bank of Kazakhstan
EAEU	– Eurasian Economic Union
EBRD	– European Bank for Reconstruction and Development
EEC	– Eurasian Economic Commission
ESG	– Environmental, Social and Corporate Governance
GDP	– gross domestic product
GFC	– Green Finance Centre
HPP	– hydropower plant
IBRD	– International Bank for Reconstruction and Development
IDB	– Islamic Development Bank
IEA	– International Energy Agency
IFC	– International Finance Corporation
IMF	– International Monetary Fund
IT	– information technology
MDB	– multilateral development bank
PPP	– public private partnership
SDG	– Sustainable Development Goals
SME	– small and medium-sized enterprises
TAF	– EDB Technical Assistance Fund
UN	– United Nations

Executive summary

Kazakhstan's economy made a rapid recovery in 2021. During the coronavirus pandemic, a substantial decrease in exports severely impacted the country's economy. In 2020, Kazakhstan's GDP declined by 2.5%, the first negative growth in over two decades. Quarantine measures implemented during the COVID-19 pandemic reduced consumer demand and investment. Inflation surged due to escalating global food prices, the increased cost of imports costs supply chain disruption caused by the pandemic. Due to the negative impact on employment and income, the poverty rate increased to 5.3% in 2020, the highest since 2012. As early as 2021, Kazakhstan was among the first economies in the region to rebound to pre-pandemic levels, with 4.3% GPD growth. However, the prolonged effect of restrictive measures largely counteracted positive external factors. The EDB estimates that Kazakhstan's economy will grow by 3.0% in 2022 and by 4% to 5% between 2023 and 2026.

Kazakhstan saw 3.4% economic growth year-on-year during the first six months of 2022. The construction, transportation and communications sectors all saw robust expansion. The upsurge in exports also contributed to GDP dynamics. EDB analysts anticipate a potential weakening of domestic demand in the second half of 2022 due to escalating inflation. A slowdown in global economic growth might also impede export dynamics. Nonetheless, fiscal policy measures are poised to bolster economic activity in the country.

The EDB's new strategy should focus specifically on **key investment mega-projects (KIMPs)** that have the greatest potential to promote integration and economic development in its member states.

The EDB will **strengthen collaboration with multilateral and national development institutions** in the country. This cooperation will help leverage substantial external investment and establish credit syndicates, with the EDB taking the lead.

The Bank will develop a wide range of financial products in Kazakhstan. From 2022 to 2026, the EDB will focus on developing specialised financial products, trade finance, equity investments and related financial instruments tailored to meet the objectives and needs of its clients in Kazakhstan. It will offer several key products, such as loans for private-sector projects and quasi-sovereign lending (including guarantees and public-private partnerships).

The Bank's key strategic priorities in Kazakhstan until 2026 will be **transportation and social infrastructure, the commodity distribution network and the green economy**, including initiatives that involve PPP mechanisms. The Bank anticipates that, during the new strategic period, it will continue to prioritise assistance to Kazakhstan's national development agenda.

The EDB will facilitate the most important development transformation in Kazakhstan, including **the decarbonisation of its economy, improved water supply and the development of green financing.**

The EDB plans to finance the launch of new **renewable energy** facilities with a total capacity of approximately **300 MW** within five years. This is expected to augment existing renewable energy capacity by over 20 % and help diversify Kazakhstan's energy mix by increasing the share of low-carbon energy sources. It is estimated the country's carbon footprint will shrink by 1.4–1.7%.

Developing Central Asia's water and energy complex is a priority of the Bank's medium-term Strategy. The EDB will facilitate or initiate projects aimed at finding comprehensive solutions to water availability issues across the region. Central Asia's water sector is estimated to require investment of approximately US $5 billion over five years, with half of this destined for Kazakhstan.

The Bank is actively developing **green financing**. The EDB Council approved the 2020–2024 Programme for Financing Renewable Energy Projects. In 2020, the Bank acquired a stake in the AIFC Green Finance Centre (GCF) to champion green finance and expertise in Kazakhstan. In September 2021, the EDB, in collaboration with the GFC, successfully launched the first three-year green bonds ever offered by a Kazakhstan issuer on the Kazakhstan Stock Exchange (KASE). The GFC holds accreditations from the International Capital Market Association (ICMA) and the Climate Bond Initiative (CBI) and is the only independent verifier in Central Asia.

Between 2022 and 2026, the EDB is planning to finance projects valued at **a minimum US $3.8 billion**. Given the **3:1** multiplier effect observed for other participants' investments in EDB projects, it is estimated **over US $10 billion** will be ploughed into development in Kazakhstan during this period. EDB investment will increase by 10.8% per year – **more than twice as fast** as the nation's GDP (4%–4.2% per year).

The EDB strives to **become a leading international development bank** in Kazakhstan. Between 2022 and 2026, the EDB will boost its operations by a factor of 1.5 and strengthen its role as a leading MDB in terms of the value of operations and the number of projects in Kazakhstan, with a **focus on ESG/SDGs**.

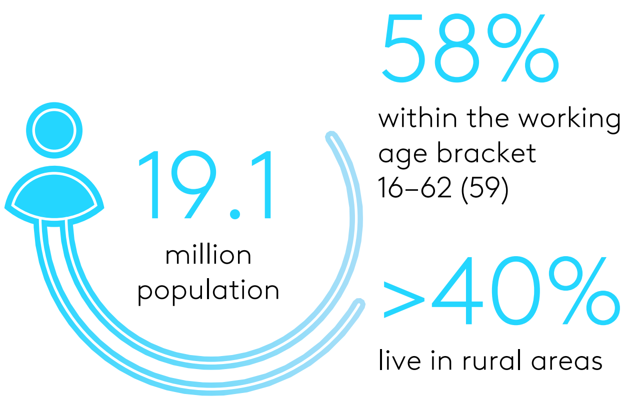
1

External operating environment

1.1. Kazakhstan's development factors

1.1.1. Social and political factors

As at the end of 2021, the country's **population was 19.1 million**, with 58% within the working age bracket of 16 to 62 (59) and more than 40% living in rural areas. From 1992 to 2001, the population declined in each year. Since 2002, there has been consistent growth. The key factors contributing to this growth have been the rise in life expectancy and natural increase. The negative migration flow since 2012 has constrained population growth..



Kazakhstan is an upper middle-income country, with its per capita GDP reaching US $10,400 by the end of 2021. In terms of absolute GDP and per capita income, Kazakhstan ranks second among the EDB member countries after Russia.

Kazakhstan is characterised by average inequality of income distribution compared to the other EAEU countries. According to the EEC, the Gini index for 2021 was 29.4%, higher than in Belarus, but lower than in the other countries. According to the National Statistics Bureau at Kazakhstan's Agency for Strategic Planning and Reforms, the poverty rate, amid the pandemic's adverse effects on the economy, surged by over 20% compared to 2019, reaching 5.3% and 5.2% in 2020 and 2021, respectively.

High emissions and high energy consumption are undeniable features of Kazakhstan's economy and the target of its green development agenda. According to the International Energy Agency, the emission intensity (measured in kilograms of CO2 emitted per dollar of GDP) was 0.97 in Kazakhstan in 2019, well above the global average of 0.40. The specific energy intensity of the nation's GDP (measured in energy generation per unit of GDP) was 0.38 in 2018, also exceeding the global average of 0.17.

Digitalisation and information and communication technology have reached an advanced level. In the United Nations' global E-Government Development Index (EDGI) 2020, Kazakhstan ranked 29^{th} of out of 193 countries, making it the highest ranking of the Bank's member countries, and a move upwards by 10 places since the 2018 ranking. The EDGI comprises three components: the Online Service Index (OSI), the Human Capital Index (HCI) and the Telecommunication Infrastructure Index (TII). The nation's 2020 EGDI figure was 10.2% higher than in 2018, its OSI 6.38% higher and HCI 5.6% higher. The TII saw the strongest growth of 22.7%. Kazakhstan's OSI achieved a score of 0.92 out of the maximum of 1. Digitalisation remains one of the nation's strategic priorities.

1.1.2. Economic factors

Kazakhstan, situated in the heart of Eurasia, is the world's largest landlocked country. It ranks ninth globally in terms of land area, and borders Russia, China, the Kyrgyz Republic, Uzbekistan and Turkmenistan. Due to the uncertain status of the Caspian Sea and the fact that it has no outlet to the world's oceans, Kazakhstan is considered a landlocked country by the United Nation. **Kazakhstan's remoteness from Eurasia's primary economic hubs**, including Russia and China, with which Kazakhstan shares its longest borders, is also significant. This means the country's international trade is characterised by relatively high transportation costs, which in turn affects economic development. However, **the country is crossed by routes connecting Europe and the Asia-Pacific region**, including those planned as part of China's Belt and Road Initiative. Therefore, despite hindrances to economic growth and trade expansion, Kazakhstan's geographic position offers certain potential advantages.

Kazakhstan boasts abundant natural resources, primarily hydrocarbons and metals. Ranking 12^{th} globally in proven oil reserves and 16^{th} in natural gas reserves (with 30 billion barrels of oil and 2.3 trillion cubic meters of gas, according to BP), the country is also a major producer of coal, iron ore, bauxite, cadmium, copper, zinc, gallium, chromium, and is the top producer of uranium in the world.

