

Investments in the heart of Eurasia: what factors influenced Kazakhstan's attractiveness in 2024?

February 2025



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Preface



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Foreign investments play a key role in the development of a country, influencing more than just the provision of capital. They contribute to job creation, modernization of production capabilities, implementation of advanced technologies, improvement of the research base, and development of a highly skilled workforce. Furthermore, foreign investments stimulate the growth of non-resource sectors, which in turn helps diversify the economy.

In this regard, active measures are being taken in Kazakhstan to enhance investment attractiveness. Favorable conditions for doing business are being created, administrative procedures are being simplified, bureaucratic barriers are being reduced, tax incentives and preferences for foreign investors are being introduced, and measures to protect investors' rights are being strengthened.

The Head of State repeatedly emphasizes the administration's clear focus on further strengthening of cooperation with foreign investors. This is evidenced by the Investment Policy Concept of the Republic of Kazakhstan until 2029, which plans to increase investments in fixed capital to 23% of GDP, attract about US\$150b in foreign direct investment, and ensure a net inflow of FDI at a level of at least 2% of GDP annually.

EY continues to monitor trends in foreign investments in Kazakhstan and presents a report on the country's investment attractiveness, analyzing the main trends and directions of global investments in 2024. According to our research, the gross inflow of foreign direct investment (FDI) from January to October 2024 amounted to US\$16.3b. The leading countries in capital investments were Qatar, China, Turkey, Australia, and Germany. These investments facilitated the implementation of 49 new projects, resulting in the creation of 17,828 jobs. The most attractive sectors for foreign investors were energy, transportation and warehousing, metals, and renewable energy sources.

As part of the research, we also conducted a survey among foreign investors, which revealed that when choosing a country, they pay great attention to the stability of the political and regulatory environment, as well as the qualifications and availability of the workforce. Investors also noted that to further enhance investment attractiveness, Kazakhstan should focus on improving tax, customs, and other legislation, optimizing the interaction between investors and government agencies, and providing more detailed guidance on available investment incentives.

We invite you to take a closer look at the findings presented in this report and assess the opportunities that are opening up for investors in Kazakhstan.

The background image is a high-angle aerial photograph of a mountain river. The river flows from the bottom left towards the top right, its light blue water contrasting with the surrounding dark green, mossy rocks and vegetation. The terrain is rugged, with many stones and boulders visible along the banks.

Q1
2024

Economic overview

Kazakhstan is focused on creating conditions that promote high-quality, sustainable, and long-term economic growth

Introduction

Kazakhstan aims to achieve high-quality and sustainable economic growth, recognizing the importance of sustainable development in the face of modern challenges. The spread of diseases, interstate conflicts, and climate change necessitate immediate actions.

To create a solid foundation for its economy, Kazakhstan is actively developing non-commodity sectors, including industry, agriculture, high technologies, and the "green economy". The country is also investing in transportation and logistics infrastructure by building cross-border hubs and modernizing transport corridors. These steps open up new opportunities for international cooperation and contribute to the resilience of the entire Eurasian region.

Predictability of government policy, the rule of law, and equal opportunities for all market participants are key conditions for sustainable development. These measures will create attractive conditions for investors and entrepreneurs, strengthen trust in economic reforms, and enhance stability in the country.

International cooperation, including engagement with foreign investors, plays an important role in sustainable development by facilitating the exchange of experience and the implementation of innovative technologies. This collaboration opens access to new markets and resources, contributing to the diversification of the economy.

Developing countries face the challenge of attracting foreign direct investment and ensuring its contribution to sustainable development. Foreign investments have become an important driver of economic growth, and for Kazakhstan, they were particularly essential at the beginning of its journey toward independence. Attracting foreign investment has been one of the factors contributing to the stability and progress of the economy. Thanks to a stable macroeconomic situation, favorable investment policies, and a strategic geographical location, Kazakhstan has strengthened its position as an attractive center for foreign investments, especially in light of changes in the global geopolitical landscape.

The Government of Kazakhstan is actively working to improve the investment environment by implementing reforms aimed at creating a favorable business climate, increasing transparency in business processes, and optimizing procedures for investors. Special attention is given to protecting investors' rights and developing mechanisms to address emerging challenges.

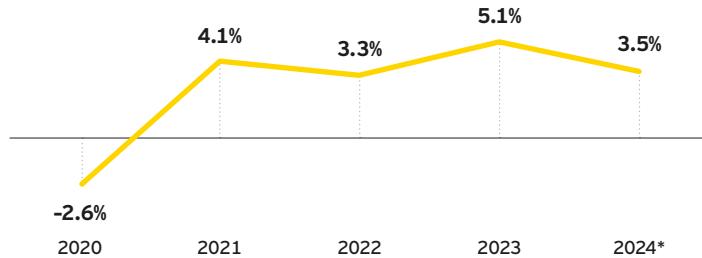
The slowdown in economic growth in 2024 is occurring in the context of stagnation in oil production and a decline in domestic trade

Kazakhstan's economy is showing moderate growth rates compared to 2023

In the first half of 2024, the gross domestic product (GDP) of the Republic of Kazakhstan (RK) reached KZT52t (US\$115.8b at the average weighted exchange rate for the period).

The International Monetary Fund (IMF) forecasts a real GDP growth of 3.5% in 2024, following a record-high 5.1% in 2023. According to the data from the Bureau of National Statistics (BNS) of the Republic of Kazakhstan, GDP increased by 3.2% in January-June 2024 compared to the corresponding period of the previous year.

Real GDP annual growth, %



* Forecast data

Source: IMF.

Despite the overall positive trend, macroeconomic indicators are just beginning to recover from the low levels recorded over the past decade. As stated by the Head of State, Kassym-Jomart Tokayev, "an economic growth rate of 4% is insufficient for Kazakhstan, and the government needs to seek sources for higher economic growth."

The IMF's pessimistic forecasts regarding GDP growth in 2024 compared to 2023 are attributed to delays in the expansion of the Tengiz oil field, declining oil prices, potential disruptions in oil exports, and a slowdown in economic growth in trading partner countries such as Europe and China. The IMF also notes that uncertainty surrounding the situation in Ukraine, including the possibility of secondary sanctions, could weaken business activity in the region and undermine investor confidence.

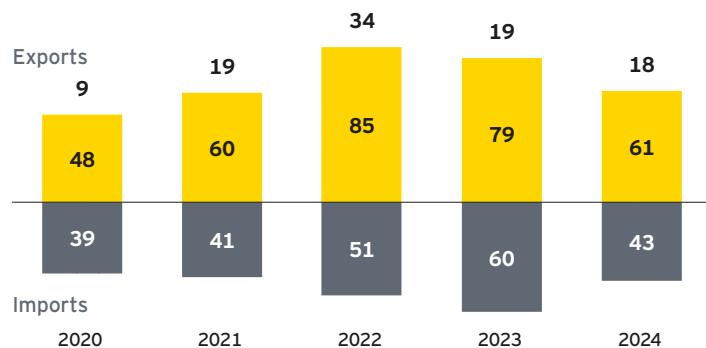
In the first half of 2024, economic growth slowed down due to a decrease in the growth rates in key sectors such as trade, oil, and mining. Additionally, the growth of investments in fixed capital in 2024 significantly declined compared to the previous year.

Foreign trade turnover

In January-September 2024, Kazakhstan's foreign trade turnover was US\$104b, which is 1.1% higher than in the same period last year. Exports reached USD 61 bln (an increase of 5.6%), while imports totaling US\$43b (a decrease of 4.8%). The decline in total import volumes is attributed to a reduction in the import of machinery and equipment. The trade balance amounted to US\$18b, which is 40% higher than the figure for the same period last year (US\$13b).

Data from the BNS indicates that the main share of exports consists of crude oil and petroleum products, inorganic chemical products, copper and copper alloys, ferroalloys, and iron products. The import structure is dominated by automobiles and other vehicles, clothing, medicines, telephone devices, and motor vehicle accessories. The key export partners: Italy (24.6%), China (18%), Russia (11%).

Exports, imports, and trade balance, US\$ billion



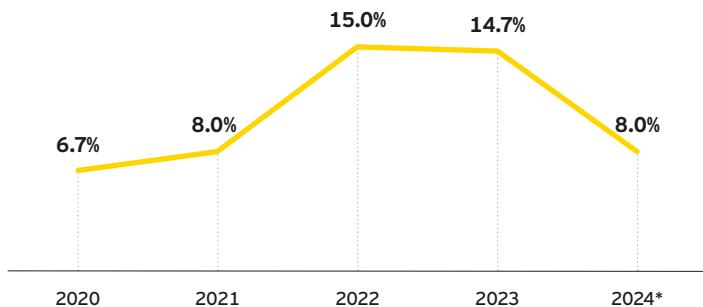
Source: BNS ASPR RK.

Inflation continues to decline, but pro-inflationary risks remain

Inflation

In 2024, despite the positive dynamics, inflation remained at a relatively high level due to internal and external economic reasons. The depreciation of the tenge, in the context of the economy's high dependence on imports, leads to an increase in prices for imported goods. Reforms in the housing and utilities sector and the implementation of the "Tariff in Exchange for Investment" program are contributing to an increase in tariffs for paid services. Among the external economic factors, the National Bank highlights high inflation in Russia, which is a major trading partner, and the rise in global food prices.

Consumer price index, % year-on-year



* Forecast data.

