

# Kazakhstan

## Country factsheet



European Bank  
for Reconstruction and Development

The EBRD is the largest investor outside the oil and gas sector in Kazakhstan. The Bank's operational priorities are promoting domestic and foreign investment; supporting the financial sector, SMEs and infrastructure. The EBRD is also active in natural resources, telecoms and agribusiness. In particular, the EBRD has achieved good results with the Trade Facilitation Programme and the Grain Receipts Programme. The resident offices in Almaty and Astana have an active team of staff covering all industry sectors.

As of December 2007, the Bank's total business volume in Kazakhstan stood at €3.4 billion with EBRD investments totalling €1.7 billion. In 2007, the Bank signed 20 projects worth €532 million. Transition impact is very strong, with more than 50 per cent of projects rated "good" or "excellent". The Bank aims to increase the share of equity in the annual business volume in Kazakhstan which reached 21 per cent of projects signed in 2007.

The overall quality of the Bank's portfolio in Kazakhstan remains excellent. More than 80 per cent of all EBRD investments are now in the private sector and the private/public ratio is not expected to change much during the coming year. Although the focus of the Bank's activities is on the private sector, there are a few large public sector projects in the pipeline.

## In the news

### EBRD promotes sustainable energy

The EBRD is supporting Kazakhstan with the implementation of its Power Sector Development Plan by providing US\$ 30 million for efficiency improvements and upgrading at PavlodarEnergO's combined heat and power plant CHP-3.

The investment, which includes the purchase and installation of a new turbo generator, will improve the plant's fuel efficiency rate and lead to a reduction of CO<sub>2</sub> emissions per unit of electricity produced. The investments will improve efficiency, increase capacity to supply growing industrial and residential demand in Pavlodar and contribute to the improvement of environmental standards.

Kazakhstan's rapidly growing economy is highly energy intensive and demand is rising sharply, requiring significant investments in

the power and energy sector. The Kazakh government and the EBRD are currently jointly developing a Sustainable Energy Action Plan to promote conservation and sustainable use of energy resources.

Nandita Parshad, EBRD Director for Power and Energy, said that the project demonstrates the Bank's readiness and capacity to support Kazakhstan's efforts to set the economy on a track of sustainable growth, economic diversification and competitiveness. The implementation will support local private business through more efficient supply of power and energy, she added.

To date, the EBRD has invested about US\$ 2.5 billion through selected projects that support economic diversification, entrepreneurial activities and job creation in Kazakhstan.

## At a glance\*

Number of projects

97

Net business volume

€1.7 billion

Total project value

€3.4 billion

Gross disbursements

€1.4 billion

Additional mobilisation

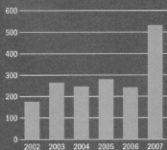
€1.7 billion

Share in private sector

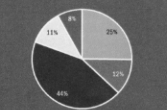
81 per cent

\*Cumulative, as at 1 January 2008

Commitments by year (€ million)



Commitments by sector



**Corporate sector**  
Agriculture, Manufacturing, Property, Services, Transport

**Infrastructure**  
Municipal and environmental infrastructure, Transport

**Energy**  
Nuclear programs, Power and energy

**Financial sector**  
Banking sector, Equity funds, Trade finance, Non-bank FI

**Micro and small business financing**  
\*The EBRD mainly supports small business by providing finance through financial intermediaries.



The investments will improve efficiency, increase capacity to supply growing demand in Pavlodar and contribute to the improvement of environmental standards.

Read more...  
[www.ebrd.com/press](http://www.ebrd.com/press)

# EBRD strategy in Kazakhstan

## Enterprise sector

The Bank will support economic diversification and enhance competition by working directly with corporates across various sectors such as general industry, power, agribusiness, telecoms and property. It will also promote projects leading to higher energy efficiency and increase the capitalisation of enterprises through equity investments. Competition in the natural resources sector will be increased by working with smaller operators and on higher risk projects. The Bank will finance smaller projects directly and continue to provide micro and small financing and tailored capacity building using the Kazakhstan Small Business Programme (KSBP) and leasing facility. High standards of corporate governance, integrity and transparency of ownership, including through FDI to Kazakhstan, will be promoted. Selectively support regional cross-border expansion of reputable Kazakh companies to neighbouring markets.