Strategically, Kazakhstan serves as a link between the expansive and rapidly growing markets of China and South Asia, and those of Russia and Western Europe, providing road, rail and sea connections across the Caspian Sea.

Kazakhstan is among the world's leading wheat exporters, but productivity is low, according to OECD assessments. In 2020, Kazakhstan ranked eighth in the world, supplying 6.2 million tonnes of wheat to global markets. The world's leading producer, Russia, exported 39 million tonnes in the same period.

In 2021, Kazakhstan's economy recovered rapidly from a recession caused by the coronavirus pandemic in 2020. The EDB estimates that the country was among the first economies in the region to rebound to pre-pandemic levels. This became possible largely due to government support measures in 2020 and 2021, including the Economy of Simple Things and Business Roadmap programmes, which received KZT 1 trillion in funding (1.2% of GDP in 2020). However, the prolonged effect of restrictive measures largely counteracted the positivity in the external environment. In 2021, the nation's GDP growth amounted to 4.3%.

In 2022, Kazakhstan demonstrated strong economic dynamics, with its GDP growing by 3.4% year-on-year during the first six months. In June, the business activity index in Kazakhstan's manufacturing sector hit its highest point since March 2019, highlighting growth in new orders, employment and consumer demand. Bolstered by this robust performance in the first six months, the country anticipates a GDP growth ranging from 3% to 3.5% by the year end. Economic activity in the second half of the year will be supported by fiscal policy measures and higher prices for Kazakhstan's key exports compared to the previous year.

Sector-wise, in the first half of 2022, construction, transportation and communications grew by 9.2%, 6.4% and 7% year-on-year, respectively. Industrial output expanded by 3.5% year-on-year during the first six months of 2022, manufacturing output by 5.8% year-on-year and mining by 1.9% year-on-year, amid a mid-year downturn in oil, gas and metal ore production. During the second half of the year, the industrial sector is expected to demonstrate positive growth as the Kashagan oil field returns to full operation after completion of scheduled maintenance in July 2022.

Foreign trade surged by 40.7% year-on-year in January–May 2022, propelled by a 59.1% year-on-year expansion in exports and a 14.3% year-on-year rise in imports in nominal terms. The biggest export growth was in mineral products, metals and chemical goods due to favourable prices in global commodity markets. The increase in exports was primarily driven by chemical products, machinery and equipment, and food items. Trade with the EAEU member states grew by 4.8% year-on-year.

GDP growth is projected to accelerate between 2023 and 2026 with the commissioning of new production facilities. In particular, the expansion of the Tengiz field is expected to boost oil production by 8.1% in 2023. The negative impact of geopolitical risk on the global economy is likely to ease, enabling Kazakhstan's oil sector to rebound to sustainable growth rates. Consequently, GDP growth is projected at 4.8% in 2023 and between 4% and 5% from 2024 to 2026.

A targeted capital investment of KZT 34.6 trillion by 2026 aligns with revised investment policies that focus more on the competitive production of goods with high added value, as envisaged by Kazakhstan's 2026 Investment Policy Concept.

In July 2022, annual inflation surged to 15.0%. The consumer price index was predominantly influenced by food items, driven by higher demand for essential goods and consistently high prices in global markets. Disruption of global supply chains has continued to put pressure on non-food prices, persuading manufacturers to transfer their increased costs to consumers. Inflation risks have escalated and elevated inflation expectations are becoming more persistent. By the end of 2022, inflation may range between 15% and 16%.

Inflation is projected to decelerate to 6% by the end of 2023. This will be supported by reduced pressure from the foreign exchange market, moderately restrictive monetary conditions and the anticipated decrease in import prices due to global price reductions and a slowdown in inflation in Russia. As commodity and logistic chains evolve, producers' costs are expected to stabilise, contributing to the stabilisation of the consumer price index. By 2026, consumer price growth is forecast to decline to 4% annually.

The main risk in the baseline scenario remains a sustained deceleration in the economic growth of Kazakhstan's key trading partners, particularly Russia. In the medium term, this could diminish potential exports and investment. There is a risk that external pro-inflationary factors such as rising global food and commodity prices and disruption in logistics chains will persist for a longer period.

↓Table 1. Key macroeconomic projections for Kazakhstan

Indicator	2022	2023	2024	2025	2026
GDP in comparable prices (% increase in from previous year)	3.0	4.8	4.5	4.3	4.0
Consumer price index (% increase YoY as at year-end)	16.5	5.8	4.4	4.0	4.0

Source: EDB calculations

Indicator	2018	2019	2020	2021
Economic indicators				
GDP (US $ millions)	179,337.8	181,665.9	171,083.7	197,055.6
GDP per capita (US $)	9,812.5	9,812.5	9,130.7	9,976.8
GDP volume index (at constant prices), including:	104.1	104.5	97.5	104.3
Agriculture	103.8	99.9	105.9	97.8
Industry	104.4	104.1	99.5	103.6
Industrial output (US $ millions)	78,959	76,761	65,452	88,271
Capital investment (US $ millions)	32,430.3	32,859.0	29,713.4	31,082.9
Inward foreign investment (US $ millions)	24,271	24,437	17,180	23,658
Consumer price index (annual change)	105.3	105.4	107.5	108.4
E-government development (ranking)	39	-	29	-
Social indicators				
Population (thousands) at the beginning of the year	18,395.6	18,631.8	18,879.6	19,122.4
Poverty rate (%, per national definition)	4.3	4.3	5.3	5.2
Inequality (Gini coefficient)	0.289	0.290	0.291	0.294
Registered unemployment rate (% as at the end of the reporting period)	4.9	4.8	4.9	4.9
Environmental indicators				
Specific energy intensity (electricity generation/GDP)	0.38	-	-	-
CO_2 emission intensity (CO_2 kg per unit of GDP)	1.1	0.97	-	-
Share of renewable energy in total electricity generation (without large HPPs)	1.3%	1.6%	2.8%	1.4%
Investment in environmental protection as a percentage of total capital investment	1%	1%	1.6%	

Sources: EEC, UN, WB, IMF, IEA, IRENA, National Statistics Bureau at the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan; EDB calculations

↑Table 2. Key macroeconomic indicators

1.1.3. Integration agenda

Mutual trade with EAEU member states increased in 2021. Exports to these countries totalled US $7,814 million, up by 34.9% compared to 2020. Imports from these countries amounted to US $18,442 million, an increase of 25.4%.

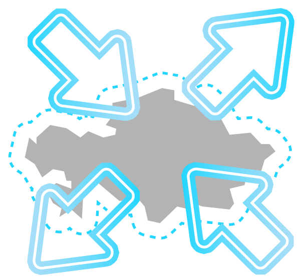
The mutual trade pattern in 2020 showcased a different trend, with an 11.5% decline in exports and a 3.8% drop in imports compared to 2019. Trade rebounded as the countries began to recover from the pandemic which had reduced economic activity and created additional trade barriers.

In 2022, mutual trade with EAEU countries saw moderate change. Exports decreased by 0.2% during the first half of 2022, with significant shifts observed in certain commodities. For instance, machinery and equipment exports to the EAEU countries grew by a factor of 2.3 thanks to increased exports to Russia. Imports from EAEU countries went up by 7.3%.

Kazakhstan predominantly supplies ores and metals to EAEU markets. Mineral fuel exports also play an important role but these are mainly coal, gas and electricity (primarily directed to Russia) rather than oil. Other items do not contribute significantly to Kazakhstan's export profile.

The EAEU countries are the main source of imports for Kazakhstan. In 2021, 45.3% of all imports originated from the EAEU, mainly mineral fuel (primarily oil products and coke), machinery and equipment, ferrous metallurgy products and vehicles, as well as rubber, plastic and chemical products (detergents).

Building an effective food trade without barriers and restrictions is a crucial integration priority in the countries in which the Bank operates. In this context, the Bank initiated a project in April 2021 to develop a model for a Eurasian Commodity Distribution Network.



Kazakhstan holds immense potential for the development of transport corridors. The government has prioritised the development of an efficient and competitive transport infrastructure, transit traffic, transport service exports and an improved technological and institutional environment for the transport and communications sectors. Continued support is needed for institutional reforms, including the creation of state-of-the-art transport infrastructure involving the private sector via PPP mechanisms.

Developing and establishing transportation and logistics chains, coupled with continual increases in foreign trade and investment, are critical in strengthening the integration agenda. Economic integration yields efficiency gains by amplifying the capacity of Kazakhstan's domestic market and leveraging its economic strengths.

Fostering economic integration and completing the establishment of common markets facilitates the transition to high and sustainable economic growth rates. The Bank's promotion of international cooperation during its 2026 Strategy period is expected to yield many benefits, among them a stimulation of all participants' development through enhanced trade (new markets) and financial channels (new investment), as well as access to advanced technologies.

1.2. International and national development institutions operating in Kazakhstan

Multilateral development banks (MDBs) play a significant role in financing development projects in Kazakhstan. Between 2006 and 2020, key MDBs have invested approximately US $25 billion in the country's development initiatives. Kazakhstan's government actively engages with international development institutions.

