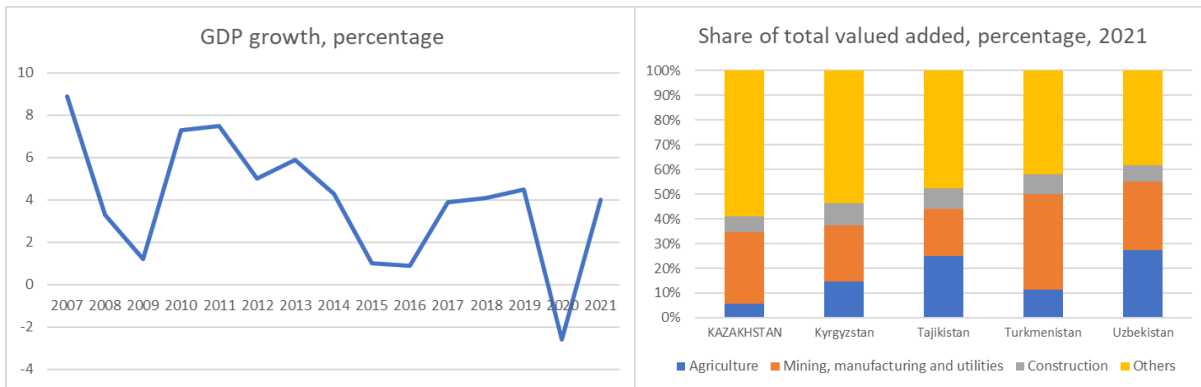


KAZAKHSTAN Country Brief

Economic overview

The largest economy in Central Asia

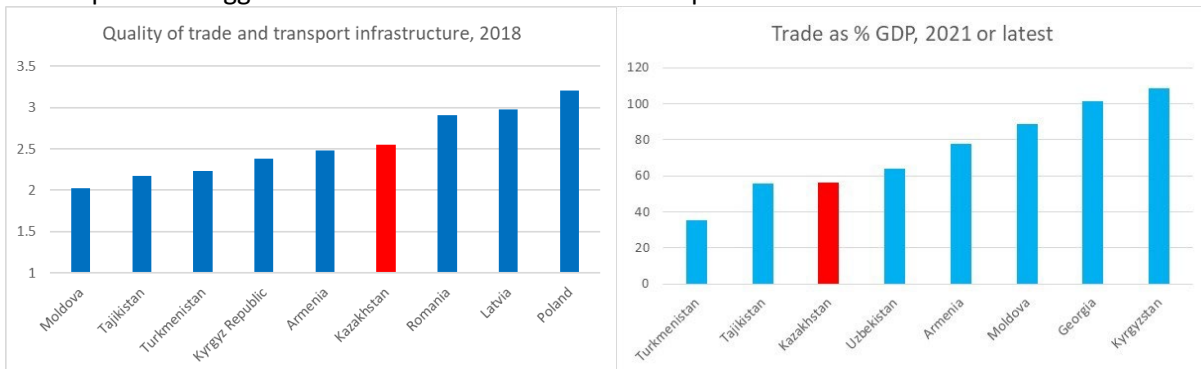
Kazakhstan is the largest economy in Central Asia, accounting for more than half of total output in 2021 (PPP \$ prices). It is also the country with the highest GDP per capita in the region, being more than twice the unweighted regional average. Economic performance over the last decade has been derailed by various external shocks but output has bounced back strongly afterwards. As a result, GDP increased by a compound annual growth rate just above 3% over the last decade. However, productivity decline in the second half of the decade points to the need to find new growth drivers. Although the country has made some progress in economic diversification, hydrocarbons and other commodities remain the main influencers of economic dynamics and shock transmissions. The large geographical extension and the significant regional diversity poses particular development challenges.