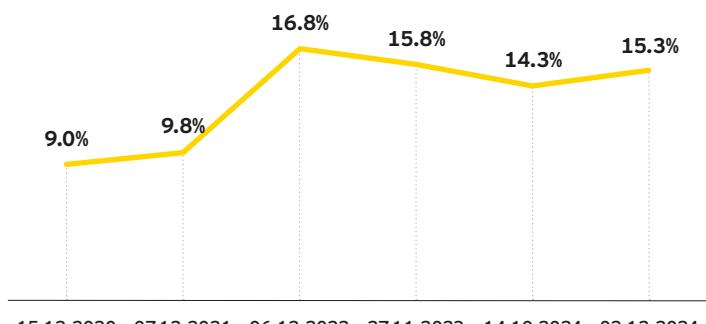
Source: WorldBank.

The moderately tight policy pursued by the NB, the reduction in the budget deficit, the return of inflation to average levels in Kazakhstan's trading partner countries, and the decrease in global food prices in the medium term will contribute to bringing inflation down in Kazakhstan.

Base rate

The NB uses the base rate as one of the key tools of monetary policy to ensure price stability in the medium term. On 29 November 2024, the NB raised the base rate to 15.25% considering inflationary risks.

Dynamics of National Bank's interest rate, %



Source: NBRK.

The rate hike has a dual impact on the economy. On the one hand, it strengthens the national currency. On the other hand, it increases the cost of loans for businesses and the population, which slows down the inflow of capital into the economy and reduces demand for goods and services.

Diversification of the economy

Raw material exports are the foundation of the country's economic development and the largest contributor to the GDP and the capital formation of the National Fund. At the same time, the oil sector has a direct impact on industries such as trade, transportation, construction, and others. As a result, there is a significant dependence of the country's prosperity on global oil prices.

The expected decline in global demand for hydrocarbons after 2030 and the reduction in investments in the new fields necessitate measures to diversify the country's sources of revenues and support the non-commodity sector.

By order of the Head of State, specialized transport and logistics hubs will be established at the borders with China, Kyrgyzstan, Uzbekistan, the Russian Federation, and on the Caspian coast to increase trade turnover between the countries and develop Kazakhstan's export potential. This initiative is expected to increase the growth of non-commodity exports by 30% and simplify logistics procedures for businesses.

Kazakhstan's budget is characterized by regular deficits, which are compensated by transfers from the National Fund

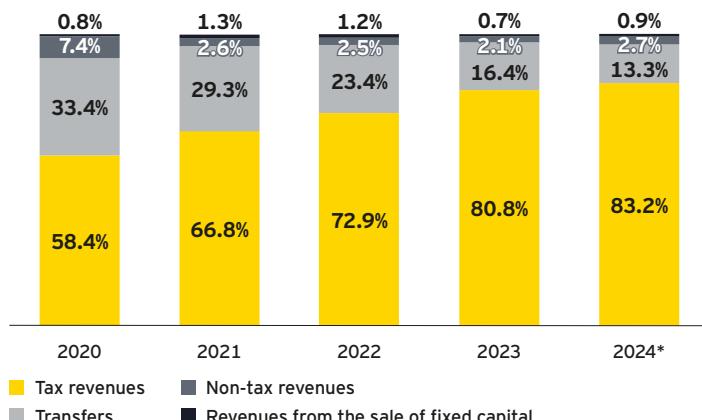
Government budget

The budget revenues mainly consist of tax revenues and transfers from the National Fund (NF). Since 2009, the NF has effectively served as an additional and regular source of replenishment for the republican budget. The transfers are allocated annually from the NF, including those intended for addressing urgent tasks or other purposes determined by the head of state.

Experts have repeatedly pointed out challenges related to the procyclical fiscal policy of the authorities, which has negative consequences for the economy. In Kazakhstan, funds from the NF are used regardless of global oil prices, leading to an overheating economy and rising inflation. Typically, oil-exporting countries adhere to a counter-cyclical fiscal policy: during periods of favorable oil prices, the government restrains expenditure growth and accumulates oil dollars in the NF, reducing transfers to avoid an excess of oil dollars in the economy. Conversely, in unfavorable situations in commodity markets, the government uses the NF to increase spending and provide additional economical stimulus.

In order to increase budget revenues, starting from 2025, the Government has introduced a series of changes to the tax legislation leading to an increase in tax contributions. In particular, the social contributions have been increased from 3.5% to 5%, the social tax rate from 9.5% to 11%, mandatory pension contributions from employers from 1.5% to 2.5%, and the overall rate of the unified payment for individual entrepreneurs and micro and small businesses from 21.5% to 23.8%. These measures will increase the tax burden on employers, employees, and entrepreneurs.

Structure of the government's budget revenues, %



* Data for January-November 2024.

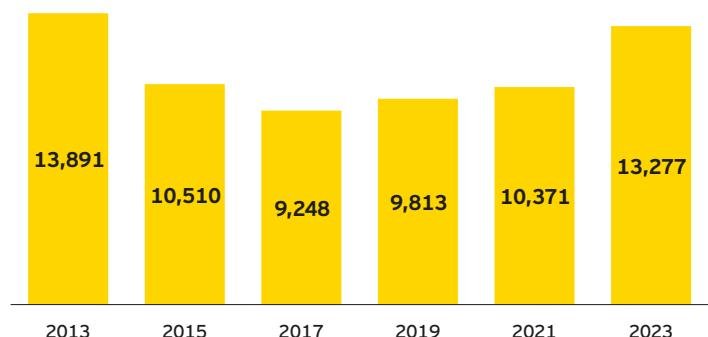
Source: MF RK.

Demographics of Kazakhstan

From 2020 to 2023, the population of Kazakhstan continued to grow despite a decline in the birth rate from 3.05 in 2022 to 2.96 per woman in 2023. Moreover, the UN forecasts a further decline in this rate to 2.42 by 2050. During the pandemic, life expectancy decreased (2020-2021), but by 2023, it had increased from 70.23 years in 2021 to 75.09 years.

In 2023, Kazakhstan's GDP per capita reached US\$13,277, approaching the record high of US\$13,890 set in 2013. Kazakhstan surpassed the average for Middle Eastern and Central Asian countries (US\$5,700) and remained above the global average (US\$12,900).

GDP per capita, US\$ thousand



Source: BNS ASPR RK.

In 2024, the unemployment rate according to the methodology of the International Labour Organization (ILO) decreased by 0.1% compared to the third quarter of 2023, reaching 4.6%. The largest share of employed individuals was recorded in the trade sector (16.7%), education (12.9%), industry (12.5%), and agriculture (11.8%).



The background image shows a vast, arid landscape with large, light-colored rock formations. The most prominent feature is a massive, layered cliff face on the right side, with its upper portion bathed in a warm, golden light from the setting sun. The sky above is filled with scattered, wispy clouds, with darker, more dramatic clouds on the left side of the frame.

02

Analysis of the inflow of foreign direct investments

In 2024, Kazakhstan demonstrates stable volumes of FDI attraction

Foreign direct investments (FDI) play an important role in Kazakhstan's economy, contributing to its diversification and modernization. Kazakhstan continues to work on enhancing its investment attractiveness and aims to attract FDI amounting to US\$150b by 2029. Kazakhstan continues to work on enhancing its investment attractiveness and aims to attract US\$150b in FDI by 2029. In 2024, Kazakhstan ranked among the 35 most competitive countries in the world according to the IMD World Competitiveness Ranking and was awarded the highest rating in its history of independence by Moody's. Additionally, the country ranked sixth in attracting FDI according to the FDI Standouts Watchlist 2024.

FDI by year for the period of 2019-10m2024

Year	Projects	Capital investments (US\$ million)	Number of jobs created
2019	62	6,003	16,644
2020	10	847	1,569
2021	20	714	2,094
2022	28	1,644	5,338
2023	65	16,990	29,288
10m2024	49	16,331	17,829
Total	234	42,529	72,762

Source: fDi Markets.

Top 5 regions (10m2024)

By capital investments (US\$ million)

Atyrau		5,500
South Kazakhstan		2,619
Almaty		752
East Kazakhstan		325
Aqtobe		253

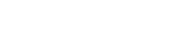
Source: fDi Markets.

To attract investments, the Government of Kazakhstan is implementing measures to improve the investment climate, including the establishment of special economic zones and the provision of tax incentives for both domestic and foreign companies. In September 2023, in his Address "The Economic Route of a Fair Kazakhstan," the President emphasized that to support the manufacturing industry, foreign and domestic investors should be exempt from paying taxes and other mandatory payments for the first three years. In addition, investors implementing investment projects in non-commodity sectors of the economy are granted preferences such as exemption from customs duties on imported equipment, exemption from VAT on imported raw commodities and materials, the right to attract foreign labor without quotas and permits, as well as state in-kind grants, including land plots. Based on the current discussions regarding the tax code, some of the aforementioned preferences may be revised.

On 4 December 2023, the Head of State signed the decree "On Measures to Improve the Efficiency of Work on Attracting Investments into the Country's Economy," which involves expanding the powers of the Investment Headquarters to ensure high growth and diversification of the economy through investment projects. The chairman and members of the headquarters will be personally held accountable for any untimely and improper execution of investment projects and are required to report on their progress to the President at least once a quarter. The activities of the headquarters will focus on the development of projects in priority sectors such as metallurgy, energy, tourism, and machine engineering.

Top 5 industries (10m2024)

By the number of projects

Transportation & warehousing		7
Industrial equipment		7
Food & beverages		7
Business services		6
Renewable energy		3

Source: fDi Markets.