The **European Bank for Reconstruction and Development (EBRD)** is one of the most active development institutions operating in Kazakhstan, with its total project investment exceeding US $8.49 billion. Approximately 48% of the funds deployed since it began operating in the country have been to support the development of the private sector. The bank's current investment portfolio comprises 65% in infrastructure, 5% in the financial sector and 29% in other sectors. In its 2017–2021 Country Strategy, the EBRD outlined the following operational priorities in Kazakhstan: balancing the roles of the public and private sectors; enhancing access to finance; strengthening the banking sector and developing local capital markets; promoting interregional cooperation and international integration; and facilitating the transition toward a green economy.

European Bank
for Reconstruction and Development

The World Bank Group provides significant support to Kazakhstan's development projects. Since the country joined the World Bank in 1992, it has received over US $7 billion in financial assistance. The projects accomplished focused on enhancing public administration, developing key infrastructure and improving access to social services. There were also projects to support agriculture and develop irrigation. The World Bank has formulated and endorsed the 2022–2025 Country Partnership Framework, identifying the following priority areas for its support: economic management for diversification; private sector-driven economic growth; integration and connectivity; productive human capital; and sustainable natural capital. Separate note should be made of the IFC as part of the World Bank Group, which promotes the development of a market economy in the country through lending and investments in its financial institutions.

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The Asian Development Bank (ADB) is the third largest lender of the MDBs operating in Kazakhstan. Since 1994, the ADB has extended US $5.153 billion in loans and US $48.8 million in technical assistance. The most heavily funded sectors are transport, public administration and the financial sector. Furthermore, the ADB has approved its 2021–2023 Country Partnership Strategy and Plan of Operations for Kazakhstan, which prioritise economic diversification, inclusive development and sustainable growth. In line with these objectives, the ADB identifies six sectors as key investment priorities: 1) transport, 2) energy, 3) water and agriculture, 4) finance and the private sector, 5) economic corridors, and 6) health care and municipal services.

Regional institutions such as the Islamic Development Bank and the Asian Infrastructure Investment Bank also play an important role and have significant capacity to operate in Kazakhstan. The Islamic Development Bank (IsDB) has already financed projects worth over US $1.7 billion in the country, focusing mainly on transport, energy and agriculture. The Asian Infrastructure Investment Bank (AIIB) is financing initiatives totalling US $797 million and currently deploying resources in the country, but it has significant potential and anticipates an escalation of its operations in the country by investing primarily in infrastructure.

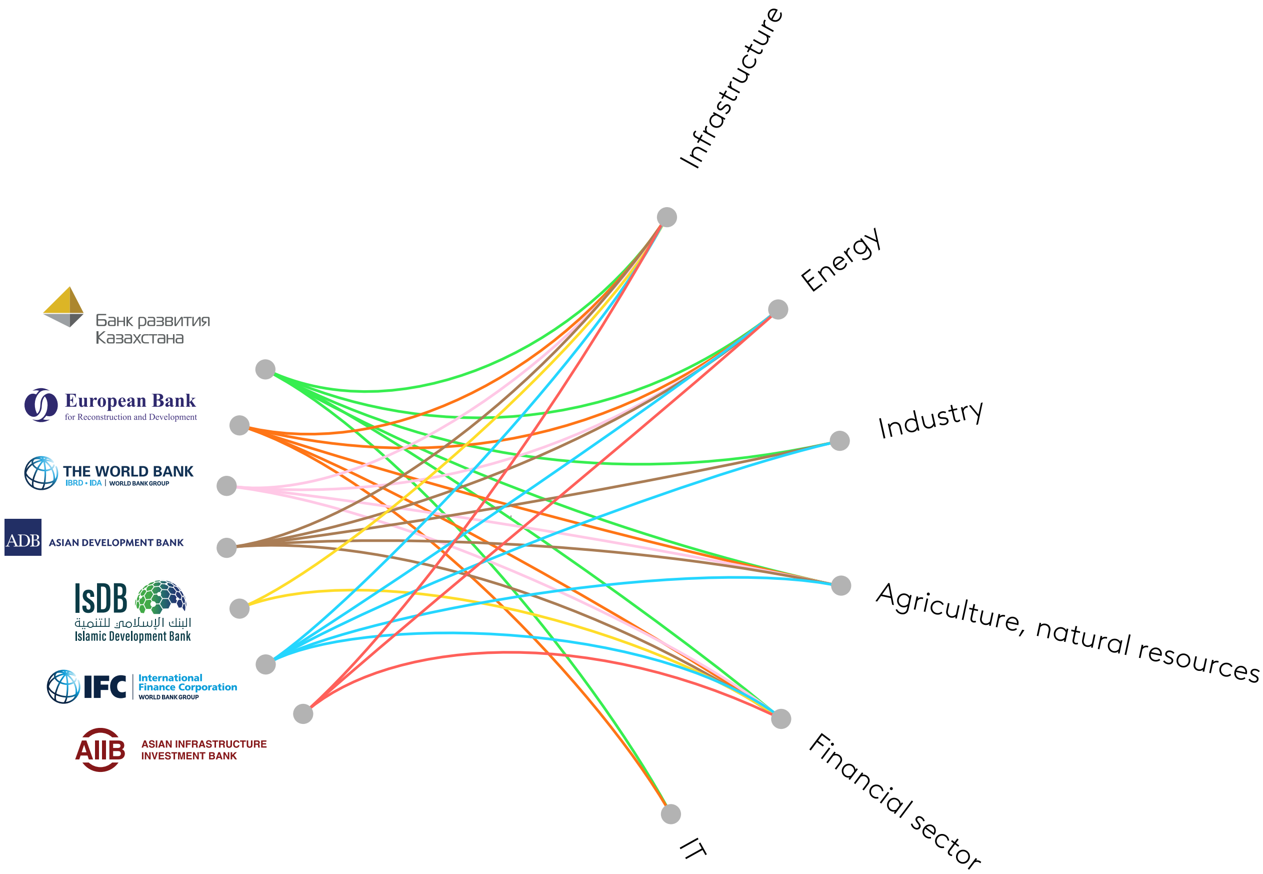
The nation's leading national development institution, the Development Bank of Kazakhstan, has financed projects worth approximately US $23 billion. Manufacturing accounts for 72% of its current loan portfolio, with the remaining 26% allocated to infrastructure projects in energy, transport, communications and telecommunications, and tourism (this portfolio structure remaining unchanged from the beginning of the year). The bank's loan portfolio is dominated by projects in mining, oil processing and conventional energy generation (72% in total), as these industries are generally characterised by high capital intensity, but also have a strong socio-economic impact..

The distribution of MDB and other development institutions' project financing in Kazakhstan by sector is shown in Figure 1 below.

It is clear the EDB benefits from an extensive network of potential partners for financing projects and establishing syndicates. The activities that are most suited to such cooperation between the EDB and other MDBs are projects to modernise and construct energy and transport infrastructure, especially those aimed at fostering regional integration and supporting industry, agriculture and digitalisation. Furthermore, Kazakhstan's own development institutions could partner with the EDB to implement the Bank's strategic initiatives.

The Bank's priorities and objectives for the country have been arrived at through economic assessments, the integration agenda and development prospects, and are outlined in Sections 2.4 and 2.5 below.

↓Figure 1.
International development institutions' strategic priorities in Kazakhstan

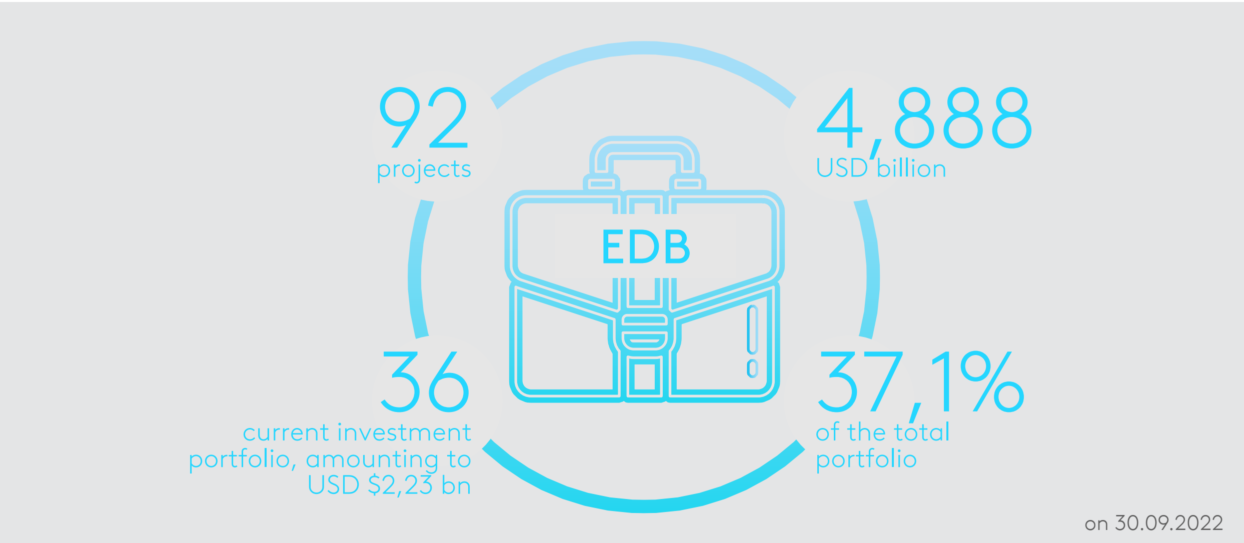


Source: the EDB

2 The EDB's strategic development objectives in Kazakhstan

2.1. The EDB's project operations in Kazakhstan

Projects in Kazakhstan are the cornerstone of the EDB's portfolio, showcasing a diversified sectoral structure. As at 30 September 2022, the Bank's cumulative investment portfolio in Kazakhstan included 92 projects totalling US $4.888 billion (with Kazakhstan accounting for 37.1% of the total portfolio). The Bank's current investment portfolio in the country comprises 36 projects amounting to US $2.23 billion (46.6% of the total portfolio).

