

# Kazakhstan National Day Special

## Country's financial future looks promising after pandemic crisis

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The Eurasian Development Bank (EDB) projected a 3.2% increase in the aggregate gross domestic product of member countries in 2021, after a 3.8% drop in 2020. The forecast assumes the corona-

virus will slow and countries will lift restrictions in the first half of 2021.

A full recovery of the GDP of the EDB's states to pre-crisis levels will take up to three years. The EDB estimated Kazakhstan should reach pre-crisis level first in the second half of 2021 because it had a relatively small decline. Russia, Kyrgyzstan, and Armenia will reach their 2019 fourth quarter indicators in the first half of 2022, while Belarus will reach them in 2023.

State support for people and business mitigated a larger economic downturn. According to the report, Kazakhstan and Russia introduced the most ambitious anti-crisis packages of approximately 8.7% and 4.5% of their GDP, respectively. State support measures can compensate for around 2 to 3% of GDP losses in Kazakhstan and 1.3 to 2.3% in Russia in 2020. Belarus, Kyrgyzstan, and Tajikistan's state support was relatively small (1.1, 2.4 and 2.5% of GDP, respectively) for their limited fiscal reserves.

Quarantine measures to mitigate COVID-19's spread have harmed the global economy. Despite the global crisis, Kazakhstan maintains low public debt and significant fiscal reserves, sufficient to cushion external

shocks. Moody's, Fitch Ratings, and Standard and Poor's confirmed Kazakhstan's stable rating for international investments.

The Kazakh Ministry of National Economy forecast the real growth of the country's GDP will be 2.8% in 2021 and 4.6% in 2025.

Kazakhstan has created a favorable investment climate by simplifying the tax regime, improving national legislation and expanding investment perks for companies. The country has guaranteed the stability of tax legislation for investors implementing projects in priority sectors.

While the world had seen a decrease in investment in 2018 and 2019, Kazakhstan's gross inflow of foreign direct investment increased 15.8% in 2018 and remained at \$24 billion from 2019.

### Politically stable country

In 2019, the first President of the Republic of Kazakhstan Nursultan Nazarbayev assumed historical responsibility and as part of the constitutional procedures transferred power to his successor Kassym-Jomart Tokayev. Elected by the people to the highest state post on Dec. 1, 1991, Nazarbayev became the first president of Kazakhstan, which was actually at that time, in his words, "At the edge of the abyss." He chose a national strategy suitable to the realities and created a capable model of public administration — a decisive factor in Kazakhstan's success. After the Soviet Union dissolution, independent Kazakhstan inherited an extremely difficult sociodemographic situation. In a country that aspired to a market economy, archaic management mechanisms and organization of state institutions were preserved. It was important to preserve peace and harmony in the multinational society, which consists of more than 130 nationalities and more than

30 religions. Through all these thorns passed the young Kazakhstan under leadership of the president. Nazarbayev built all necessary institutional and legal frameworks to ensure stability of the political process and sustainability of the state course.

Based on this legacy, Kazakhstan will run elections for the Majilis (lower house of parliament) and the Maslikhats (local representative bodies) on Jan. 10. For the first time in 16 years, parliamentary elections will be held under conditions strictly meeting constitutional requirements — more than two months before the end of terms of the deputies in the current convocation.

Since 2007, the Majilis consists of 107 deputies: 98 elected by a proportional electoral system according to party lists, while nine independent nonparty deputies are elected by the Assembly of the People of Kazakhstan.

The upcoming Majilis elections will have several key differences from previous elections.

First, changes in electoral legislation see the introduction of the institution of parliamentary opposition. Now, one chairman and two secretaries of the standing committees of the Majilis will be elected among the deputies of the parliamentary opposition.

Secondly, there are provisions in the constitutional law on elections in the Republic of Kazakhstan and the law on political parties," which for the first time, introduced a 30% quota in party lists for women and youth. This will become an effective mechanism for involving women and youth in parliament and local representative bodies, contributing to their increased participation in the country's sociopolitical processes.

### New reform agenda

Tokayev signed a decree on Sept. 14 estab-

lishing the Supreme Council for Reforms in the country. The goal of the council, announced by Tokayev in his Sept. 1 state-of-the-nation address, is to ensure strategic planning of the country's sustainable development and deepening of economic, social and political reforms. The council will review and adopt suggestions for reforms proposed by the new Agency for Strategic Planning and Reforms, which is responsible for analyzing the current situation, emerging trends and international experience.

The council will be chaired by Tokayev, while Sir Suma Chakrabarti, former president of the European Bank for Reconstruction and Development, will serve as deputy chair.

The Astana International Financial Centre (AIFC) will play a key role in the restoration of Kazakhstan's economic growth during the pandemic crisis.

The relatively new financial center has already shown good growth indicators. The AIFC has registered more than 500 companies from 42 countries. From its establishment in 2018 through July 2020, participating companies have invested approximately \$444 million in the development of financial technologies, construction, agriculture and manufacturing. Additionally, investors announced their intentions to invest around \$3.5 billion into the Kazakh economy.

Kazakhstan designed the AIFC to support investment inflow and develop the domestic financial market. The AIFC enjoys a special legal regime based on the principles of English law and an independent regulatory environment based on the best international standards, as well as a wide range of services available on the Astana International Exchange (AIX).

The AIX listed new financial instruments for the region such as bonds in yuan, *sukuks* (Islamic securities) and green bonds. Their placement was the first listing of securities that comply with Kazakhstan's new rules for green bonds.

Meanwhile, the AIFC continues to create an infrastructure to support business activities in the country. The AIX has launched a

Regional Equity Market Segment to provide Kazakhstan and Central Asian midsize companies with better access to equity financing. This allowed both large- and medium-sized companies to issue shares on the AIX. The AIX also eased requirements on issuing securities and allowing them to receive funds on more favorable terms than comparable offers by banks.

*This content was compiled in collaboration with the embassy. The views expressed here do not necessarily reflect those of the newspaper.*

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on the Anniversary of  
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