Foreign investments develop key sectors of the economy, strengthen export potential, and contribute to the creation of new jobs

Qatar

In the first 10 months of 2024, Qatar became the leader in terms of the volume of investments in Kazakhstan and the number of jobs created. In 2024, the countries signed an agreement for a long-term strategic partnership, which provides for the execution of nine joint projects in areas such as telecommunications, energy, gas extraction and transportation, as well as finance. The construction of gas processing plants, a gas pipeline, a compression station, a power plant, and a hydroelectric power station is also planned.

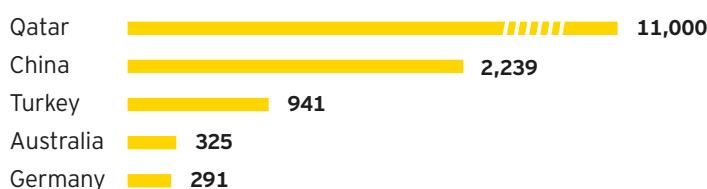
China

China remains one of the largest investors in Kazakhstan. Chinese investors are implementing a variety of projects in the country, including the construction of an industrial park for corn processing, a mining and processing plant, a combined cycle power plant, a dehydrated onion production plant. Projects are also underway in the fields of renewable energy, deep wheat processing, and power plant modernization.

Turkey

Turkey is actively investing in Kazakhstan, being one of the country's key strategic partners. Investors are showing interest in the production of automotive industry components, mechanical engineering, building materials, metal, chemical, and agrochemical industries, agro-industrial complex, and the light industry. Among the implemented projects are halal gelatin production, greenhouse construction, sodium pyrosulfite production, the construction of a logistics center, the production of rail fastening systems, paint and varnish products, and geological exploration in the Aktobe region.

Top 5 investors by capital investments, US\$ million (10m2024)



Source: fDi Markets.

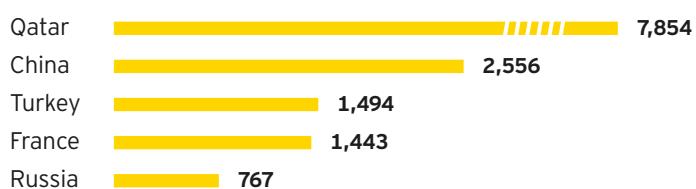
Australia

This year, Australia also ranked among the top 5 investor countries by FDI volume in Kazakhstan. Cove Capital, an international investment company, signed a cooperation agreement with JSC Sovereign Wealth Fund Samruk-Kazyna and plans to invest in mining projects for geological exploration, as well as in the construction of a rare earth metals production plant at the Aksbulak site in the Kostanay region.

Germany

Germany also ranks among the top 5 investors by FDI volume in Kazakhstan. The countries have reached agreements on 66 joint investment projects. Among the promising areas for cooperation is the subsoil use sector in the format of «investment and technology in exchange for critical raw materials» and geological exploration projects. There are also joint projects in traditional and renewable energy, including the production of green hydrogen. An important aspect is the localization of German production of oil and gas equipment and components, which facilitates the introduction of advanced German technologies into local manufacturing.

Top 5 investors by number of jobs created (10m2024)



Source: fDi Markets.

Kazakhstan is creating favorable conditions for attracting FDI

Capital investments and FDI growth

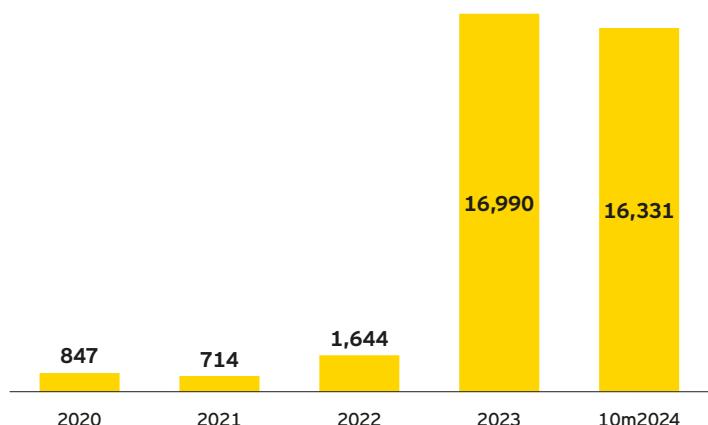
According to fDi Markets, in 2019, the country registered a significant inflow of foreign funds amounting to US\$6,003m, which were concentrated in industries such as the chemical industry, food and beverages, renewable energy, building materials, as well as transportation and warehousing.

According to UNCTAD data, from 2020 to 2021, the inflow of FDI worldwide significantly decreased due to the pandemic. As a result, the inflow of FDI in Kazakhstan also significantly decreased, falling by 86% in 2020 and by 14% in 2021.

According to UNCTAD, in 2022, there was no increase in FDI worldwide, including in Kazakhstan, due to the geopolitical conflict in Ukraine.

According to fDi Markets, in 2023, the inflow of FDI reached its peak level since 2019. The largest amount of capital investments was recorded in the chemical industry and renewable energy sectors, with investments of US\$8,245m and US\$2,272.2m, respectively. For the first 10 months of 2024, there is a growth trend driven by investments in the energy, transportation, and warehousing sectors, amounting to US\$6,452.8m and US\$5,906.4m, respectively.

Capital investments, US\$ million

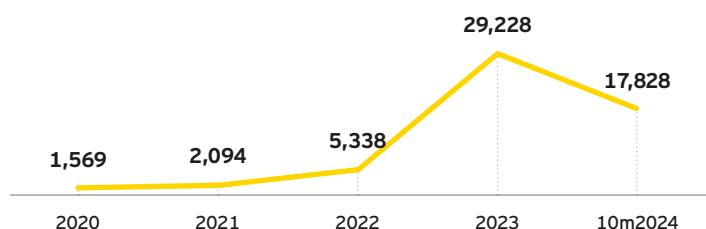


Source: fDi Markets.

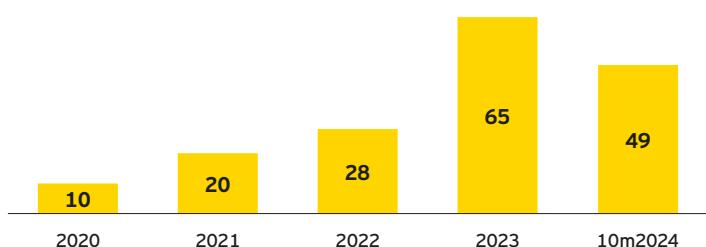
Job creation and project implementation

Capital investments contribute to the implementation of large projects, the opening of new productions, and the increase in the number of jobs. Since 2020, after the pandemic, Kazakhstan has seen a growth in the number of jobs created with the highest number recorded in 2023 – 29,288.

Number of jobs created



Number of projects



Source: fDi Markets.

According to fDi Markets, the largest number of projects from 2020 to the first 10 months of 2024 was concentrated in sectors such as business services, software and IT, food and beverages, transportation and warehousing, as well as renewable energy. The highest number of jobs during the same period was created in the food and beverage, real estate, consumer goods, and chemical industries.

Kazakhstan is actively developing its investment infrastructure, offering favorable conditions for investors, including tax incentives and the reduction of bureaucratic barriers. The country's attractiveness for investment is also due to its strategic location as a bridge between Europe and Asia. Kazakhstan holds leading positions in attracting FDI in the region, remaining an important player in the investment landscape of Central Asia, capable of providing not only economic benefits but also strategic stability for its partners.

The objective is to diversify and enhance the investment attractiveness across various sectors of the economy

Diversification of the oil economy

The energy sector remains key for investments, playing an important role in Kazakhstan's economy by providing significant export volumes and contributing to GDP growth. However, recently Kazakhstan has aimed to diversify its oil economy and attract investments in other sectors such as manufacturing, agriculture, IT, infrastructure, transportation, logistics, and renewable energy sources (RES). This drive for diversification is also driven by global trends that predict a decline in global demand for hydrocarbons after 2030 and a decrease in investments in new fields.

Energy

According to fDi Markets, three major projects are planned in this sector in 2024. Condor Energies, a Canadian company, will build a modular liquefied natural gas production plant in Aqtobe with a production capacity of 120,000 tons per year, which will serve the transportation sector of Kazakhstan. UCC Holding, a Qatari company, signed an agreement with JSC QazaqGaz, a Kazakh company, to build two gas processing plants with capacities of 1 billion cubic meters per year and 2.5 billion cubic meters per year at the Kashagan field, with a total cost of US\$5.5b. Aksa Energy, a Turkish utility provider, will build a 500 MW combined heat and power plant in Shymkent.