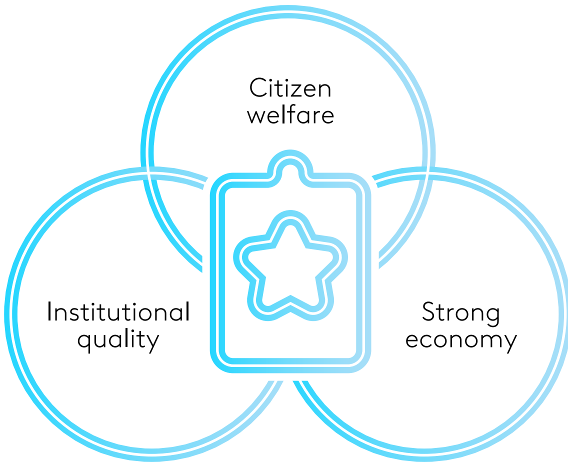


In financing projects in Kazakhstan, the EDB has encountered certain challenges and constraints. Firstly, the Bank's ability to offer concessional financing is limited compared to other MDBs due to its credit rating and the risk profiles of its borrowers. The constraints are particularly apparent when juxtaposed with national development institutions that have access to concessional government funding. These factors collectively affect the EDB's operational opportunities in the country.

2.2. Kazakhstan's national development priorities

The national agenda of Kazakhstan prioritises sustainable development. The country's government implements a strategy and has established priorities, plans and projects to develop energy, infrastructure, agriculture, industry, IT and other sectors.

The **Kazakhstan-2050 Strategy**, endorsed in December 2012, is a comprehensive document outlining the country's long-term development policy. Its main goal is to forge a prosperous society founded on a robust state structure, a developed economy and universal employment opportunities. It aims to position Kazakhstan among the world's top thirty developed nations. The policy hinges on certain priorities, including: new economic policies; comprehensive support for entrepreneurship; new social, education and health policies; green transition; and the advancement of infrastructure and agriculture.



In line with the new state planning framework, a presidential decree issued on 26 February 2021 approved **Kazakhstan's national priorities until 2025** in three domains: citizen welfare, institutional quality and a strong economy, with the following metrics:

For citizen welfare:

- National Priority 1 "Just Social Policy":

    1) promoting an increase in the population's real incomes by at least 27% compared to 2019;

    2) increasing the share of the 40% of the least well-off population to 27% of total income;

- National Priority 2 "Affordable, Accessible and Efficient Health System":

    3) increasing life expectancy to 75 years;

- National Priority 3 "Quality Education":

    4) improving the performance of Kazakhstan's 15-year-old students in the 2026 Programme for International Student Assessment (PISA); and

    5) making sure that at least three of Kazakhstan's universities are included in the top 200 Quacquarelli Symonds World University Rankings;

For institutional quality:

- National Priority 4 "Fair and Efficient State Protecting the Interests of its Citizens":

  6) achieving at least a 0.56 score on the World Justice Project's Rule of Law Index;

  7) achieving at least 50th place in the Institutions category of the World Economic Forum's Global Competitiveness Index;

  8) achieving at least the 50th percentile ranking on the World Bank's Voice and Accountability Index;

- National Priority 5 "New Public Administration Model":

  9) achieving at least the 74th percentile ranking on the World Bank's Government Effectiveness Index;

  10) achieving a score of 45 on Transparency International's Corruption Perceptions Index;

- National Priority 6 "Cultivating the Values of Patriotism":

  11) ensuring an annual increase in citizens' satisfaction with the policies implemented in the country; deepening pride in their nation and a desire to contribute to its prosperity (historical heritage, cultural development, sporting achievements and international image, among others); and

- National Priority 7 "Strengthening National Security":

  12) achieving at least the 50th percentile ranking on the World Bank's Political Stability and Absence of Violence/Terrorism Index;

For a strong economy:

- National Priority 8 "Building a Diversified and Innovative Economy":

  13) boosting the gross value added of non-primary and manufacturing sectors to over KZT 89 trillion and KZT 15 trillion, respectively;

  14) achieving at least the 50th place in the Innovation Potential category of the World Economic Forum's Global Competitiveness Index;

- National Priority 9 "Fostering Economic and Trade Diplomacy":

  15) increasing non-primary exports to more than US $41 billion;

  16) boosting gross foreign direct investment to US $30 billion;

- National Priority 10 "Balanced Territorial Development":

  17) reducing of the development gap between regions, as measured by gross regional product per capita, to 2.7; and

18) improving public satisfaction ratings of the work of local executive bodies to 80%.

Kazakhstan's 2025 National Development Plan is another important medium-term policy aimed at implementing the long-term Kazakhstan-2050 Strategy and national priorities.

The primary goal of the National Development Plan is to advance all types of physical and digital infrastructure, with a focus on the following areas:

- → enhancing infrastructure connectivity across all regions;
- → modernising transport and logistics infrastructure and streamlining foreign trade operations to establish the nation's role as a transit hub;
- → creating an abundance of high-quality industrial infrastructure in convergence with spatial development;
- → augmenting energy generating capacity and increasing the share of renewable energy to 6% of total generation by 2025;
- → developing the railway network, particularly where this supports transit operations, by modernising existing infrastructure;
- → developing reliable, accessible and secure digital infrastructure;
- → improving internet provision in all settlements with a population of 250 people or more; fostering new-generation mobile communication and internet technologies; ensuring internet access in villages with populations under 250 (factoring in urbanisation rates and economic feasibility); ensuring 100% high-speed 5G internet coverage in regional centres and cities of national importance;
- → establishing data centres;
- → developing Kazakhstan's top ten tourist landmarks, with a focus on infrastructure development, to increase tourism's contribution to GDP to 8%; and
- → modernising and reconstructing road, railway and border crossing infrastructure along national borders to facilitate the seamless movement of domestic goods to foreign markets.

The country also aims to develop competitive innovative industries:

- → creating the conditions that promote the international competitiveness of domestic enterprises;
- → increasing manufacturing output by a factor of 1.5;
- → expanding the range of exports and securing market share sufficient to position the country sustainably in specific commodity markets;
- → creating the conditions to support the promotion of Kazakhstan's goods, and developing non-primary exports;

- establishing regional value chains and integrating them gradually into global value chains; doubling non-primary exports (to US $41 billion);
- opening a Technology Centre for the Fourth Industrial Revolution at the AIFC, and an innovation observatory (a national system of innovation, technology and research information) based on international experience;
- establishing innovation centres and accelerators, including within large, systemically important companies, with opportunities to reinvest funds into innovation; and
- enhancing the competitiveness of domestic goods and services through the development of new knowledge-intensive products using advanced and innovative technologies.

Agribusiness development:

- reforming the agribusiness sector and ensuring more efficient public funding to increase gross agricultural output by a factor of 1.3 by 2025, agribusiness labour productivity by 2.5 times, and the share of processed products to 70%;
- reorienting policies and associated costs to achieve long-term competitiveness;
- shifting the focus from individual enterprises to value chains;
- adopting advanced technology to develop agribusiness (crop production, livestock breeding, dairy farms, food industry); promoting agricultural mechanical engineering and other related industries;
- creating infrastructure to support agriculture and agricultural producers, including logistics and small-scale production facilities;
- establishing seven large ecosystems to produce and process meat, fruit, vegetables, sugar, crops, oil crops and dairy products, with a particular focus on the fishing sector;
- rehabilitating irrigation and drainage systems, constructing new water management facilities (canals, reservoirs), reconstructing group water supply pipelines, and implementing water conservation measures; and
- implementing mechanisms to enhance cooperation between agricultural producers (regional food hubs).

The country's digital transformation is another key objective, with plans targeting the following:

- ensuring full digitalisation of public agencies and 100% automation and digitalisation of government services;
- promoting the digitalisation of industries and digital transformation of key sectors (transportation and logistics, subsoil resource management, agriculture);
- developing a digital payment system to constrain the shadow economy;
- implementing new digital channels to promote interaction between financial market entities and consumers of financial services; promoting digital infrastructure for financial markets and fostering the financial technology market;
- implementing digital technology in urban life, including education, transportation, housing and utilities, health care, security, social services, city management, construction, business development, tourism and environmental protection; and
- intensifying efforts to develop and implement AIFC infrastructure and the capability to mobilise private venture capital. The new financial ecosystem will support the development of fintech companies, from the creation of new services that can take advantage of a favourable regulatory treatment, to seeking venture-capital funding.

