



THE RELATIONSHIP BETWEEN DOMESTIC INVESTMENT, FDI, AND ECONOMIC GROWTH IN KAZAKHSTAN (2015–2024)

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Abstract: *This section examines the interaction between domestic investment, foreign direct investment (FDI), and economic growth in Kazakhstan between 2015 and 2024. Drawing upon data from UNCTAD, the IMF, the World Bank, and the Astana International Financial Centre (AIFC), it highlights the shifting dynamics of Kazakhstan's investment landscape amid external shocks, commodity cycles, and institutional modernization.*

The study finds that FDI in Kazakhstan remains dominated by hydrocarbons and mining, but increasing diversification into petrochemicals, logistics, and renewable energy is evident. While 2022–2023 saw positive inflows supported by large-scale joint ventures and infrastructure projects, volatility persisted, culminating in negative net flows in 2024. Institutional platforms such as the AIFC have played a vital role in improving investor confidence, dispute resolution, and financial transparency.

Keywords: *Kazakhstan, FDI, domestic investment, hydrocarbons, petrochemicals, logistics, AIFC, renewable energy.*

Introduction

Since the mid-2010s, Kazakhstan has emerged as one of Central Asia's leading destinations for foreign direct investment, leveraging its abundant natural resources and strategic geographic location. The government's policy agenda, centered around industrial diversification, infrastructure modernization, and investment climate reforms, has aimed to reduce dependency on hydrocarbons while enhancing competitiveness in downstream and logistics sectors.

This section analyzes how FDI trends, domestic investment, and macroeconomic growth have interacted over the past decade, focusing on the composition of inflows, sectoral distribution, and institutional enablers such as the Astana International Financial Centre (AIFC).

Trend Analysis of FDI (2015–2024)

Following the oil price shock of 2014–2015, Kazakhstan's FDI inflows stabilized at moderate levels, averaging between USD 3–6 billion annually. UNCTAD data show inflows around USD 4.1 billion in 2015, gradually normalizing in subsequent years.

The COVID-19 pandemic caused a marked setback, with inflows of USD 3.67 billion in 2020 and USD 3.35 billion in 2021. A rebound followed in 2022, reaching USD 6.54 billion, before moderating to USD 3.71 billion in 2023 and turning negative

in 2024 (–USD 2.55 billion), reflecting lower reinvested earnings and divestment pressures.

According to the IMF (2024 Article IV Report), net FDI inflows stood at around 3.8% of GDP in 2023. Greenfield announcements peaked at USD 18.5 billion in 2023, but actual realizations lagged, illustrating the gap between investor intent and execution.