## Infrastructure

Increasing support in transport, energy and telecommunication infrastructure development to satisfy the growing needs of the economy and promote reforms. The Bank will focus on non-sovereign projects. It will take leadership in developing and actively engaging in appropriately structured public-private partnerships (PPPs) that involve competitive tender processes. It will work with state holding company Samruk on finding synergies between different parts of infrastructure and improving corporate governance in state owned enterprises. Support will also be provided to further regulatory and tariff development that promotes investments and fair access to infrastructure.

## Financial sector

To promote strategic FDI into the financial sector, but also open up the capital base of local banks to reputable financial investors through initial public offerings (IPOs) or private placements. It will continue to work actively with existing shareholders of Kazakh banks to achieve better transparency of ownership and corporate governance. Competition will be facilitated in the financial sector by providing debt and equity, particularly to medium-sized banks and non-bank microfinance institutions (NBMFIs), thus supporting MSMEs. A special emphasis will be on the provision of financial resources outside the main cities and in rural areas. The Bank will support the development of leasing, insurance and pensions, the further deepening of mortgage markets (especially outside of the two main cities) and facilitate the securitisation of assets by Kazakh financial institutions.

## Policy dialogue

The Bank will support the government in its efforts to improve the investment climate and to diversify the economic structure, leading to improved global competitiveness. It will cooperate with the state companies Samruk and Kazyna to achieve corporate governance and operational improvements. It aims to promote transparent practices and fight corruption to improve the business environment. The adoption of the anti-money laundering (AML) legislation will be promoted, especially in light of the government initiative to create the Regional Financial Centre in Almaty (RFCA).



## Key dates

Joined the EBRD	April 1992
Current strategy	September 2007
Next strategy	2010

➔ Read the full strategy here:  
[www.ebrd.com/kazakhstan](http://www.ebrd.com/kazakhstan)

## Kazakhstan Small Business Programme (KSBP)

The KSBP supports small businesses in Kazakhstan by making funds available to local banks for on-lending to micro and small enterprises (MSEs).

The operation's principal objectives are to:  
(i) provide finance to MSEs, which currently have insufficient access to formal sector finance; (ii) support the development of Kazakhstan's financial sector so that local banks are able to provide MSEs with access to finance on a permanent basis.

The €44.7 million of EBRD financing has been on-lent to; ATF Bank, Bank Centre Credit (two loans), Bank Turan Alem (two loans), Halyk Savings Bank (HSBK) and Kazkommertsbank.

Currently, they have lent over 243,000 loans in amount of US\$ 2.4 billion under KSBP.



➔ For more on EBRD support for small businesses:  
[www.ebrd.com/sme](http://www.ebrd.com/sme)

# Economic overview

## Enterprise sector

The sharp reduction in bank lending, resulting from Kazakh banks' reduced access to foreign funding against the background of the global liquidity crunch, has affected Kazakh MSMEs in particular. In 2007, the government-owned Kazyna fund provided substantial amounts of government funds to commercial banks earmarked for on-lending to SMEs. The authorities also announced a one-year moratorium on all audits of SMEs (except in the pharmaceutical and food industries). This is a welcome step since inspections, and the informal payments often associated with them, constitute an important barrier to growth for many SMEs in Kazakhstan.

## Financial sector

Transparency increased in 2007, with most banks disclosing their beneficial shareholder structures to the financial supervisory authority. Further transparency resulted from the takeover of ATF Bank by Italian Unicredit Group. The introduction of KazPrime – the first transparent Central Asian money market index – also contributed to the development of the banking sector. However, the non-bank financial sector remains underdeveloped, with a clear need for further growth in leasing and private equity. The Kazakh stock exchange should develop into a platform where medium-sized companies can attract risk capital.

## Energy/Infrastructure sectors

Power generation and distribution has suffered from under-investment, especially in the south. The electricity system is

being upgraded and a new north-south power transmission line is scheduled to become operational by 2009. For 2008 a power deficit of about 200 MW is expected. The implementation of a comprehensive energy efficiency programme is expected to enhance the competitiveness of Kazakh enterprises and to help to alleviate regional supply imbalances.

## Investment climate

The investment climate began to change in 2007 and early 2008, particularly in the hydrocarbon sector. Delays and cost overruns at the Kashagan oil field led the government to put pressure on the Italian operator, Eni, to change the contract. As a result, state-owned KazMunayGas will raise its stake to 16.8 per cent from its current 8.33 per cent, the stakes of the other consortium members will decrease proportionally and Eni will be replaced by a new operating company comprising all consortium members. Finally, the consortium will pay an extra US\$ 5 billion in compensation and royalties to Kazakhstan's government during the life of the contract (until 2041).