Other important objectives are linked to the transition to a green economy:

- further stimulating the introduction of best available technologies compliant with OECD standards at existing production facilities and developing green and waste-to-energy technology;
- devising Kazakhstan's 2050 low-carbon development concept to achieve the goals of the Paris Agreement;
- further developing the waste management system and leveraging investment for the waste processing industry, including the implementation of waste-to-energy technology;
- commissioning new generating capacity, including renewable energy facilities, and doubling clean energy generation through the construction of 13 hydroelectric, 34 wind and 12 solar plants; and
- actively utilising available green finance instruments (in particular, green bonds) and creating new ones, including derivative instruments.

In addition, the National Development Plan envisages **increasing the share of medium-sized enterprises** in the economy to 15% of GDP by 2025.

The National Development Plan and priorities are realised through national projects:

- Sustainable Economic Growth;
- Entrepreneurship Development;
- Strong Regions Driving the Nation's Development;
- 2021–2025 National Agribusiness Development Project;
- Green Kazakhstan;
- Technological Leap through Digitalisation, Innovation and Research;
- Educated Nation: Quality Education;
- Healthy Nation: Quality and Affordable Healthcare for Every Citizen; and
- Ulttyq Rukhani Zhanghyru (National Spiritual Revival), aimed at preserving national and cultural identity and realising the artistic and creative potential of every citizen of Kazakhstan.

The President's state-of-the-nation addresses outline the government's current agenda, including the following key objectives:

- diversifying the economy and enhancing the range of goods produced and the geography of export sales;
- strengthening the nation's transit potential;
- leveraging infrastructure investment;
- leveraging investment in subsoil development;
- transitioning to a new model of public-private partnerships;
- supporting entrepreneurship on a systemic basis;
- ensuring stable and affordable lending to the real sector and SMEs;
- developing special economic zones;
- establishing a network of wholesale and distribution centres;
- ensuring supplies of essential food items;
- boosting output and increasing the added value of domestic agricultural products;
- deploying state-of-the-art digital technology and elements of Industry 4.0;
- digitalising industries;
- making Kazakhstan the central digital hub for much of the Eurasian region;
- improving the efficiency of health care;
- comprehensively improving health infrastructure;
- fostering quality education and science;
- gasifying cities and converting them to alternative energy sources;
- addressing water scarcity; and
- deploying water conservation technology and regulating water consumption.

2.3. Consistency with the Eurasian Development Bank's 2022–2026 Strategy

The EDB 2022–2026 Country Strategy for Kazakhstan aligns with the Bank's overarching 2022–2026 Strategy, setting key benchmarks, including in respect of investment projects with a strong integration effect in end-to-end transport infrastructure and logistics, water resource balance and energy, and digital infrastructure.

The priorities specified in the EDB 2022–2026 Strategy align with national strategies, priorities, development plans and projects, as well as with the President's state-of-the-nation addresses.

2.4. The EDB's strategic development priorities until 2026

The EDB Country Strategy for Kazakhstan is designed to support the implementation of the EDB's overarching 2022–2026 Strategy for the country. In line with the EDB's mission and mandate, the Bank will promote the development of a market economy in Kazakhstan, and its sustainable growth, and will boost trade and other economic ties with the Bank's member states through investment. EDB project activities in Kazakhstan will contribute to the development objectives set by its government and focus on strengthening the nation's integration with the Bank's member states.

The Bank will prioritise the **intensification of integration processes in Eurasia and, in particular, the Central Asian region.** The EDB region has enormous untapped potential for large-scale infrastructure projects with an integration effect, primarily in transportation, logistics and green corridors.

The EDB's new strategy should focus specifically on the **key investment mega-projects (KIMPs)** that have the greatest potential to promote integration and economic development in its member states. At least three investment mega-projects will be structured and launched with the EDB as a leading contributor, and benefiting from its Technical Assistance Fund. The projects include transport corridors, commodity distribution networks and the water and energy complex.

The Bank intends to actively finance **projects that contribute to government strategies and programmes** in line with the shareholder's interests.

The EDB's 2022-2026 Strategy places research and analysis in Kazakhstan at the heart of the EDB's updated operating model. The strategy targets extensive analysis and expertise and the development of country-, sector-specific and applied project research. By 2026, the Bank aims to become a leading think tank researching and analysing economics and development in Kazakhstan. The nation's authorities have granted the EDB the status of partner, allowing it to provide analysis to support the institutional environment, the harmonisation of laws and regulations, and state and economic development strategies and programmes.

The EDB's digital competency. The EDB Fund for Digital Initiatives will support Kazakhstan's digital projects, strengthening its integration with Eurasian countries and accelerating its digital development. The Bank's digital projects will factor in the need to achieve SDGs and will promote technology-based companies and promising projects at national, cross-country and corporate levels.

2.5. The EDB's strategic goal and objectives in Kazakhstan

The EDB's strategic goal in Kazakhstan is to promote its sustainable development and economic integration.

The EDB's strategic objectives and priorities in Kazakhstan to 2026, aimed at maximising contributions to the country's strategic national development goals (Section 2.2), were informed by evaluations of the country's development status, the objectives established by other development institutions operating in Kazakhstan, the Bank's project experience in the country and its mission and mandate (Table 3).

↓Table 3.
The EDB's objectives and priorities in Kazakhstan in 2022–2026

Objective 1
Development of all types of physical infrastructure

1.1. Modernising and constructing hydroelectric facilities and grid infrastructure

1.2. Developing transport infrastructure to ensure connectivity between countries and regions

1.3. Ensuring access to health care, education, water supply and high-speed internet

1.4. Developing tourism clusters

Objective 2
Development of competitive innovative industries

2.1. Developing sectors that promote the achievement of SDGs and the objectives of the Sustainable Economic Growth National Project

2.2. Establishing and developing industrial enterprises in the country

Objective 3
Food security and agribusiness development

3.1. Improving the effectiveness of agriculture

3.2. Developing a commodity distribution network and establishing wholesale logistics centres

3.3. Developing a commodity distribution network and establishing wholesale logistics centres

Objective 4
Development of the financial market

4.1. Developing accessible financial services

4.2. Promoting integration of the member states' financial markets

Objective 5
Promotion of the transition to a green economy and ESG practices

5.1. Supporting decarbonisation projects — financing and technical assistance for ESG-oriented projects in infrastructure, energy and industry

5.2. Supporting projects that facilitate the efficient use of natural resources — financing and technical assistance for ESG-oriented projects in extractive industries, agriculture and water use

5.3. Supporting projects to create infrastructure for the development of ESG services

Source: the EDB

Objective 1

Development of all types of physical infrastructure

Infrastructure projects in Kazakhstan will ensure that the country's population has access to essential services in line with the sustainable development principles and promote Eurasian integration as per the EDB's mission and mandate. National strategic documents list promising infrastructure investment projects.

Priority 1.1.
Modernising and constructing hydroelectric facilities and grid infrastructure

The growing demand for electricity and the need to decommission outdated power plants due to wear and tear have led to a great need for new facilities in Kazakhstan. Energy development will help improve energy sustainability throughout the region.

Potential water and energy initiatives in Central Asia include investment projects in Kazakhstan, which in turn are aimed at providing comprehensive solutions to water supply issues across the region. The investment required by Central Asia's water sector is estimated at approximately US $5 billion over five years, and half of this amount will be directed into Kazakhstan.

Between 2022 and 2026, the EDB will negotiate investment projects in hydroelectricity and power transmission with the nation's government and international stakeholders. To reduce borrowing costs for Kazakhstan, the EDB will arrange tied financing and leverage its Technical Assistance Fund to plan and structure complex projects.

Priority 1.2.
Developing transport infrastructure to improve connectivity between the region's countries

The development of the nation's road and rail networks and the modernisation of its airports should improve connectivity and mobility between the Bank's member states. Developing transport corridors in Kazakhstan is critical for Eurasian integration since the country links Russia and the Kyrgyz Republic, which are both EDB member states. Another important objective is the development of infrastructure for alternative transport and logistics routes for exports and goods in transit along the East–West and North–South routes. To contribute to the development of transport infrastructure, the EDB plans to use its Technical Assistance Fund to plan and structure projects, mobilise tied financing to reduce borrowing costs and leverage co-financing from development partners.

Priority 1.3.
Ensuring access to health care, education, water supply and high-speed internet

The country's sustainable development demands that people have access to health care, education, water supply and high-speed internet. As part of its operations, the EDB will communicate with public and local authorities and actively cooperate with international institutions to identify financing options for infrastructure projects, which will include regulatory and tariff assistance through the EEC.

Priority 1.4.
Developing tourism clusters

Tourism is another economic priority for Kazakhstan; the sector could mobilise additional investment in the country and create jobs. Kazakhstan's regions have high tourism potential. Tourism will become a new economic driver and one of the most profitable and labour-intensive sectors, with a huge multiplier effect on related sectors and economic integration by attracting tourists from the Bank's member states.

However, realising this potential would require significant investment in tourism infrastructure, including roads, services and landscaping, and the EDB could be a source of such funding.

Objective 2
Development of competitive innovative industries

Economic diversification, improved labour productivity and competitive, innovative production facilities will reduce macroeconomic risks associated with the country's exposure in the mineral resource market, increase public revenues and improve macroeconomic stability.