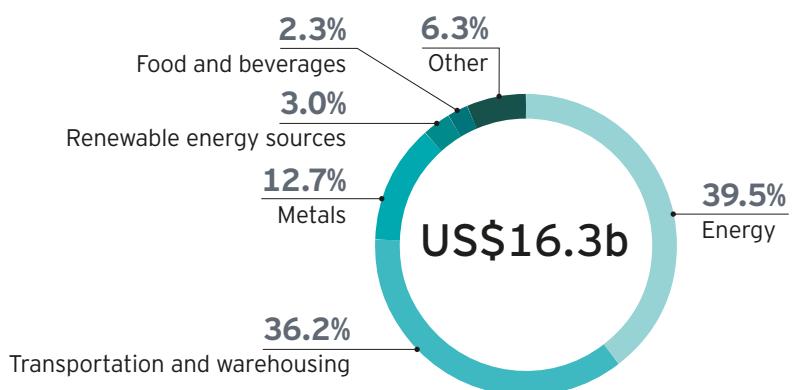
Attractiveness of transportation and warehousing

Qatar, Switzerland, Turkey, and China are the main foreign investors in Kazakhstan's transportation and warehousing sector. Qatar is directing its investments towards the construction of gas processing plants, power stations, and hydroelectric power stations, which contributes to saturating the domestic market and increasing the export volume of commercial gas. Switzerland is involved in the production of European-standard passenger wagons and auxiliary road equipment. LC Waikiki, a Turkish company, is building a new hub for distributing products to all company branches in Central Asian countries. Meanwhile, China continues to invest in roads, railway routes, and logistics centers as part of the One Belt, One Road initiative. The development of transit corridors is becoming key for global logistics, and their advancement enhances Kazakhstan's role as a transportation hub.

Development of the metals sector

The high share of the metals sector in FDI for the first 10 months of 2024 is explained by significant interest from Chinese and Australian investors. China will provide Kazakhstan with investments for the construction of a new metals plant that will use advanced "green" technologies to ensure the environmental safety of production. The Australian company Cove Capital plans to build a pilot plant for the production of rare earth metals in Kazakhstan and is ready to invest in the construction of a facility for the separation of rare earth and critical metals during the development phase.

FDI by sectors of the economy (10m2024)



Source: fDi Markets.

The Investment Policy Concept of the Republic of Kazakhstan is aimed at creating a comprehensive ecosystem for attracting investments

By order of the Head of State, it is planned to attract US\$150b in foreign investments by 2029. In this regard, the Government of the Republic of Kazakhstan issued Resolution No. 868 on October 18, 2024, approving the Investment Policy Concept of the Republic of Kazakhstan until 2029 ("Concept"). According to the Concept, the current state of the investment attraction system is as follows:

▪ **Legislation**

- The key regulatory legal acts governing the investment activities are the Entrepreneurial and Tax Codes, as well as other sectoral regulatory legal acts.
- The legislation guarantees equal treatment for foreign and local investors. All support measures provided by the investment policy equally apply to all market participants. This includes access to financing, tax incentives, legal protection, and other support measures aimed at improving the investment climate and attracting capital.

▪ **"Green corridor" mechanism**

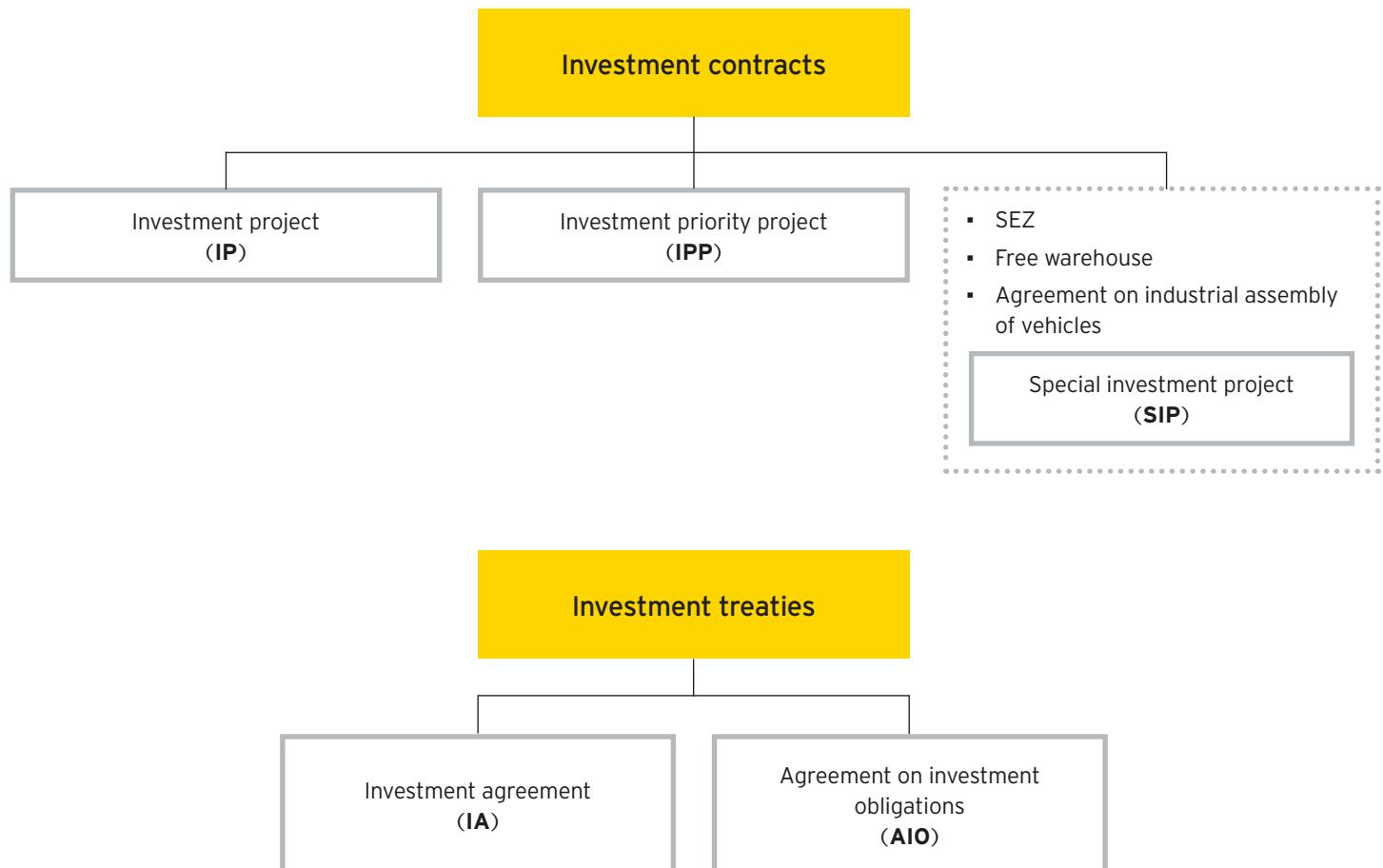
- To date, a protocol decision by the Investment Headquarters has adopted a methodology for including investment projects in the "green corridor". This methodology includes criteria such as the volume of investments, the technological sophistication of the project, the investor's presence on the Fortune Global 2000 list, listing on international exchanges, and job creation.
- A Roadmap is currently being developed, which will contain information on reducing the time required to obtain permits for projects included in the "green corridor" to five working days.

▪ **Interaction with the Business Community**

- According to the Concept, work is ongoing to interact with the business community within investment activities. Communication has been established with the National Chamber of Entrepreneurs of the Republic of Kazakhstan "Atameken" industry associations, as well as representatives of the foreign business community, including the Council of Foreign Investors, the American Chamber of Commerce, the European Business Association, and others.
- By order of the Investment Headquarters, since the beginning of 2024, the national investment attraction company JSC "National Company "Kazakh Invest" has conducted a series of accelerations aimed at improving the investment climate and identifying barriers that hinder the implementation of investment projects in various sectors of the economy. These events involved leaders of industry government and quasi-government bodies, as well as representatives of the business community.
- To date, a series of accelerations have been conducted in sectors such as mechanical engineering, electric power, transport and logistics, pharmaceuticals and healthcare, and the agro-industrial complex. As a result of the accelerations, systemic and specific issues faced by investors were identified, digitized, and submitted for consideration to the Investment Headquarters, the Office of the Government of the Republic of Kazakhstan, and industry ministries for further action.
- However, according to the Concept, "bureaucracy from government bodies and quasi-government sector entities is one of the main barriers to obtaining state support measures." For example, legislative changes may have retroactive implications. Particular concern arises from the fact that such changes often occur without prior notification or proper discussion with the business community, which can create additional challenges for investors. This complicates the planning and implementation of investment projects and negatively impacts already made investment decisions. As a result, such actions may deter potential investors and hinder capital attraction, which, in turn, adversely impacts the overall development of the economy.
- The Concept considers different approaches to the development of investment policy in Kazakhstan.

Types of investment contracts/agreements

In the legislation of the Republic of Kazakhstan, the following types of investment agreements are provided depending on the goals and conditions of the investment project implementation:



- Investment contracts/agreements differ in terms of minimum investment volume requirements, types of activities, and other conditions.
- It is important to note that tax preferences are provided only within IA and IPP.
- IP and SIP are aimed at obtaining customs preferences and a state in-kind grant.
- IPP provides for both tax and customs preferences.
- The legislation does not prohibit entering into multiple types of investment contracts/agreements.



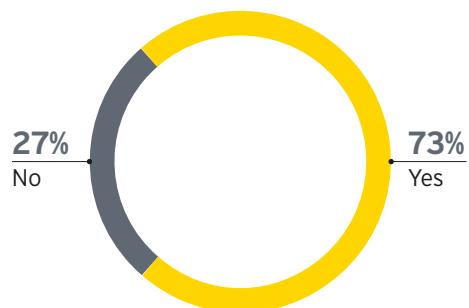
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Investors' perspective

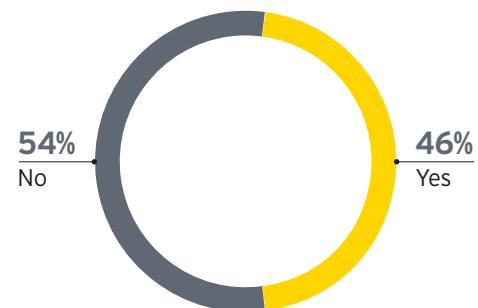


About half of the investors who are not currently doing business in Kazakhstan plan to establish operations in the country next year

Does your company have established operations in Kazakhstan?



