

KAZAKHSTAN

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RECONSTRUCTION AND DEVELOPMENT**

On behalf of the delegation of the Republic of Kazakhstan, I thank the Government of the Republic of Cyprus and the Nicosia city authorities for their hospitality and the excellent organisation of the Annual Meeting of the European Bank for Reconstruction and Development.

This year marks a quarter of a century since Kazakhstan and the EBRD began working together.

Kazakhstan is the second largest country of operations when measured by levels of financing, and maintains a leading position in the Central Asian region. Over the past 25 years, the Bank has financed 225 projects in Kazakhstan, which have amounted to more than €7.4 billion.

The years of our longstanding partnership between the Government of Kazakhstan and the Bank have led to the establishment of a mutually beneficial and fruitful relationship.

The signature in 2014 of the Framework Agreement on the partnership between the Government of the Republic of Kazakhstan and international financial institutions, including the EBRD, has played an important role in the revitalisation of the association.

In 2016, investment levels in Kazakhstan reached over €1 billion, covering 30 projects in areas such as agro-industry, infrastructure, public utilities, energy, financial institutions and small and medium-sized business.

Turning to Kazakhstan's economic environment, despite adverse external risks, such as a fall in the price of raw materials and the stagnating economies of our trading partners, which were especially acutely felt in the first half of 2016, the economy grew by 1 per cent last year.

It is worth noting that these adverse factors have run their full course at present.

In Q1 2017, Kazakhstan's economy developed against a backdrop of recovering consumer and industrial activity among our key trading partners, including EU countries, China and Russia.

According to preliminary data, in the first quarter of 2017, Kazakhstan's GDP grew by 3 per cent, whereas for the same period in the previous year, a slight fall had been recorded. The drivers of economic growth were manufacturing, construction, transport and trade.

In March 2017, the rate of inflation was 2.3 per cent when compared to the beginning of the year; that was 0.7 percentage points lower than the same figure for the previous year.

The level of unemployment fell to 4.9 per cent.

Kazakhstan's economy is currently experiencing a period of profound transformation, and the key challenge is to overcome low growth rates and ensure higher medium-term growth.

To that end, our Head of State announced a programme at the beginning of the year to modernise the economy. Implementation would begin as part of creating of a new model of economic growth. Its aim: for the country to join the list of the world's top 30 most developed countries.

The new model of economic growth is focused on the economy attaining an average annual growth rate of the order of 5–6 per cent, meaning that we must achieve an additional increase of 2–3 per cent GDP per year.

Under the main terms of "Modernisation 3.0", Kazakhstan's key economic policy priorities are:

1. Accelerating technological modernisation;
2. Radically improving the institutional and business environment;
3. Macroeconomic stability;
4. Enhancing the quality of human capital;
5. Institutional transformation, security and combatting corruption.

The drivers of the new growth model will be those sectors of the economy that will ensure the growth of productivity and exports. There is great potential for economic growth in traditional sectors: manufacturing and agriculture.

It is gratifying to note that the fundamental components of the EBRD's draft country strategy for Kazakhstan, 2017–2021, coincide with our country's strategic development aims, and consist of providing support to Kazakhstan in the modernisation of its economy and in increasing its competitiveness, to ensure the sustainable and inclusive growth of Kazakhstan's economy.

In conclusion, I would like to wish the Bank's management every success in achieving its ambitious aims and delivering on the objectives before it in the years to come.