Priority 2.1.
Developing sectors that promote the achievement of SDGs and the objectives of the Sustainable Economic Growth National Project

The EDB plans to implement industrial development projects, evaluating their impact on achieving SDGs and the objectives of the Sustainable Economic Growth National Project, such as industrial and innovative development, the development of the oil and gas, chemical, energy and mining sectors, and the promotion of non-primary exports.

Priority 2.2.
Establishing and developing industrial enterprises in the country

Establishing and modernising industrial enterprises will create jobs, improve productivity and diversify the economy. The Bank will support projects involving foreign direct investment in industry and innovative production, primarily from the Bank's member states. To foster industrial development, the EDB also plans to provide project planning assistance in through its Technical Assistance Fund and by mobilising co-financing from development partners.

are strategic priorities for Kazakhstan and the Eurasian Economic Union. The significant mutual trade in food suggests that developing this sector would enhance integration, in line with the EDB's mission and mandate.

Priority 3.1. Improving agricultural productivity

Though pivotal to Kazakhstan's economy, agriculture primarily expands only as the area of land under cultivation expands. The EDB's objective over this strategy period is to intensify the development of agribusiness by funding projects that enhance productivity, facilitate raw material processing and increase the added value of products. The Bank will prioritise projects focusing on domestic and foreign food markets with sustained and extensive demand.

Priority 3.2. Supporting agricultural processing enterprises

Agricultural processing in Kazakhstan will help maintain the added value of end products within the country, increase export revenues and create jobs. This also contributes to the Country Strategy's objective of promoting economic diversification. The 2021–2025 National Project for Agribusiness Development also targets initiatives to promote agricultural processing. The EDB will consider financing projects in this domain through its Technical Assistance Fund.

Priority 3.3. Developing a commodity distribution network and establishing wholesale logistics centres

Establishing a network of wholesale distribution centres is integral to ensuring food security in the region. This is also an important objective for Kazakhstan, as agricultural production without cheap and reliable access to markets carries risks for producers, processors and infrastructure owners/operators.

Moreover, Kazakhstan is located between two of the Bank's member states. The issue of food security will be very acute in all the Bank's member countries due to population growth, the decline in uncultivated arable land and growing global food prices.

Commodity distribution networks improve transparency and accelerate flows of information, commodities and money by providing affordable logistics and financial services.

National development programmes also support the construction of logistics centres. During the 2022–2026 strategy period, the EDB will actively consider implementing key integration mega-projects, including the common commodity distribution network and the construction of wholesale distribution centres. The Bank will use its Technical Assistance Fund and engage development partners to structure and prepare relevant projects.

Objective 4

Development of financial markets

In the new strategic period, the EDB will continue to support the development of Kazakhstan's financial markets.

Priority 4.1.
Developing accessible financial services

The EDB's Country Strategy aims to improve the accessibility of financial services, promoting competition between Kazakhstan's commercial banks, encouraging new investors and issuers to enter the market and, consequently, mobilising additional capital for financial markets.

Micro, small and medium-sized enterprises play a crucial role in providing employment and overall social stability. The Bank plans to provide funding to Kazakhstan's financial institutions for on-lending to real sector projects, including those with an integration effect or in sectors that contribute significantly to SDGs.

Priority 4.2.
Promoting the integration of the EDB member states' financial markets

The EDB plans to assist projects that foster the development and diversification of financial instruments traded in its member markets and increase the number of securities issuers. One effective way of promoting financial market integration is to offer instruments that help issuers from EDB countries access the financial markets of other member countries.

To promote integration in the banking sector, the EDB will support projects aimed at allowing borrowers from one member state to access markets in other member states to secure funding and offer securities, including those denominated in national currencies.

In addition, maintaining/enhancing trade between the Bank's member states means trade participants need to have access to funding and the banks involved in trade payments must have the necessary contractual relationships in place. In this regard, the EDB plans to continue to act as a payment agent and implement projects that support trade finance by providing targeted credit facilities to financial institutions in Kazakhstan.

Objective 5

Promotion of the transition to a green economy and ESG practices

The transition to a green economy and green growth are priorities for Kazakhstan. The EDB plans to contribute proactively to this strategic objective by developing green financing — its Council approved the 2020–2024 Programme for Financing Renewable Energy Projects. As well as financing green projects, the Bank acquired a stake in the AIFC Green Finance Centre to promote green finance and green expertise in Kazakhstan. In September

2021, the EDB, in collaboration with the GFC, successfully floated inaugural three-year green bonds by a Kazakhstan issuer on the Kazakhstan Stock Exchange (KASE).

The Kazakhstan-2050 Strategy devotes particular attention to alternative energy sources and the commissioning of new generating capacity, including renewable energy and green hydrogen facilities.

The Bank is also strengthening its collaboration with the United Nations Development Programme (UNDP) on Capacity Building for Financing Sustainable Development in the CIS Region, Sustainable Cities for Low Carbon Development, and Derisking Renewable Energy Investment. As a development institution, the Bank will create a platform for decarbonisation and environmental management projects.

Priority 5.1.
Supporting decarbonisation projects — financing and technical assistance for ESG-oriented projects in infrastructure, energy and industry

Projects in infrastructure, energy and industry will focus on establishing renewable energy facilities, promoting efficient energy consumption, enhancing the energy efficiency of buildings and industrial plants, improving pollution prevention and control, creating infrastructure for clean drinking water, fostering green transportation, and implementing environmentally efficient and/or adapted production technologies and processes.

The EDB plans to finance the commissioning of new renewable energy facilities with a total capacity of approximately 300 MW within five years. This will boost current renewable energy capacity by over 20% and will help diversify Kazakhstan's energy mix by increasing the share of low-carbon energy facilities. The country's carbon footprint is estimated to shrink by 1.4% to 1.7% as a result.

Priority 5.2.
Supporting projects that facilitate the efficient use of natural resources — financing and technical assistance for ESG-oriented projects in extractive industries, agriculture and water use

Projects in extractive industries, agriculture and water management will promote energy efficiency, pollution prevention and control, sustainable water and wastewater management, the environmentally sustainable management of living natural resources and land, and the conservation of terrestrial and aquatic biodiversity.

Priority 5.3.
Supporting projects to create infrastructure for the development of ESG services

Projects to develop a comprehensive system for business accounting and evaluation of ESG factors, and the promotion of "greening" services, will focus on establishing digital marketplaces.

3 Implementing the country strategy

3.1. Approaches to project activities

The Bank has made several commitments in pursuit of its strategic goals. These aim to **promote Kazakhstan's sustainable development and economic integration** and its strategic objectives; to foster economic diversification; to develop production and exports; to implement three to eight key investment mega-projects; and to contribute to the country's socioeconomic and environmental SDGs:

1) Enhancing cooperation with multilateral and national development institutions in the country. Cooperation will help mobilise significant external investment and establish credit syndicates with the EDB taking the lead. In addition, the EDB's future development will follow MDB best practices.

- → **Additionality:** complementing, rather than replacing, investment from Kazakhstan's own funds, budgets and private capital.
- → **Crowding-in:** developing Kazakhstan's financial market and engaging the private sector.
- → **Commercial sustainability** of the Bank's projects and clients in Kazakhstan.
- → **Reinforcing markets:** minimising the risk of substituting private capital with public investment; and
- → **Promoting high standards:** adhering to high governance standards in the Bank's projects in Kazakhstan.

In harmonising its policies in line with MDB best practice, the EDB's priorities are:

- → social, environmental and corporate governance (ESG principles;
- → enhancing the multiplier effect of investment (value for money); and
- → optimising the balance sheet to ramp up project activity without excessive risk and pressure on capital and credit ratings.

In the strategy period until 2026, the Bank will focus on **developing collaboration with partner institutions in**:

- → **Research:** vital to planning projects and strengthening the role of the EDB as a project initiator. The Bank will coordinate and develop partnerships with multilateral and national development institutions, the AIFC, the EEC, authorities, universities and research institutes in Kazakhstan.
- → **Project activities:** by 2026, the Bank aims to build a strong network of partnerships to develop its project operations. One important goal is to develop expertise in syndication and project structuring in priority investment areas. The EDB will be an anchor partner in syndicated loans, including for PPP projects.

2) The Bank will develop a wide range of financial products in Kazakhstan. Between 2022 and 2026, the EDB will focus on the development of specialised financial products, trade finance, equity investments and related financial products. These will help to meet the objectives and needs of its clients in Kazakhstan by providing, inter alia, loans for private-sector projects and quasi-sovereign lending (including guarantees and public-private partnerships).

3) In executing its 2022–2026 Strategy, the Bank expects to increase the proportion of projects in some newer areas, especially digital transformation and technical assistance. These projects may require financing at an earlier stage and may not have the usual sources of return or collateral. To develop new areas, the Bank plans to make greater use of grants and equity investments. This work will be carried out both as part of the Bank's (project directorates') project activities and by providing financing from specialised funds, including the Technical Assistance Fund and the Fund for Digital Initiatives.

4) The EDB's role as a development institution will be transformed by the creation of new instruments to promote the green economy. In the new strategic period, the Bank will address head-on the challenges of implementing and maintaining ESG policies in line with MDBs' global best practices. Instruments will improve the efficiency of ESG projects by optimising borrowing costs. The Bank will establish **an expertise and information consolidation centre for responsible ESG finance** in close collaboration with the AIFC Green Finance Centre. It will establish a research base in project structuring and sustainable financing for project activities.

