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INVEST

FOREIGN DIRECT INVESTMENT

Since declaring independence, Kazakhstan has passed a series of reforms to liberalize its economy and attract foreign investment. However, regional conflicts, sanctions imposed on Russia, and negative growth prospects have more recently deterred foreigners from investing in the region. According to UNCTAD's [World Investment Report 2023](#), FDI inflows into the country recorded an increase of 83.1% in 2022, reaching USD 6.1 billion, almost twice the amounts recorded before the pandemic, with increases in the extractive industries (to USD 4.1 billion), mainly from MNEs in the Netherlands and the United States. While equity turned negative, reinvested earnings reached USD 10 billion – the highest value ever recorded – boosted by high profits in the extractive industries. In the same period, the total stock of FDI stood at 154.1 billion, around 68.3% of the country's GDP. During the first half of 2023, Kazakhstan experienced a net inflow of FDI amounting to USD 4.1 billion, marking an 86% increase compared to the corresponding period one year earlier, as reported by the Kazakh Invest National Company. Moreover, investments directed towards the manufacturing industry surged by 60% within the same period. In 2023, construction and installation activities commenced on 42 projects exceeding \$3 billion in value. These projects included the production of thermal insulation materials by the Italian company Cormatex, the construction of a new KIA plant valued at USD 250 million, and the creation of 1,500 job opportunities. Furthermore, notable entities such as Italian ENI, French TotalEnergies, German Szevind, China Power, Emirati Masdar, Saudi ACWA Power, among others, expressed interest in advancing renewable energy sources in Kazakhstan. According to figures from the Central Bank, the mining and quarrying sector is the one receiving most FDI (35.3%), followed by professional, scientific, and technical activities (22.6%), manufacturing (15%), and trade (11.5%). The main investing countries are the Netherlands (29.2%), United States of America (13.7%), Switzerland (8.6%), China (6.1%), Russia (5.2%), and France (4.7%).

Kazakhstan is reputed to have a very good investment climate, and several international companies have established their regional headquarters in the country. In general, the government has been gradually improving the business climate for foreign investors and plans to create a national company, "Kazakh Invest," which would facilitate the activities of foreign investors in Kazakhstan. Despite institutional and legal reforms, challenges such as corruption, excessive bureaucracy, arbitrary law enforcement, and limited access to a skilled workforce persist in certain regions and sectors. Furthermore, the government's inclination to expand its regulatory involvement in investor relations, promote import-substitution policies, restrict the use of foreign labor, and intervene in companies' operations remains worrisome for foreign investors. Moreover, due to Kazakhstan's lengthy border and deep economic connections with Russia, the investment climate in Kazakhstan is impacted by Russian aggression against Ukraine and the resulting sanctions imposed on Russia. Kazakhstan lacks a screening system and specific legislation addressing the national security implications of FDI. Overall, the country ranks 81st among the 132 economies on the [Global Innovation Index 2023](#) and 66th out of 184 countries on the latest [Index of Economic Freedom](#).

| Foreign Direct Investment | 2020 | 2021 | 2022 |
|---|---------|---------|---------|
| FDI Inward Flow <i>(million USD)</i> | 3,670 | 3,337 | 6,108 |
| FDI Stock <i>(million USD)</i> | 151,910 | 152,763 | 154,183 |

| Foreign Direct Investment | 2020 | 2021 | 2022 |
|--|------|------|------|
| Number of Greenfield Investments* | 10 | 21 | 21 |
| Value of Greenfield Investments (million USD) | 850 | 828 | 361 |

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

| Country Comparison For the Protection of Investors | Kazakhstan | Eastern Europe & Central Asia | United States | Germany |
|--|------------|-------------------------------|---------------|---------|
| Index of Transaction Transparency* | 9.0 | 7.5 | 7.0 | 5.0 |
| Index of Manager's Responsibility** | 6.0 | 5.0 | 9.0 | 5.0 |
| Index of Shareholders' Power*** | 9.0 | 6.8 | 9.0 | 5.0 |

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN KAZAKHSTAN

Strong Points

The main assets of the country are:

- Kazakhstan's economy is primarily based on its large hydrocarbon resources and strong production capacity in this area.
- Located at the crossroads of Europe and Asia, the country has benefited from the huge investments made by China through its China's Belt and Road Initiative program to improve its transport infrastructure.
- The economic situation is relatively good and growing (4.5% in 2019 - IMF) despite a financial sector affected by the financial crisis.
- Kazakhstan has strong economic potential, a skilled and abundant workforce and a quality banking system.
- Kazakhstan is the largest economy in Central Asia: the country accounts for more than 60% of the region's GDP (*The Astana Times*, 2020)
- With a favourable investment climate, the country ranked 25 in the World Bank's Ease of Doing Business ranking 2020.
- Reliable transport and communication infrastructures (24 airports and the region's highest internet penetration rate 81.9% in 2019 - World Bank, latest data available).

Weak Points

Heavy constraints weaken Kazakhstan's economic potential and hinder the attraction of FDI:

- An economy highly dependent on commodity prices and Russian economic conditions
- Weak liberalisation of the economy: the strategy of the government in place is interventionist and protectionist

- An authoritarian political regime as a solution to chronic political instability in the region: a generally weak legal, legal and administrative framework, thus slowing down trade and allowing corruption to operate (Kazakhstan ranked 94th out of 180 according to *Transparency International*, 2020)
- The right to intellectual property is poorly protected
- The infrastructure is below international standards
- Landlocked country with a low population density
- Vulnerability of the exchange rate to foreign shocks

Government Measures to Motivate or Restrict FDI

Government policy has been encouraging foreign investment for nearly two decades (thanks to December 1994 and February 1997 laws) with measures such as reduction and even waiver of taxes for 5 years, a state subsidy, partial or total exemption from duties and taxes on equipment, raw materials and other material necessary for investment.

A new law aimed at making significant improvements to the investment climate in Kazakhstan was passed by the government on 24 June 2014 and has applied since 1 January 2015. The law introduces preferential treatment for investors involved in "priority investment projects". To counteract the economy's great dependence on its hydrocarbon production, the state has put in place programmes to diversify the economy by encouraging all initiatives relating to industrialisation, innovation and new technologies. For example, in 2017, the country launched the "Kazakhstan National Technology Initiative" program which by 2025 is supposed to accelerate technology renewal and create new digital-based industries in all sectors. At the same time, the state wants to liberalise the economy gradually, through the development of public-private partnerships and thus seeks to minimise its participation in the national economy.

As of January 2020, the restriction on opening branches of foreign banks and insurance companies has been lifted, in line with Kazakhstan's WTO commitments.

INVESTMENT OPPORTUNITIES

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Kazakhstan

[Globaltenders](#), Tenders & Projects from Kazakhstan

[Asian Development Bank](#), Proposed Projects in Asia

[DgMarket](#), Tenders Worldwide

Finding Assistance For Further Information

Investment Aid Agency

[The Foreign Investment Council](#)

[Development Bank of Kazakhstan](#)

[Kazakhstan Investment Fund](#)

[Invest in Kazakhstan](#)

[Ministry of Industry and Infrastructural Development](#)

Other Useful Resources

[Chamber of Commerce and Industry of the Karaganda region](#)
[Department for Companies and Industries of the Atyrau region](#)
[Department for Companies and Industries of the Kyzylorda region](#)

Doing Business Guides

[Investment Climate in Kazakhstan - US Department of State](#)
[Deloitte Tax Guide for Kazakhstan](#)
[Doing Business Guide - World Bank](#)