Source: IMF, UN Statistical Division

Regulatory changes would facilitate further integration in the world economy

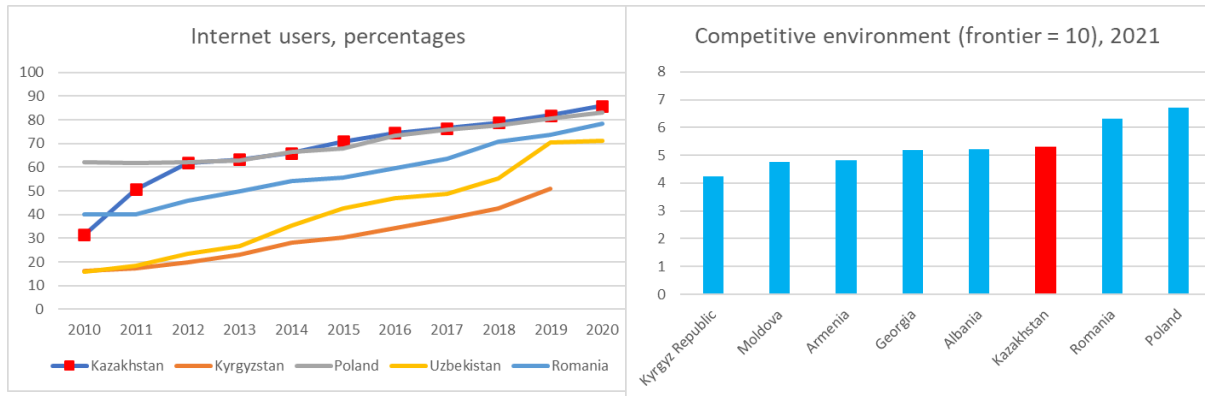
As a landlocked country, Kazakhstan is at disadvantage regarding its integration in the world economy. The war in Ukraine has created further complications for trade logistics. Although Kazakhstan scores better than other countries in Central Asia regarding the quality of transport and trade infrastructure, there is much yet to be gained from efforts to facilitate trade and improve transport connectivity, including by using digital solutions that reduce costs and widen options. A relatively low degree of trade openness suggests that there is room for further improvement.



Source: World Bank Development Indicators

A challenging business environment

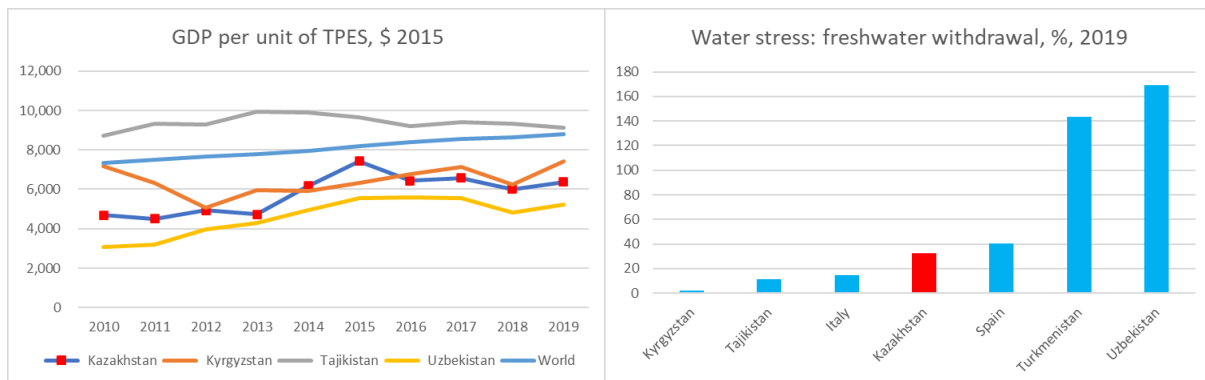
Kazakhstan is more sophisticated than other economies in Central Asia, but still further attention is required to improve the competitive environment and develop skills to deliver increased prosperity. Innovation gaps need to be addressed to raise productivity, which is particularly lagging in the SME sector.