If you do not have business in Kazakhstan, do you plan to establish operations in the country over the next year?



The survey participants operate in the following sectors: oil and gas, mining and metals, power and utilities, and energy. These sectors account for 28%, 20%, 25%, and 27% of the investors, respectively.

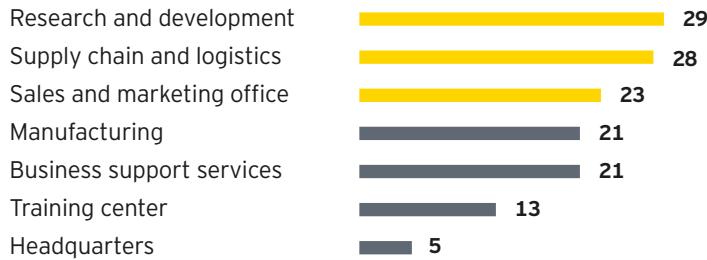
Among the 104 investors who participated in our survey, 54 respondents are based in Kazakhstan and 50 respondents are based abroad. Out of all respondents, both those within Kazakhstan and those outside, 73% already have established operations in the country. All those survey participants who are in Kazakhstan have business operations in the country.

Among those based outside the republic, only 44% have established operations in Kazakhstan.

Among those 28 investors who do not have established business operations in Kazakhstan, nearly half (13 respondents, or 46%) plan to start operations in Kazakhstan. This indicates the interest of foreign investors in developing business in the country.

Foreign investors are interested in investing in research and development activities, supply chain and logistics, as well as in the development of sales and marketing offices

What type of operations are you planning to establish?



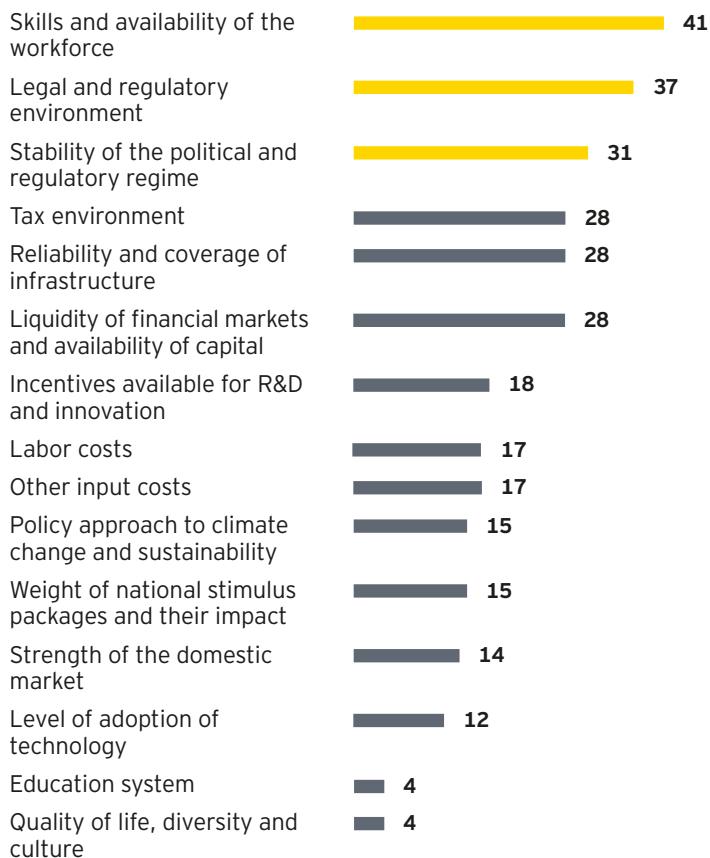
The largest number of the respondents identified the following three areas as the most promising and attractive for doing business in Kazakhstan:

- **Research and development** play a key role in creating innovations that are then transformed into advanced products and technologies. This, in turn, stimulates the development of the entire economy by increasing productivity and efficiency, boosting profits, and creating jobs. Foreign capital investments in this sector contribute to enhancing the workers' skillset, developing the country's research base, and promoting the adoption of modern technologies in the Kazakhstani market.

- Investors' interest in **supply chain and logistics** may be driven by Kazakhstan's unique geographical location between Europe and Asia, making the country a crucial element in transcontinental logistics. Efficient and sustainable supply chains are becoming increasingly important in the context of global instability and geopolitical conflicts, making this sector attractive from an investment perspective. The development of the logistics industry will play a significant role in diversifying Kazakhstan's economy.
- Opening **sales offices and developing marketing** in the region is a strategically important step for investors seeking to successfully expand their activities in a new region. Having an office in Kazakhstan allows investors to better understand the market and reduce the time of interaction with clients and potential partners, accelerating the product's entry into local and nearby markets. Additionally, having an office in the country can facilitate regulatory compliance processes.

Enhancing the skills and availability of the workforce, improving the legal and regulatory environment, and stabilizing the political situation will have a positive impact on investment attractiveness

Which three factors are most important when choosing a country to invest in?



The survey revealed that one of the most important factors investors consider when making investment decisions is the skills and availability of the workforce.

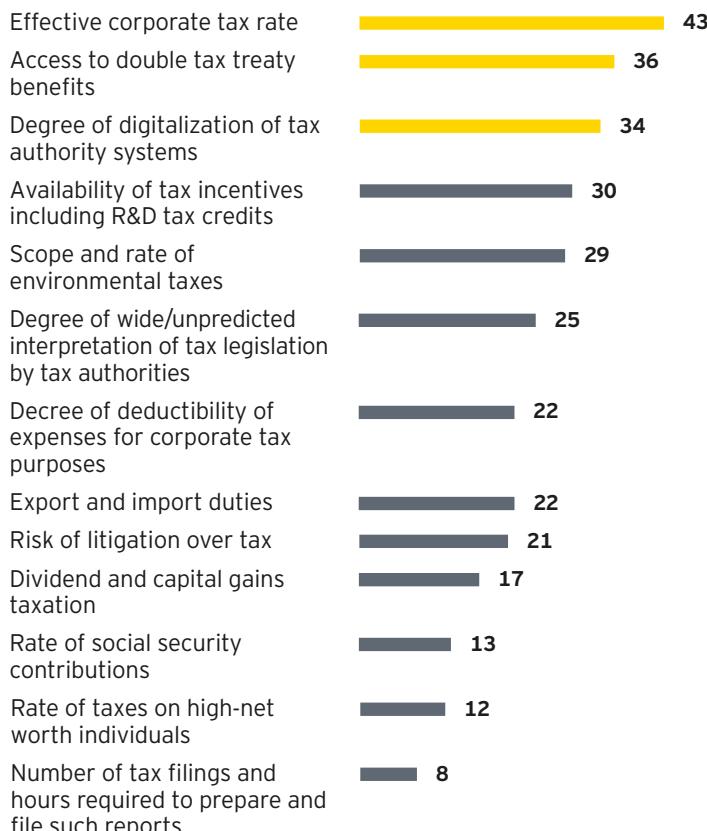
The primary factor in increasing enterprise productivity is the availability of a skilled workforce. Investors seek regions with high levels of education and professional training to ensure the efficient operation of their enterprises. Kazakhstan aims to supply its economy with qualified personnel through the reform of vocational education. In this regard, the government is working on the internationalization of higher education by attracting 23 renowned foreign universities to the country. There are also plans to strengthen the connection between leading universities and the real sector of Kazakhstan's economy and to synchronize innovation policy with the country's scientific and technological priorities. This will stimulate sectoral innovations and unlock the potential of applied science in universities. As part of the development plan for technical and vocational education until 2027, colleges plan to attract industry specialists as teaching staff, who will receive increased salaries. Significant importance will be placed on student internships in industrial setting during their studies.

The legal and regulatory environment ensures the protection of the rights and interests of investors; however, there are certain challenges that may reduce the country's attractiveness for investment. Kazakhstan believes it offers an attractive tax regime for investors, ranking 5th in tax policy in the IMD ranking. However, it should be noted that tax legislation often undergoes changes, which raises concerns among investors regarding the stability and predictability of business conditions. Kazakhstan protects the rights and interests of investors by providing access to advisory bodies such as the Foreign Investors Council under the President of the Republic of Kazakhstan, the Investment Headquarters chaired by the Prime Minister of the Republic of Kazakhstan, business platforms of various countries' chambers of commerce, as well as the National Chamber of Entrepreneurs.

In conditions of political stability, risks associated with nationalization, property confiscation, corruption, and other negative factors that can affect investments are reduced. A stable political environment allows investors to plan their projects for the long term, which is especially important for large and capital-intensive investments. Investors prefer to invest their funds in countries where they can trust the government and its policies.

According to investors, the improvement of the effective corporate tax rate and access to tax incentives are key factors when choosing a country for investment

Which three tax-related factors are most important when choosing a country to invest in?



Based on the conducted survey, several key conclusions can be drawn regarding the measures that respondents consider important when choosing a country for investment from a taxation perspective.