The government also plans to stop awarding production sharing agreements (PSAs) to foreign companies investing in oil and gas fields. This follows the suspension of negotiations on new contracts for the development of mineral fields, pending the adoption of a new Tax Code expected to be presented in September 2008. From May 18 2008 onwards, crude oil exports will also be liable to a duty of US\$ 15 per barrel.

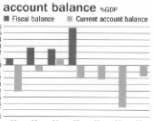
## Output and expenditure % change



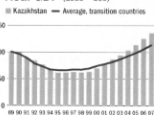
## Interest rates and inflation



## Fiscal and current account balance %GDP



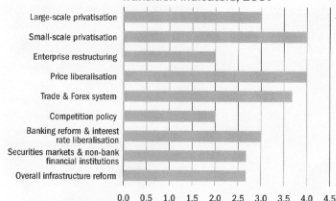
## Real GDP (1989 = 100)



The 'cut-off' date for data was mid-April. Data for 2008 are projections.

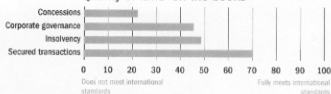
# Transition progress

## Transition indicators, 2007

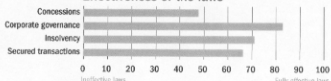


The transition indicators range from 1 to 4+, with 1 representing little or no change from a rigid centrally planned economy and 4+ representing the standards of an industrialised market economy.  
Source: EBRD Office of the Chief Economist

## Quality of laws 'on the books'



## Effectiveness of the laws



Measuring effectiveness of the law using specific case studies as proxies for the relevant sector  
Source: EBRD Office of the General Council, Country law assessments

## Project showcase

### Kazakhstan Kagazy

The EBRD provided the equivalent of €40 million in long-term financing to support the growth and restructuring of Kagazy Recycling, which uses waste paper to produce paper products for sale in Kazakhstan. Kazakhstan has limited forest resources and imports most paper products. The funds will be used to install new equipment to more than double paper production from 40,000 tonnes a year to 85,000 tonnes by 2012.

### Karcement Kazakhstan

A booming construction sector is leading to high demand for cement in Kazakhstan. To help local producers expand their capacities, the EBRD provided a loan facility of €15 million to Karcement to finance the introduction of dry-line cement production at the Karaganda plant. When completed, the plant's capacity approach 2.5 million tonnes a year.



### EFES Kazakhstan

The EBRD invested €30 million to help Efes Karaganda Brewery, one of Kazakhstan's leading beer producers, to increase its brewing capacity, infrastructure facilities and marketing assets of its existing plants in Almaty and Karaganda. The transaction will be the first EBRD fixed interest rate loan denominated in Tenge. The investment will help meet increasing beer demand in Kazakhstan and help Efes to gain a larger market share. With the market being dominated by few players, this will stimulate competition and lead to a wider choice for consumers, better hygienic standards for beverage packaging and increased shelf life.

### Mittal Steel Temirtau Health & Safety Loan

EBRD financing of €70.5 million was provided to ArcelorMittal to support health and safety improvements in its coal mines in east-central Kazakhstan. The funds will be used for new gas monitoring and management systems, upgrades to degassing, ventilation and electrical equipment, and prevention of coal face collapses. Staff training will be another key element of the project. The project is the first in a wider Bank initiative to support improvements to environmental, health and safety practices in mines in the Bank's countries of operations.



### Meinl Caucasus and Central Asia

The EBRD and Meinl European Land, one of the largest European real estate companies, teamed up to create a joint venture that will invest in retail developments in the Caucasus and Central Asia, with the aim of raising the quality of such property in the major cities in the region. The EBRD took a 35 per cent share in the joint venture for just over €130 million. Projects can include hotels, offices and residential property, particularly in Georgia, Kazakhstan and Armenia.



## How to obtain EBRD financing

**Large private sector projects**  
[www.ebrd.com/apply/large](http://www.ebrd.com/apply/large)

**Small projects**  
[www.ebrd.com/apply/small](http://www.ebrd.com/apply/small)

**Trade**  
[www.ebrd.com/apply/trade](http://www.ebrd.com/apply/trade)

**Complementary schemes**  
[www.ebrd.com/apply/tambas](http://www.ebrd.com/apply/tambas)

**Application form**  
[www.ebrd.com/apply](http://www.ebrd.com/apply)

Today the EBRD uses the tools of investment to help build market economies and democracies in countries from central Europe to central Asia.



