

EBRD increases investment

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SUMA CHAKRABARTI is President of the European Bank for Reconstruction and Development (EBRD). After studying Politics, Philosophy and Economics at the University of Oxford, Sir Suma took a Masters in Development Economics at the University of Sussex. Previously, he was Permanent Secretary at the Ministry of Justice. Prior to this he headed the Department for International Development. Sir Suma has also worked at the Treasury, where he was responsible for public expenditure, and in the Cabinet Office, where he led on cross-departmental strategic issues and the management of the Cabinet agenda.

Astana, the capital city and government headquarters of Kazakhstan

They say where there is a will, there is a way. This saying rings true about the EBRD's cooperation in Kazakhstan, which surged last year despite difficult economic conditions in the region, boosted by the EBRD's focus on the country and the political will in Kazakhstan to continue developing closer ties with partners and investors from all over the world.

In 2014 the EBRD boosted its investments to US\$10.8 billion in over 30 countries where it operates. Kazakhstan was one of the countries in which our business volume increased the most: last year we invested US\$700 million compared with US\$450 million in 2013. We consider Kazakhstan to be one of the most important countries in which we work; we have 65 staff members and 7 offices in the country.

So why is EBRD investment growing so much in Kazakhstan? The answer first of all lies in the initiative by the President, Nursultan Nazarbayev, and the government to enter into an innovative Partnership Arrangement with the EBRD and other international financial institutions, in order to boost reform, improve

the investment climate and increase financing in vital sectors by blending public funding with the EBRD's own resources. Thanks to the Arrangement, we were able to increase the flow of funds to Kazakhstan by about three-quarters, especially in public utilities and sustainable energy. The Bank's active portfolio is close to US\$2.5 billion with a pipeline of a further US\$1.4 billion of potential investment currently under review.

Second, Kazakhstan is both the bridge from Central Asia to the world and the engine of economic growth in Central Asia. We think that financing models and ideas implemented in Kazakhstan – such as a new investor-friendly investment law – can provide a more stable environment for investment. We also believe that with better regional cooperation and economic links, the whole of Central Asia can benefit from Kazakhstan's success.

And third, Kazakhstan is a very important country for the EBRD because the Bank's mandate is about reform and transition to an open market-oriented economy. Kazakhstan has taken big steps on this road since its independence. Today it is a middle-



income country and ranks 45th worldwide in terms of GDP, with a population of only 18 million. But it has ambitions to escape the “middle-income trap”, to reform and reach levels of prosperity comparable to that of developed countries. With this aim in mind, Kazakhstan has demonstrated that it is determined to re-energise transition and is accelerating reforms, increasing efforts to diversify the economy away from the oil and gas sector on which it remains heavily dependent, and rebalancing its economy away from state control and towards the private initiative. This is what the EBRD also believes. To help re-energise the transition process in Kazakhstan, the EBRD is partnering with the government on a number of reforms in a range of sectors, including legislation that enables the commercial development of renewable energy (including wind farms which we are now also financing), regional trade, corporate governance, carbon off-setting systems, legislation that regulates subsoil usage and brings it in line with international standards, and policy dialogue in other areas.

So what else keeps us busy in Kazakhstan today?

One of the areas in which the EBRD is especially keen to cooperate in Kazakhstan is the rebalancing of its economy to allow for a greater role of the private sector, including in such areas as infrastructure. We recently hosted in our London headquarters a launch of the Almaty Ring Road PPP, also known as BAKAD, a pilot public-private partnership project that will lead the way for public sector participation in other infrastructure projects. If successful, the project could help open up the sector to foreign investment as well. The EBRD itself will consider becoming a lender to the concessionaire chosen as a result of an open tender.

Energy remains an extremely important sector, where we support a range of progressive issues. We finance projects from the first wind farm to grid modernisation. We also work with municipalities and the largest private energy company CAEPCO, and support innovative approaches such as the carbon trading system – the first in the whole of Asia.

Another sector in which the EBRD believes Kazakhstan has potential is agriculture and food production. Of course modernising this sector, burdened with the legacy of a centrally planned economy, has not been easy in any of the former Soviet states, and it has not been easy in Kazakhstan. However, Kazakhstan has already managed to become a leading grain producer, and we believe that the Kazakhs can develop the sector further to become one of the engines of the more diversified economy. The Bank is also ready to invest in the sector and, in 2015, will be working on projects in the poultry, meat processing, edible oils and cotton sectors.

We are continuing our unprecedented programme

of support for the modernisation of municipal infrastructure and transport, with a special focus on Kazakhstan’s regions. Last year I visited Kyzylorda, which is now improving its transport, water and wastewater, solid waste and district heating sectors with financing from the EBRD and the government. This year, I will visit Shymkent where the Bank is already supporting innovative projects, such as a biogas plant, and is planning to do more.

And of course we are continuing our dialogue with the authorities. The upcoming visit by the Prime Minister of Kazakhstan, Karim Massimov, to the EBRD headquarters in London is part of that dialogue.

The Prime Minister’s visit is also part of Kazakhstan’s drive to open up to the world. Kazakhstan is pursuing a multi-vector economic foreign policy, which we believe could bring significant economic benefits. To highlight the benefits of an open approach, the Prime Minister and I will attend the signing of a financing agreement between the EBRD and a Turkish group of companies, Yildirim, to build a new high-tech enterprise introducing international best practice to chromium mining in Kazakhstan’s Aktobe region. The EBRD is lending US\$130 million for the project with a further US\$130 million syndicated to other lenders. This is only one example of the EBRD’s support for foreign investment in Kazakhstan. We stand ready to support the country in its effort to attract investors, both foreign and domestic, to bring in new technologies and standards, and to diversify the economy. 

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The modernised transport system in Almaty