Firstly, the most important factor is the effective corporate income tax rate (CIT), which was chosen by 43 investors. Considering that the nominal CIT rate in Kazakhstan is not as high compared to other developing countries and is lower than in most developed countries, it can be concluded that investors are more concerned about issues that indirectly affect the effective CIT rate. This includes restrictions on deductions, administrative complexities, such as higher requirements from tax authorities for supporting documents and other information to justify transactions. Additionally, other taxes can significantly increase the overall tax burden. For example, the planned increase in the VAT rate may negatively impact businesses if a neutral burden is not ensured, meaning the inability to offset all incoming VAT or the presence of restrictions on VAT refunds. Furthermore, the draft of the new Tax Code of the Republic of Kazakhstan retains companies' obligations regarding social tax, which also increases the overall tax burden.

It is worth noting that a similar position regarding the importance of the effective corporate income tax (CIT) rate is reflected in the International Tax Competitiveness Index (ITCI), which analyzes the effective CIT rate across three subcategories: tax rate, expense deductions, and administrative complexity. According to the ITCI data (International Tax Competitiveness Index 2023) for 2023, lower CIT rates contribute to increased investment and economic development. Additionally, if tax legislation does not allow for the consideration of all business expenses, this increases taxable income, raising the cost of capital and reducing investment. The ITCI also notes that the number of taxes and rates, as well as the presence of additional taxes beyond the CIT, negatively impacts investment attraction.

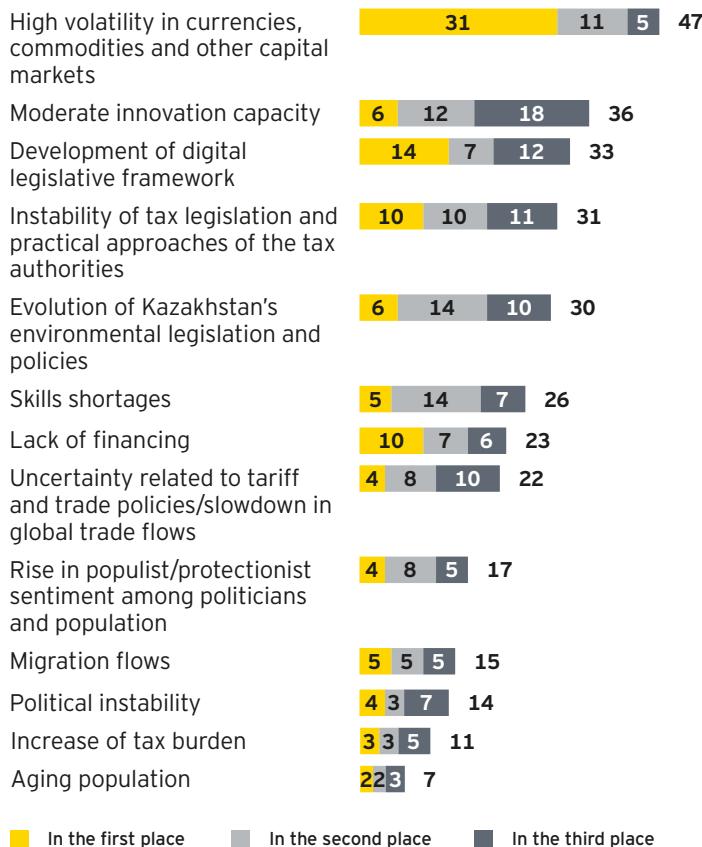
Second place goes to access to benefits under double taxation avoidance agreements, which received 36 votes. It is worth noting that Kazakhstan has concluded a significant number of agreements – 55 at the time of our analysis – including with major trading partners. However, it is evident that investors are concerned about the complexities of applying these benefits in practice. This is due to the necessity of preparing and providing a large number of documents to tax authorities to utilize the benefits, as well as the fact that tax authorities often attempt to challenge the application of such benefits.

Thirdly, the degree of digitalization of tax authority systems, which received 34 votes, indicates the need for the digitalization of tax processes, which will help to reduce the administrative burden on taxpayers, decrease the level of corruption, and cut down the time spent on preparing tax reports and documentation. It is important to note that the digitalization of tax legislation and processes should simplify and reduce the tax burden for taxpayers. However, the current changes implemented by tax authorities as part of digitalization programs for large taxpayers are leading to an increase in this burden. In particular, there is a growing volume of reporting: the larger the business, the more reports companies are required to submit, despite already providing a high level of information disclosure to investors and relevant authorities. This difficulty is especially pertinent in the context of VAT refunds. The proposed introduction of automated VAT control may complicate the business processes of taxpayers and increase their administrative burden. Additionally, implementing automation processes on the taxpayer's side incurs additional costs for businesses. Therefore, a balanced approach should be taken regarding the digitalization of tax services, weighing the benefits and drawbacks for businesses.

Furthermore, according to the survey, the availability of R&D incentives, which received 30 votes, is important for stimulating research and development, thereby promoting innovation and the development of new technologies and industries with deeper processing. At the same time, it is worth noting that the procedures for justifying R&D expenses have recently become more complicated. As a result, some taxpayers may not take advantage of the additional R&D deductions, which may, in turn, limit their ability to invest in research and development.

Volatility in capital markets, moderate innovation potential, as well as the development of digital, tax, and environmental legislation pose risks to the country's investment attractiveness

What are the three key risks affecting Kazakhstan's attractiveness over the next three years?



The highest number of votes was attracted by high volatility in currency, commodity, and other capital markets, the development of digital, tax, and environmental legislation, as well as moderate innovation potential.

Experts emphasize that pro-cyclical policies and not always predictable, as well as uneven volumes of currency buying and selling, are important factors affecting the stability of Kazakhstan's currency market. In this regard, careful planning of currency interventions become particularly relevant. Additionally, it is important to strive to increase the number of participants in the currency exchange and simplify access to it. The monetary policy strategy of the National Bank until 2030 is focused on enhancing the transparency of its operations, strengthening the foundations of a floating exchange rate, forming a sustainable financial sector, reducing the level of dollarization, managing inflation expectations, and developing a balanced macroeconomic policy.

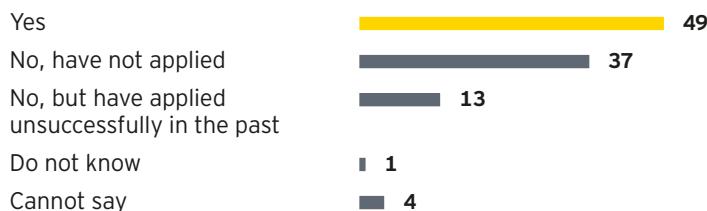
The development of innovation potential is a strategically important task for modern states. In the context of rapid globalization and the increasing role of information technology in societal activities, innovation serves as a driver of economic development and a guarantee of states' competitiveness.

According to WIPO data, Kazakhstan received high marks in the innovation development ranking for the level of development of government online services, the number of registered utility models (small patents), and electronic participation. Lower scores were assigned for the level of spending on software, the number of scientific articles, the development of clusters, and the number of ISO 9001 certificates issued (quality management system). Overall, Kazakhstan ranked 78th out of 132 countries in the innovation development ranking this year, according to WIPO data, based on 80 indicators.

The Ministry of Digital Development, Innovations, and Aerospace Industry of Kazakhstan (MDRIAPI) is responsible for digitalization and technology development in the country. Despite numerous initiatives and plans, this sector faces certain challenges. These include the need to improve the monitoring of the effectiveness of government programs, timely execution of planned activities, optimization of planning systems, and conducting audits. Additionally, frequent reorganizations of accountable bodies can create difficulties in the transfer of responsibilities.

Most of the respondents use investment preferences but face difficulties, e.g., in the negotiations with the government authorities and the preparation of necessary documents for submitting an application for investment preferences

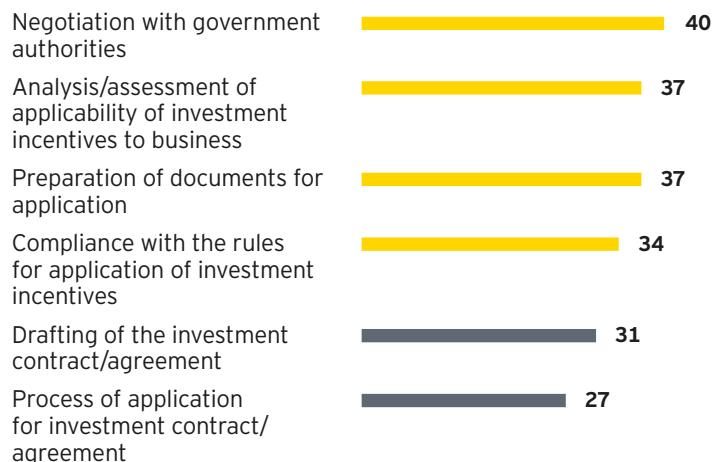
Do you use any investment incentives (e. g., tax, customs) in Kazakhstan?



Most of the surveyed investors use investment preferences in Kazakhstan, indicating the availability of attractive conditions for doing business. However, a significant number of companies either did not apply for investment preferences or unsuccessfully attempted to obtain them in the past. This indicates the need to improve awareness of available preferences and simplify the application process.

Investors outside of Kazakhstan are less likely to use investment preferences, which may point to a lack of awareness or difficulties in accessing information about preferences for foreign investors. The high percentage of the respondents who did not apply suggests that there is a need to improve information dissemination and support for foreign investors outside of Kazakhstan.

Did you encounter any difficulties during the application of investment incentives in Kazakhstan?