**European Bank**  
for Reconstruction and Development

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For information requests and general enquiries, please use the information request form.  
[www.ebrd.com/inforequest](http://www.ebrd.com/inforequest)

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### Exchange rates

Non-euro currencies have been converted, where appropriate, into euro on the basis of the exchange rates current on 31 December 2007. (Approximate euro exchange rates: £0.73, US\$ 1.47, ¥ 164.87.)

[www.ebrd.com/kazakhstan](http://www.ebrd.com/kazakhstan)



## French cooperation with the EBRD

### Technical cooperation

Two technical cooperation (TC) funds were established by France and the EBRD in 1991 and 1992. Since then, France has contributed €27.7 million to support the preparation and implementation of EBRD projects through bilateral (€15.5 million) and multi-donor initiatives (€12.2 million) aimed at implementing the Regional Venture Fund and the Russia Small Business Fund. In 2007 France earmarked €1.0 million for the EBRD's Sustainable Energy Initiative (SEI) and signed a contribution agreement of €3.0 million to further support the SEI under the Fonds d'études et d'Aide au Secteur Privé (FASEP) Facility.

### Consultancy

In 2007, 57 consultancy contracts worth €7.3 million were awarded by the EBRD and its borrowers to French consultants. This number included 18 contract awards by the EBRD's TurnAround Management Programme for provision of management advice. The other main areas of expertise were in finance, property and tourism, and transport.

### Trade Facilitation Programme

Since the start of the programme in 1999 the EBRD has financed more than 6,745 transactions worth more than €3.4 billion, including 228 export and import transactions of French companies totalling €76.1 million. As of 2007, 34 French banks and branches of banks have joined the programme as confirming banks.

### Official co-financing

Through official agencies such as the Ministry of Finance and the Caisse des Dépôts et Consignations (CDC), France has co-financed EBRD projects with €136 million. The co-financing comprised a combination of grants, parallel loans and equity.

### EU/EBRD SME Finance Facility

French financial institutions have taken part in the programme through leasing subsidiaries of Société Générale in the Czech Republic, Hungary, Poland, Romania and Slovenia; and Crédit Agricole's subsidiary in Poland. The EBRD committed a total of €147 million to these companies, with financial support of €17.5 million from the European Union. A cumulative total of 10,674 leases and loans were disbursed by the end of 2007 for a total volume of €226.5 million.

## Upgrading transport services in Kiev

In 2012 Ukraine – together with Poland – will host the European football championship and Kiev will be one of the main arenas.

The municipal transport companies Kyiv Metropolitan and Kyiv PasTrans are using €100 million of EBRD financing to purchase new underground trains, buses and trolleybuses and fund service improvements to cope with an increase in traffic.

French donor funding of €150,000 will help to train staff and carry out a financial due diligence of the two Kiev companies.



## At a glance

**€10.9 billion** – the value of joint French-EBRD investments

Since 1991 France has contributed **€27.7 million** to EBRD funds

**57 contracts** worth **€7.3 million** were awarded to French consultants in 2007

France earmarked **€1 million** for the EBRD's Sustainable Energy Initiative

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# United Kingdom

## Investor factsheet



European Bank  
for Reconstruction and Development

## UK cooperation with the EBRD

### Technical cooperation

The United Kingdom ranks among the top four bilateral supporters of the EBRD's Technical Cooperation (TC) Funds Programme. TC funds are grants from donors that complement lending in addressing specific aspects of individual investments and larger initiatives to underpin the transition of former communist countries to market economies.

The United Kingdom has contributed €40.5 million to bilateral funds, a further €22 million to multi-donor arrangements such as the Western Balkans Fund and the Early Transition Countries Fund, in which the United Kingdom has taken a lead. The UK Department for International Development also signed a memorandum of understanding establishing a €5 million fund to support the EBRD's Sustainable Energy Initiative in March 2007.

### TC funds supporting investments

UK TC funds are linked to €2.9 billion in 109 EBRD investments concentrated in municipal infrastructure, oil and gas, and financial institutions.

### Consultancy

In 2007 British consultants retained the largest share of consultancy contract awards by the EBRD: 683 contracts (out of 2,377) worth €55.2 million went to British consultants, which amounts to over 40 per cent of the value of all contract awards. British consultants were extensively engaged for assignments related to the Bank's institutional needs such as IT system upgrades and maintenance, risk management and equity systems review and development, and staff training.

### Trade Facilitation Programme

Under the Trade Facilitation Programme (TFP) the EBRD guarantees the payment of trade finance instruments (such as letters of credit and payment guarantees) that are issued by banks in the EBRD's countries of operations to foreign confirming banks.