5) The EDB plans to leverage funding in national currencies. The Bank will continue to mobilise funding in national currencies and to promote their use by enhancing cooperation with the National Bank of Kazakhstan, the Ministry of Finance and other financial institutions that work to advance capital markets.

6) The EDB also aims to cultivate expertise in project syndication and in nurturing projects throughout their lifespan, from design to implementation. The EDB will be an anchor partner in syndicating loans for projects in Kazakhstan, including PPP initiatives, relying actively on technical assistance.

7) The EDB will strengthen risk controls to manage current challenges and further improve the quality of its loan portfolio. The Bank will develop and implement relevant risk management policies, including in respect of credit, market, operational and liquidity risks. The Bank's divisions regularly produce management reports to help collegial bodies manage specific types of risk.

3.2. Technical assistance

Technical assistance will be deployed in Kazakhstan to develop the institutional environment and improve project preparation. During the 2022–2026 strategy period, the Bank plans to use technical assistance more actively to enhance its investment opportunities in Kazakhstan. Technical assistance will help the Bank build a pool of potential projects it could initiate, including by supporting the development of the regulatory environment and ensuring high-quality drafting of pre-project documentation.

Consultancy as an additional tool for enhancing the Bank's product offering in Kazakhstan. To strengthen its analytical and pre-project expertise, the EDB can take the lead in Kazakhstan in scaling up best practice in pre-project documentation and planning to create bankable projects ready for structuring and financing. The EDB may partner with Kazakhstan's executive authorities and advise on legislative initiatives to enhance the institutional environment and national laws.

In line with its objectives in Kazakhstan, the TAF plans to implement the following:

1) Enhancing EDB investment in Kazakhstan:

- → pre-project work to improve the quality of investment projects and boost investment in Kazakhstan, including the drafting of required documentation and independent assessment;
- → technical assistance for PPP projects, including in social sectors;
- → supporting infrastructure projects for balanced territorial development in Kazakhstan;
- → subsidising interest rates on investment projects;
- → making projects in Kazakhstan more compliant with ESG and green audit principles;
- → supporting projects to create infrastructure for ESG services; and
- → developing technical assistance in collaboration with other MDBs, recognising shared priorities in Kazakhstan.

2) Research to promote competitiveness and the business environment:

- → advising Kazakhstan's authorities on economic diversification, development and integration, including the possible launch of projects by the Bank;
- → in collaboration with other MDBs and Kazakhstan's executive authorities, participating in efforts to streamline tax and customs legislation, business registration procedures and access to power grids, and developing policies to support SMEs;
- → interacting with government authorities to develop national PPP legislation and expertise; and;
- → analysing the problems facing SMEs in Kazakhstan, applying best practice in addressing them and proposing new approaches for the Bank's project activities.

3) Improving financial infrastructure and financial market institutions in Kazakhstan:

- → analysing problems and constraints in the development of Kazakhstan's financial institutions, international best practice in the financial sector and capital markets, and drafting proposals for their implementation in Kazakhstan at the legislative level and in the Bank's project activities;
- → enhancing cooperation with the National Bank of Kazakhstan and the Ministry of Finance to develop capital markets and enhance the use of national currencies;
- → partnering with other MDBs and Kazakhstan's executive authorities on adapting the regulatory environment to promote access to lending; and;
- → further improving Kazakhstan's financial infrastructure, including access to the capital market for legal entities and individuals and integrating this market with those of other EDB member states.

The implementation of these initiatives through the Technical Assistance Fund will not require participation and financing from the national budget.

3.3. Leveraging the potential of the Fund for Digital Initiatives

The Bank will actively leverage the potential and capacity of its Fund for Digital Initiatives. The EDB will support Kazakhstan's digital initiatives to support integration with other Eurasian countries in the following domains:

→ developing digital platforms aimed at enhancing integration, facilitating digital interoperability and synergising the digital agendas of the countries in which it operates;

→ supporting government digital transformation, digital health, educational and other projects aimed at strengthening integration with Eurasian countries; and

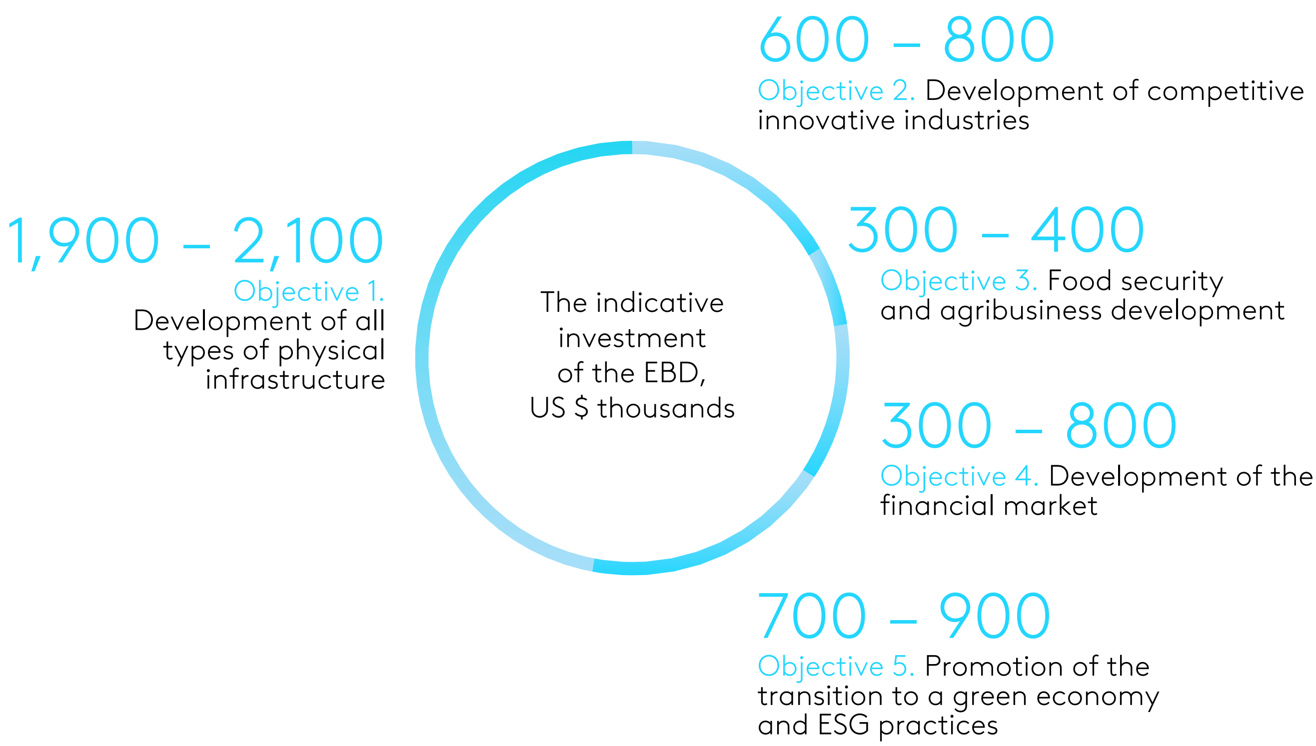
→ supporting digital projects in the corporate sector that strengthen integration ties with Eurasian countries and contribute to SDGs.