Most of the respondents who applied for investment preferences face various difficulties, the main ones being negotiations with the government authorities during the application process, obtaining clarifications, and preparing documents for the application (e.g., business plan, feasibility study, etc.), as well as analyzing and assessing the applicability of investment preferences to their business. These difficulties affect both companies that already operate in Kazakhstan and those that are planning to start operations in the country.

To improve the business climate and facilitate the process of obtaining investment preferences in Kazakhstan, it is necessary to focus on simplifying interactions with the government authorities, optimizing the list and content of required documents, and providing additional support to companies.

Additionally, in 2024, the National Digital Investment Platform was launched to provide comprehensive support to investors within a single window framework. The platform is currently operating in pilot mode, and it is expected to simplify and make many processes related to the conclusion of investment contracts and agreements more transparent.

Most of the surveyed investors think that doing business in Kazakhstan is relatively easy

On a scale of 1 to 5, how do you assess the ease of doing business in Kazakhstan, particularly in terms of regulatory and administrative processes?



Most of the surveyed investors believe that doing business in Kazakhstan is relatively easy. Kazakhstan is making successful efforts to improve the business climate by making regulatory and administrative processes more transparent and accessible. This is confirmed by the fact that more than two-thirds of the surveyed investors have a positive view on doing business in the country.

Nevertheless, there is a certain share of entrepreneurs who face difficulties in doing business in Kazakhstan. About 22% of respondents believe that doing business in Kazakhstan is somewhat challenging or very challenging.

Respondents located in Kazakhstan generally have a more positive view of doing business in the country compared to those outside its borders. This may indicate that entrepreneurs operating directly in Kazakhstan are more familiar with local processes and find them more accessible and transparent. Meanwhile, respondents outside of Kazakhstan may face a lack of information or perceive a greater number of barriers, which leads to a higher proportion of negative assessments.

How satisfied are you with the protection of investors' rights in Kazakhstan?



Under the legislation of the Republic of Kazakhstan, investors are provided with full and unconditional protection of their rights and interests. To protect investors' interests, special advisory and consultative bodies have been established, such as:

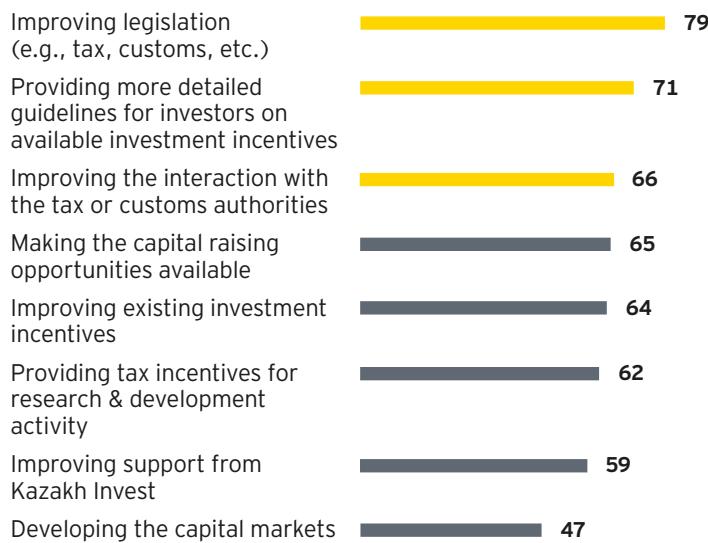
- The Foreign Investors' Council under the President of the Republic of Kazakhstan
- The Council for Improving the Investment Climate
- The Council for Attracting Investments (Investment Headquarters)
- The Coordination Council chaired by the Prime Minister of the Republic of Kazakhstan
- The Court of the Astana International Financial Centre and the International Arbitration Centre – a judicial system based on the principles of English law
- The specialized judicial board of the Supreme Court and the Court of Astana for resolving investment disputes
- The Investment Ombudsman – the Prime Minister of the Republic of Kazakhstan.

Most of the respondents are satisfied with the protection of investors' rights in Kazakhstan, which indicates a positive perception of the current measures to ensure legal protection and investment security.

Nevertheless, a certain proportion of investors (20%) have expressed dissatisfaction, indicating the presence of difficulties and barriers that require attention and further improvement. This dissatisfaction may be related to current measures aimed at reducing the state budget deficit, including the potential increase in tax rates and the revision of investment preferences. The proposed VAT increase and the draft of the new tax code are important steps that necessitate transparency and careful, detailed analysis, including the development of an economic justification for the proposed changes. A significant portion of investors, especially those without operations in Kazakhstan or located outside the country, express dissatisfaction, highlighting the need for further improvement and transparency.

The investment attractiveness of Kazakhstan depends on the improvement of tax and customs legislation, as well as on enhancing the process of interaction between investors and government authorities

Which of these measures would improve Kazakhstan's investment attractiveness for foreign investors?



Foreign investors believe that the main measures to improve the country's investment attractiveness are improving tax, customs, and other legislation, including their consistency and stability, as well as providing more detailed guidelines for investors on available investment incentives and improving the interaction with the tax and customs authorities.

Countries that actively reform and improve their tax and customs legislation generally become more attractive to foreign investors. However, some measures taken by government authorities have led to a tightening of legislation, including tax laws, which, in our view, does not contribute to improving the investment climate in Kazakhstan. At the same time, we believe that attracting investment requires not only changes in tax legislation but also a comprehensive set of measures. These measures should focus on reducing corruption, enhancing transparency in public spending through improved budget legislation, developing a legal system to protect investor rights, enhancing executive discipline, and improving tax administration, among others.

Detailed information on available investment incentives helps eliminate bureaucratic and administrative barriers that investors may encounter. Transparency and accessibility of information make the investment process more efficient and predictable, providing easier access to the market for foreign investors.

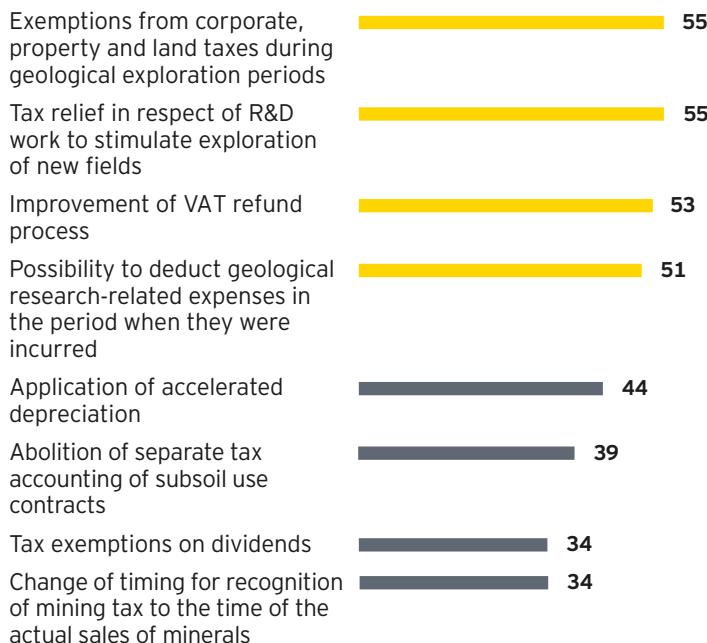
Simplifying and speeding up procedures for interacting with the tax and customs authorities also play a key role by reducing the time and resources spent on bureaucratic obstacles. According to President Kassym-Jomart Tokayev, Kazakhstan should adhere to the principle of "Zero bureaucracy – maximum specific actions" in attracting investments.

The introduction of amendments to existing legislation, as well as the digitalization of government services, allows optimizing the processes for interacting with the authorized bodies.

Additionally, Kazakhstan has launched the National Digital Investment Platform, which provides comprehensive support for investment projects and encompasses all processes available to investors in the Republic of Kazakhstan. A Fast Track system, or "green corridor", is also being introduced to ensure expedited and simplified completion of all necessary procedures for launching investment projects. Furthermore, to protect investors from unfair fines, tax penalties, and lengthy legal disputes, a 'prosecutorial filter' is being implemented, under which all inspections will be conducted under the supervision of the prosecutor's office. All of the aforementioned measures are aimed at supporting investors and seek to increase the transparency of all processes, accelerate project timelines, reduce bureaucratic barriers, and optimize interaction with government authorities.

Investors have selected several key tax measures that will have a positive impact on improving the tax attractiveness of Kazakhstan

Which of these measures would improve Kazakhstan's tax attractiveness for foreign investors?



Firstly, two factors received the same number of votes (55 each): exemption from corporate income tax, property, and land during the geological exploration period. This indicates that tax exemptions in the initial stages of projects, when investors are in need of free financial resources, can significantly enhance the country's attractiveness to investors in the extractive industry, which should increase the number of explored and newly opened projects. Tax incentives for R&D, which stimulate innovation and the development of new technologies, also received 55 votes. This is critically important for the exploration of new fields and improving the overall efficiency of the industry. These measures not only reduce the tax burden but also create favorable conditions for attracting additional investments in innovative projects and enhancing productivity. These measures not only reduce the tax burden but also create favorable conditions for attracting additional investments in innovative projects and enhancing productivity.

Secondly, the option «improving the VAT refund process» received 53 votes. The survey shows that it is important for investors to maintain stable cash flows when investing. Investors allocate significant funds for the development and exploration of new deposits and face the issue of recovering funds in the form of VAT from the budget. This creates additional financial barriers and limits further investments. It is important to note that changes to the Tax Code of Kazakhstan concerning the VAT refund process, planned to take effect in 2026, may pose challenges for investors. The current Tax Code of the Republic of Kazakhstan regulates the procedure for VAT refunds. As part of the development of the new Tax Code, the tax authorities are focused on shifting tax administration issues to a subordinate legal level. This will allow tax authorities to make changes to such subordinate legislation at their discretion, which may lead to even greater complexities in the VAT refund process. These changes may lead to an increase in the non-refundable VAT amount and an overall deterioration in the administration of the tax refund process.