Since the start of the programme in 1999 the EBRD has financed more than 6,745 transactions worth more than €3.4 billion, including 303 export and import transactions of companies in the United Kingdom totalling €175.5 million. Sixty banks and branches of banks in the United Kingdom have joined the programme as confirming banks (all figures as per 31 December 2007).

### Official co-financing

The United Kingdom has provided a total of €86.6 million for co-financing of EBRD investments in the form of grants, export credits, equity and loans (the latter two through multi-donor arrangements). The United Kingdom has co-financed the Bosnia and Herzegovina Emergency Power Reconstruction project at €9.7 million.

## Making Georgian businesses energy efficient

The UK-DFID Sustainable Energy Fund is supporting energy efficiency projects in Georgia by backing an EBRD US\$60 million framework facility for energy improvements. Through local banks, the facility is on-lent to private sector industrial entities and residential customers to support rational energy use.

The framework has been developed to encourage enterprises and housing associations to make better use of the country's energy resources, while sharp increases in energy prices and a secure supply of energy have become important national priorities.



## At a glance

€9.7 billion – the value of joint UK-EBRD investments

683 contracts were awarded to British consultants in 2007

The UK is one of the top four bilateral supporters of the EBRD's Technical Cooperation Funds Programme

€86.6 million for co-financing of EBRD investments was committed by the UK

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[www.ebrd.com](http://www.ebrd.com)



# United States

## Investor factsheet



European Bank  
for Reconstruction and Development

## US cooperation with the EBRD

### Technical cooperation

Since 1991, the United States has contributed US\$ 126 million to the EBRD's Technical Cooperation Funds Programme, which prepares the way for EBRD projects. The key areas of support are the development of small and medium-sized enterprises (SMEs), the modernisation of infrastructure and the expansion of the financial sector in the EBRD's countries of operations. The United States provides its support via several US government agencies and through a variety of funds.

### Consultancy

Of the 2,377 consultancy contracts worth €136 million awarded by the EBRD in 2007, US consultants ranked in the top 10, with 42 contracts totalling €5.53 million. The main areas of expertise were in agribusiness, finance, power and energy.

### Consultancy contracts – highlights in 2007

<b>Assignment</b>	Implementation of the Mongolian Microfinance Impact Assessment Survey/Mongolia
<b>Funding source</b>	Bank budget
<b>Contract value</b>	€187,335
<b>Winner</b>	National Opinion Research Center, United States
<b>Assignment</b>	Odessa District Heating Project – Feasibility Study/Ukraine
<b>Funding source</b>	EBRD-DFID (UK) Sustainable Energy Initiative Fund
<b>Contract value</b>	€187,335
<b>Winner</b>	Advanced Engineering Associates International, Inc., United States

### Trade Facilitation Programme

Under the Trade Facilitation Programme (TFP) the EBRD guarantees the payment of trade finance instruments (such as letters of credit or payment guarantees) that are issued by banks in the EBRD's countries of operations to foreign confirming banks.

Since the start of the programme in 1999 the EBRD has financed more than 6,745 transactions totalling more than €3.41 billion, including 305 export and import transactions of companies in the

United States for the total amount of €164.1 million. Forty-two banks and branches of banks in the United States have joined the programme as confirming banks (all figures as per 31 December 2007).

### US/EBRD SME Finance Facility

Established in 2000, the Facility promotes growth and economic development in south-eastern Europe and the early and intermediate transition countries. It has helped leverage over 1.6 million micro and small enterprise (MSE) loans through programmes in 17 countries for a total of over US\$ 11.8 billion.

## Finance for Tajik farmers

With 70 per cent of the population reliant on cotton for their livelihoods, what is known as "white gold" dominates life in Tajikistan. It is a vital source of export earnings and tax revenue for the country. But cotton-related indebtedness has virtually paralysed the Tajik cotton industry. The high level of debt is the result of producer exploitation by some of the cotton processing and marketing monopolies that traditionally controlled credit supply.

To help relieve the situation, in 2008 the EBRD launched the Tajik Agricultural Finance Framework (TAFF), backed by US\$ 600,000 in donor funding from the United States.

Total financing in the Fund of up to US\$ 35 million will provide small farmers with alternative sources of credit for the purchase of farming supplies, freeing them from historic ties with the cotton processing and marketing monopolies.



## At a glance

The United States is the largest shareholder and third largest donor of the EBRD

€11 billion – the value of joint US-EBRD investments

42 contracts worth €5.53 million awarded to US consultants in 2007

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