4 Anticipated results of implementing the country strategy

4.1. Indicative project financing in Kazakhstan

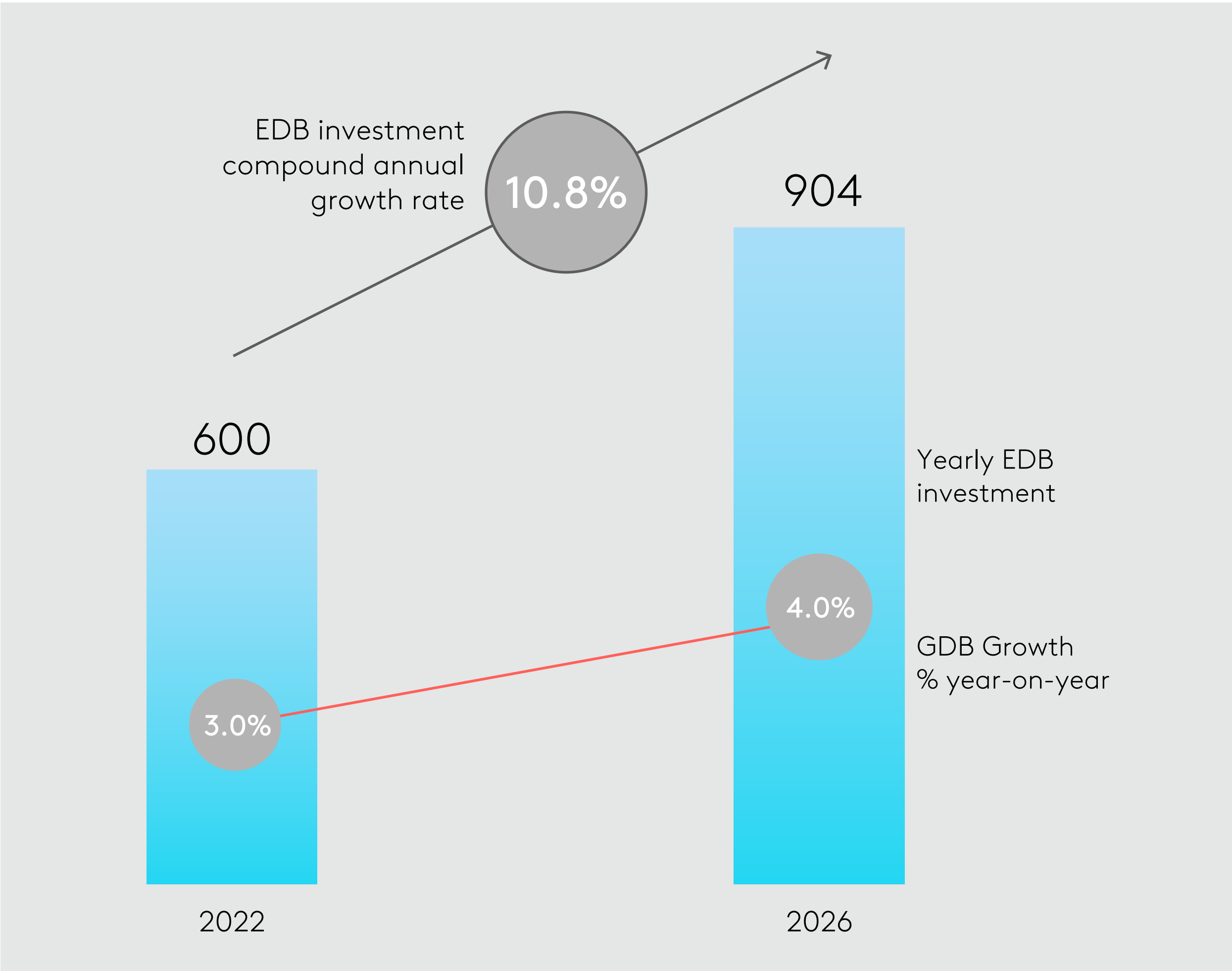
During the strategy period, the EDB plans to increase annual investment and extend at least US $3.8 billion to projects in Kazakhstan (Figure 2; Figure 3). Considering the **3:1 multiplier effect** observed for other participants' investment in EDB projects, **over US $10 billion** is projected to flow into Kazakhstan's development between 2022 and 2026. These figures are indicative and based on the baseline growth scenario provided in the EDB 2022–2026 Strategy. Given sufficient operational capacity and favourable conditions, the Bank may exceed the target figures. Favourable conditions include higher economic growth in the country, improvements in financial markets and greater demand for bank financing from private and/or public entities operating in the market.

↓Figure 2. Indicative financing between 2022 and 2026



The indicative investment will be split between different objectives: infrastructure development (between US $1.9 and $2.1 billion); the development of competitive innovative industries (between US $600 and $800 million); promoting the transition to a green economy (between US $700 and $900 million); agribusiness development (between US $300 and $400 million); and financial market development (between US $300 and $800 million).

Therefore, EDB investment will grow **more than twice as fast** as Kazakhstan's GDP. Between 2022 and 2026, the EDB will strengthen its role as **a leading MDB** in terms of the value of operations and number of projects in Kazakhstan, with a focus on ESG/SDGs.



Source: the EDB

↑Figure 3.
The EDB's indicative annual investment and Kazakhstan's GDP projections (US $ millions, %)

4.2. Sustainable development outputs

The EDB will support Kazakhstan's economic goals, taking into account the demand for lending. The Bank will consider activities and services that help it to achieve its strategic goal, with a focus on those that promote Kazakhstan's economic integration with other EDB member states and the sustainable development of infrastructure, agribusiness, the green economy, financial markets and innovative industries.

The objectives and relevant outputs are provided in Table 4.

↓Table 4. EDB Country Strategy for Kazakhstan: objectives and sustainable development outputs

Objective	Priority	Output	SDG
Objective 1. Development of all types of physical infrastructure	1.1. Modernising and constructing hydroelectric facilities and grid infrastructure	1. New or rehabilitated generating capacity (MW) 2. Annual electricity generation (MWh) 3. New or rehabilitated power transmission lines (length, km)	7. Affordable and clean energy 9. Industries, innovation and infrastructure
	1.2. Developing transport infrastructure to ensure connectivity between countries and regions	1. New or rehabilitated roads (length, km) 2. Number of people with improved access to transport infrastructure (total)	9. Industries, innovation and infrastructure
	1.3. Ensuring access to health care, education, water supply and high-speed internet	1. Number of people with secure or improved access to health care, education, water supply and high-speed internet (total) 2. Percentage of population with access to health care, education, water supply and high-speed internet (%)	3. Good health and well-being 4. Quality education 6. Clean water and sanitation 9. Industries, innovation and infrastructure
		3. Reduction in water loss during treatment, transport and distribution (cubic metres)	12. Responsible consumption and production
	1.4. Developing tourism clusters	1. Jobs created in tourism projects (total)	8. Decent work and economic growth
		2. Number of tourists, including those from the Bank's member states (total)	17. Partnerships for sustainable development

Objective	Priority	Output	SDG
Objective 2. Development of competitive innovative industries	2.1. Developing sectors that promote the achievement of SDGs and the objectives of the Sustainable Economic Growth National Project	1. Additional industrial output (US $ millions)	9. Industries, innovation and infrastructure
		2. Jobs created in industrial projects (total)	8. Decent work and economic growth
		3. Share of exports in GDP (%)	17. Partnerships for sustainable development
	2.2. Establishing and developing industrial enterprises in the country	1. Additional industrial output (US $ millions)	9. Industries, innovation and infrastructure
		2. Jobs created in industrial projects (total)	8. Decent work and economic growth
		3. Increase in the share of recycled water (%)	12. Responsible consumption and production
Objective 3. Food security and agribusiness development	3.1. Improving the effectiveness of agriculture	1. Additional agricultural output	9. Industries, innovation and infrastructure
		2. Jobs created in agricultural projects (total)	8. Decent work and economic growth
	3.2. Supporting agricultural processing enterprises	1. Additional high-value-added output	9. Industries, innovation and infrastructure
		2. Jobs created in agricultural projects (total)	8. Decent work and economic growth
	3.3. Developing a commodity distribution network and establishing wholesale logistics centres	1. Cargoes handled (tonnes per year/US $ millions)	9. Industries, innovation and infrastructure
		2. Agricultural exports (tonnes per year/US $)	17. Partnerships for sustainable development
Objective 4. Development of the financial market	4.1. Developing accessible financial services	1. Target financing, excluding trade operations (US $ millions)	8. Decent work and economic growth
		2. Loans to SMEs (US $)	
	4.2. Promoting integration of the member states' financial markets	1. Capital investment from other member states (US $ millions)	17. Partnerships for sustainable development
		2. Operations supporting foreign trade with EDB countries (US $ millions)	
		3. Funding in the member states' national currencies (US $ millions)	

Objective	Priority	Output	SDG
Objective 5. Promotion of the transition to a green economy and ESG practices	5.1. Supporting decarbonisation projects — financing and technical assistance for ESG-oriented projects in infrastructure, energy and industry	1. Funding for green initiatives conducive to decarbonisation	17. Partnerships for sustainable development
		2. Additional funds mobilised from partner development institutions	
		3. Annual reduction in direct greenhouse gas emissions by replacing fossil-fuelled generation facilities (tonnes of CO_2-eq per year)	13. Climate action
		4. Annual energy savings (MWh for electricity and/or GJ for other energy savings per year)	12. Responsible consumption and production
	5.2. Supporting projects that facilitate the efficient use of natural resources — financing and technical assistance for ESG-oriented projects in extractive industries, agriculture and water use	1. Funding for green initiatives conducive to efficient environmental management	17. Partnerships for sustainable development
		2. Additional funds mobilised from partner development institutions	
		3. Annual reduction in direct greenhouse gas emissions by replacing fossil-fuel generation facilities (tonnes of CO_2-eq per year)	13. Climate action
		4. Annual energy savings (MWh for electricity and/or GJ for other energy savings per year)	12. Responsible consumption and production
	5.3. Supporting projects to create infrastructure for the development of ESG services	Financing for digital infrastructure to promote ESG principles	17. Partnerships for sustainable development

Source: the EDB

4.3. Country Strategy implementation risks

Borrowers/counterparties lacking the necessary skills or resources to create documentation for priority projects

To mitigate the risk:
the EDB will use its Technical Assistance Fund to finance project preparation and improve the investment attractiveness of projects anticipated to have high impact.

Inadequate regulatory framework for integration-related investment projects

To mitigate the risk:
the EDB will work closely with the government on proposals to improve the relevant laws and eliminate institutional barriers.

Lack of specific demand for project financing in Kazakhstan

To mitigate the risk:
the EDB will expand its representative offices and actively engage with the government and national and international development institutions to identify priority and promising projects.

Uncompetitive cost of EDB funding for borrowers in Kazakhstan

To mitigate the risk:
the EDB will work continuously as part of its strategic objective to reduce borrowing costs and develop tied financing and equity investment. As stated above, the Bank will also use grants from its Technical Assistance Fund to prepare projects.

Lack of collateral

To mitigate the risk:
and implement projects with the highest potential impact, the EDB will consider alternative sources of collateral, including guarantees from other MDBs and other instruments.

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