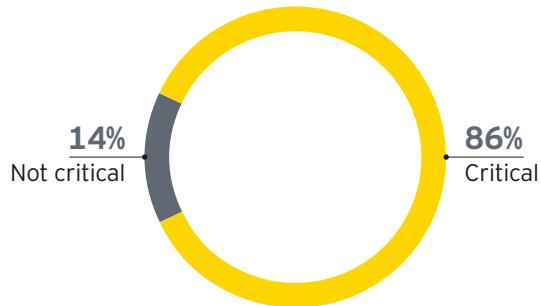
Thirdly, the possibility to deduct expenses for geological exploration during the period they are incurred received 51 votes from the respondents (this factor once again emphasizes the importance of optimizing cash flows for investors). As mentioned above, investors allocate significant funds for the development and exploration of new deposits and face the issue of being able to deduct CIT expenses in the same period they are incurred, rather than through amortization in future periods. This creates additional financial barriers and limits further investments.

Additionally, factors such as the application of accelerated depreciation, the abolition of separate tax accounting for subsoil use contracts, tax exemptions on dividends, and change of timing of mineral extraction tax recognition to the time of the actual sale of minerals received between 34 and 44 votes. This underscores the importance of utilizing accelerated depreciation, simplifying tax accounting, providing exemptions for dividends that were previously granted to investors until 2023, and allowing flexibility in the tax accounting of mineral extraction to stimulate investments.

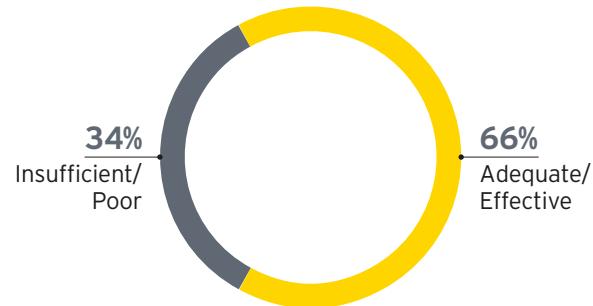
Thus, to enhance its investment attractiveness, Kazakhstan should focus on preserving key investment preferences during the review and adoption of the new Tax Code, providing tax incentives at the initial stages of projects, stimulating initiatives through R&D incentives, and improving VAT refund mechanisms as well as the ability to deduct expenses during the project implementation period.

86% of investors consider ESG principles to be an important factor determining the investment attractiveness of Kazakhstan

How critical is the ESG agenda for Kazakhstan's investment attractiveness?



How effective is Kazakhstan's sustainable development legislation?



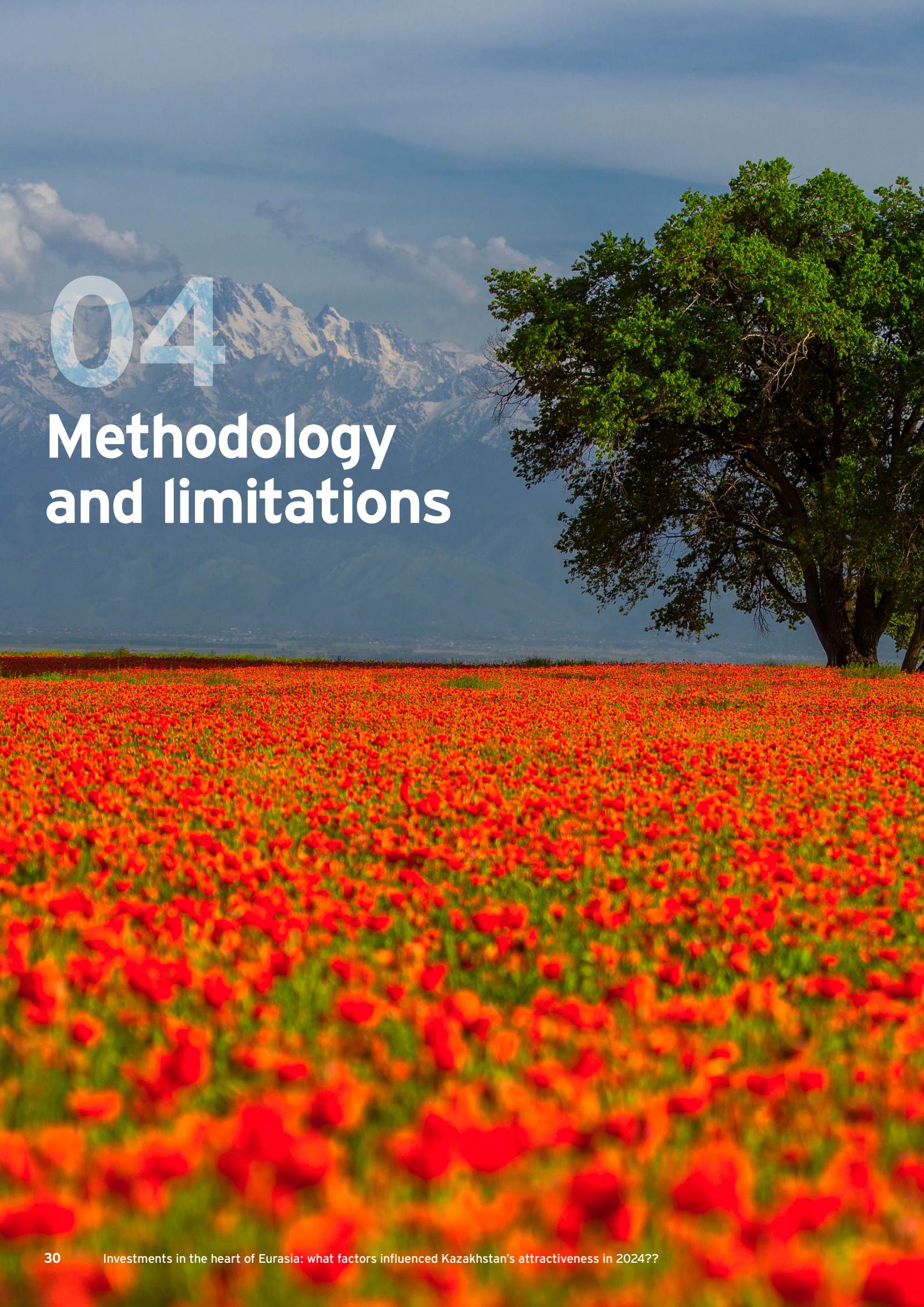
ESG stands for environment, social responsibility, and corporate governance. Thus, in order to align with ESG principles, business must minimize their negative impact on the environment, positively influence society, and improve governance mechanisms by enhancing the transparency, the quality of reporting, and the employee care. All when assessing the investment attractiveness of Kazakhstan. Companies that implement ESG principles are more likely to demonstrate sustainable, stable, and long-term growth because they consider important factors affecting their operations and better manage their risks. This reduces the likelihood of difficulties that could negatively impact financial performance. Additionally, as consumer priorities shift toward favoring companies with high social responsibility, companies that follow ESG principles may see higher demand for their products and services. Moreover, companies that implement ESG principles typically strive for innovation and increased efficiency, which can lead to cost reductions and improved financial performance. Thus, ESG-principles are becoming an important factor influencing investor decisions in the modern world, which aligns with the results of our research.

86% of respondents consider ESG factors important when assessing the investment attractiveness of Kazakhstan.

Following global trends, Kazakhstan demonstrates its commitment to the ESG agenda and actively implements sustainable development principles in legislative initiatives and corporate development strategies. According to our survey, 66% of the respondents consider Kazakhstan's legislation effective or acceptable.

Among the Central Asian countries, the best development of ESG standards is observed in Kazakhstan, thanks to the rapid advancement of regulation in the field of sustainable development. In 2021, a new Environmental Code of the Republic of Kazakhstan was adopted, which includes a green taxonomy. In June 2022, AIX (Astana International Exchange) published the ESG Reporting Guidelines for listed companies. In 2023, the "Strategy of the Republic of Kazakhstan on Achieving Carbon Neutrality by 2060" was approved, aiming to reduce greenhouse gas emissions, move to alternative energy sources, and create a carbon regulation system. Additionally, in March 2023, the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan (ARRFR) approved the Roadmap for the implementation of ESG principles in the regulation of Kazakhstan's financial market, with the goal of stimulating the transition of the financial market to ESG standards at a systemic level and creating the necessary methodological environment.





04

Methodology and limitations

Methodology and limitations

The analysis of FDI inflows in Kazakhstan is based on data from fDi Markets (Financial Times Group). It tracks FDI projects that have led to the creation of new facilities and new jobs. The database also shows actual investments by foreign companies in production and services in the region, excluding portfolio investments and M&A deals. Investments in a company are usually included in the FDI data if a foreign investor acquires more than 10% of the company's shares and participates in its management. FDI includes equity capital, reinvested earnings, and intra-company loans.

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When determining the most attractive location for investments, it is important for us to consider a combination of reputation, investor trust, and the ability of the country or region to provide the most competitive advantages for FDI.

The survey was conducted in collaboration with Longitude Research in November-December 2024 through questionnaires involving 104 international investors.

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