

INVESTING TO KAZAKHSTAN

Kazakhstan, the largest country in Central Asia, is increasing its investment potential. It was ranked 36th among 190 countries by *Doing Business* who ranked using investment attractiveness criteria. Nowadays, the country has the most favourable business policy for investors among all states in the region and the Commonwealth of Independent States (CIS).

Since Kazakhstan gained independence, it has made many efforts to become attractive for foreign companies and transnational investors. The country has a variety of mineral resources: oil, natural gas, uranium reserves, about 1,225 types of mineral raw materials, rich deposits of ores of various metals, rare earth elements and combustible and non-metallic minerals. Kazakhstan is ranked 1st in the world in explored reserves of zinc, tungsten and barite, 2nd for silver, lead, uranium and chromite, 3rd for copper and fluorite, 4th for molybdenum, and 5th for gold. The development and especially the processing of all these riches require a lot of finance, the source of which is foreign capital.

Over the past decade Kazakhstan has got US\$ 264 billion as a direct investment in the economy, but mostly in materials sector (mining). However, expanding the investment field through industrial and manufacturing projects was recently suggested to investment partners.

Thus, a great emphasis was placed on the development of the agro-industrial complex. Kazakhstan is willing to provide incentives to project implementers such as investment and tariff subsidies and tax preferences in exchange for investments.

If the investor apart from cultivation of products is willing to engage in their processing, the government is ready to grant him the most favorable treatment. Such a loyal investment climate would not be attractive if Kazakhstan did not guarantee investors full and unconditional protection of their rights and interests. The political stability of the country and the inviolability of compliance with the terms of contracts make it the most attractive for foreign partners.

In Kazakhstan one always plays by the rules. Companies that have been working in Kazakhstan for many years are deeply convinced that the economic and political stability and dynamics of the country's development are predictable. Therefore, they do not bear any risks.

Perhaps this factor, coupled with preferential opportunities, encourages investors to head toward areas that the government of Kazakhstan defines as a priority for its own economic development.

That is why in recent years there has been an increase in investor interest for the non-primary sectors. Thus, in just one half of 2018, the volume of gross inflows of direct foreign investment grew by 15.4% and amounted to US\$ 12.3 billion, half of which was invested in the processing sector.

In order to match national and foreign investors interests, Kazakhstan has a number of bodies working with foreign partners namely: the Council of Foreign Investors under the President of the Republic of Kazakhstan, the National company "Kazakh Invest", the Ministry of Foreign Affairs which is engaged in implementation of state policy on attracting investments, the Ministry of National Economy which deals with formation of state policy on attracting investments, Council for the Improvement of the Investment Climate under the Prime Minister of the Republic of Kazakhstan, Investor Councils under the governor of regions, and many other national and development institutions.

The national company *Kazakh Invest* provides a full range of services for the support of investment projects ranging from idea to implementation on the "one stop shop" principle and acts as a single coordination center for special economic zones of the Republic of Kazakhstan. It also plays the role of a single negotiator representing the interests of the government of Kazakhstan when discussing the prospects and conditions for the implementation of investment projects and the single access point to the public services.

In 2018, 27 investment projects with the participation of *Kazakh Invest* jointly with foreign capital worth US\$ 3.1 billion were put into operation. In January 2019, there are 157 projects in the monitoring system of the company for a total of US\$ 39.6 billion.

Today in Kazakhstan there are 11 special economic zones (SEZ). The main set of benefits for these zones is standard and is fixed by Kazakhstani legislation. Participants of all SEZs are provided with exemption from corporate income tax, land tax and property tax.

When goods are sold on the territory of a special economic zone, their value-added tax (VAT) passes at a zero rate. In addition, they are exempt from customs duties and import VAT, import customs duties, and return on investment costs.

Investors are accompanied at the stage of their entry into the country. They are assisted in all aspects ranging from starting a business and its further functioning, from obtaining a visa to receiving state support.

An integrated system of state support for investment activities has been introduced in order to create a favourable climate for the economic development and stimulate the inflow of foreign capital, expand and update existing industries using modern technologies, improve the skills of Kazakhstani personnel, and protect the environment.

Currently, the state provides the investor the right to invest in any facilities and types of business activities.

In general, Kazakhstan provides the investor a number of guarantees regardless of his/her citizenship. The most important of which is stability and compliance with the conditions of the concluded contracts. The investor is guaranteed the right to compensation for harm caused to him or her as a result of issuance of acts by state bodies that do not comply with the laws of the Republic of Kazakhstan, as well as illegal actions or inactions of officials of these bodies.

In case of a need for nationalization or requisition, the investor shall be fully reimbursed for the losses incurred and payment shall be made at the market value of the property.

Today, Kazakhstan is one of the fastest growing economies of the region and the CIS. A wide choice of areas for investment, full support from the state, the most favourable policy for all stages of business, and the political stability of the country make Kazakhstan attractive for large corporations. Moreover, the country occupies a very advantageous geopolitical position in the Center of Eurasia.