Source: ITU, EBRD

Green and circular transition is necessary to address environmental problems

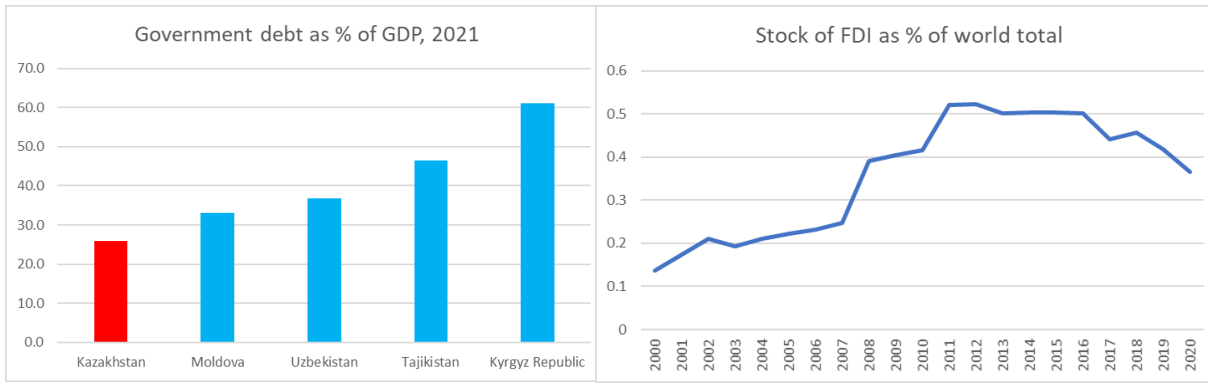
Kazakhstan has a rather large energy intensity, with a significant potential to improve energy efficiency. Coal accounts for around one fifth of total final consumption, while, by contrast, renewables still have a marginal role. The mortality impact of air pollution is high. Most of the waste is still disposed in inappropriate facilities. Water stress reflects partly uneven distribution of resources.



Source: IEA; SDG UNECE database

The financial landscape offers options for development

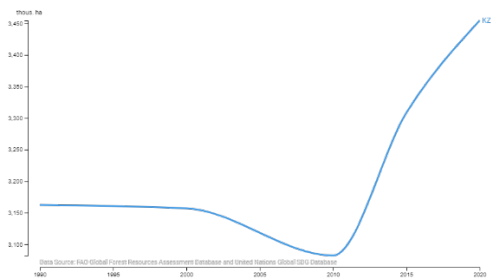
Strong fiscal finances allowed the government to provide very large support during the COVID-19 crisis (around 9% of GDP). The country has managed to accumulate assets close to 30% of GDP in an oil fund. Kazakhstan has good access to international capital markets and has developed multiple green finance initiatives. FDI has flown mostly to extractive industries and the transport sector. Multiple state support programmes influence incentives for bank lending, while tariff controls constrain private sector involvement in infrastructure. However, the regulatory framework for PPPs continues to improve and some successful projects have been launched.



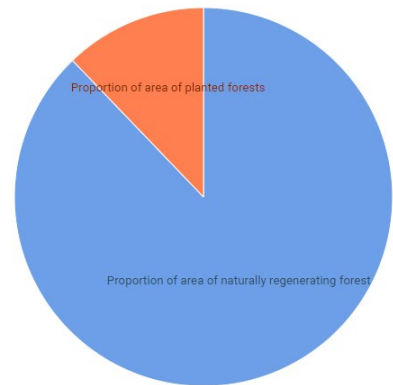
Source: World Bank Development Indicators, UNCTAD

Forests, forest sector and forest landscape restoration

The forest sector in Kazakhstan is challenged by constant land degradation, a low national forest cover, and lack of long-term funding. A high share of residents in Kazakhstan are living in rural areas and forest landscapes are subject of widespread human-induced pressure. Forestry and the supply of forest related products and services are particularly important for rural communities who are facing weak income opportunities and the risk of natural hazards. The national forest cover improved slightly in the last decade but experienced some decreases in the rate of increase of the forest area in the last years. The majority of Kazakhstan’s forests are naturally regenerating but need additional support through landscape restoration and urban forestry to protect their biodiversity and to improve the livelihoods of forest-dependent rural and urban communities.



Forest area, thous. ha



Forest origin, % of forest area