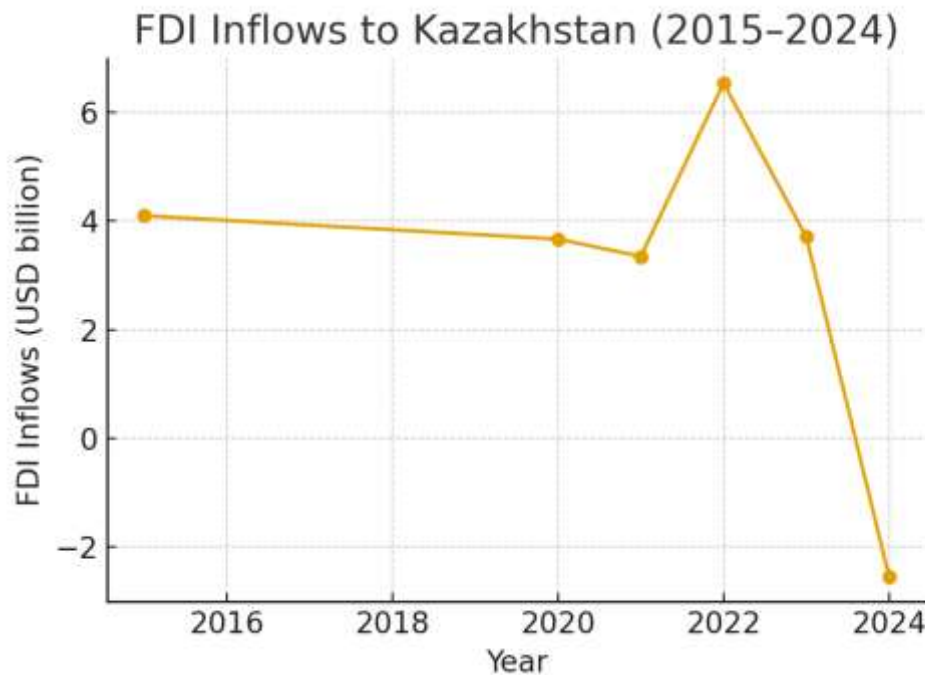


Figure 1: Trends in Foreign Direct Investment inflows to Kazakhstan, 2015–2024 (UNCTAD, 2025).

Sectoral Allocation of FDI

FDI in Kazakhstan has remained highly concentrated in hydrocarbons and mining, supplemented by growing participation in petrochemicals, logistics, and renewable energy. The extractive industries—oil, gas, and uranium—constitute the backbone of foreign investment, supported by long-standing joint ventures with international firms such as Orano, Cameco, and Sinopec.

Between 2015 and 2019, stable global demand and Kazakhstan’s position as the world’s largest uranium producer underpinned sustained inflows. The commissioning of major projects such as the KPI polypropylene complex (2022) and the planned Silleno polyethylene plant (2025) marks a strategic shift toward value-added industrialization.

Transport and logistics have gained strategic importance since 2022, driven by Kazakhstan’s role in the Trans-Caspian International Transport Route (the “Middle Corridor”). Multilateral institutions such as the World Bank and AIIB have financed key infrastructure upgrades, crowding in private investment from Gulf, Chinese, and

Turkish firms. The AIFC has emerged as an institutional enabler, providing a common-law framework and international arbitration that enhance investor protection.

Structural Shifts and Emerging Themes (2015–2024)

Kazakhstan's FDI structure reveals several long-term transformations:

- ****Resource centrality with selective downstreaming:**** Hydrocarbons and uranium remain the anchors of foreign investment, but new projects increasingly emphasize efficiency, debottlenecking, and downstream petrochemical processing.
- ****Industrial upgrading through petrochemicals:**** The launch of the KPI polypropylene plant in 2022 and the forthcoming Silleno polyethylene complex represent Kazakhstan's largest non-extractive FDI ventures.
- ****Logistics repositioning:**** The TRACE program (World Bank, USD 650 million) and AIIB-supported railway upgrades are strengthening Kazakhstan's transit role along the Middle Corridor.
- ****Institutional enablers:**** The AIFC's legal and financial infrastructure has become critical for structuring JVs, project finance, and risk allocation.
- ****Volatile inflow composition:**** Despite strong greenfield announcements, realized inflows remain volatile, reflecting global risk sentiment and reinvested earnings patterns.

Outlook and Policy Implications

Looking ahead, Kazakhstan's investment trajectory will likely remain project-led and sector-specific. Downstream petrochemical and logistics investments are expected to anchor medium-term inflows, while renewable energy—supported by EBRD, AIIB, and GCF financing—offers gradual diversification.

Key enabling factors include the AIFC's dispute-resolution framework, transparent PPA structures for renewables, and improved corridor reliability under the TRACE and AIIB programs. Nevertheless, risks remain, including exposure to commodity price fluctuations, financing costs, and execution delays in large-scale industrial projects.

FDI volatility underscores the need for domestic investment to complement foreign capital in sustaining economic growth. Enhancing local supply-chain participation, developing SME linkages, and strengthening human capital will be essential to ensure that FDI translates into long-term productivity gains and sustainable economic growth.

Conclusion

Between 2015 and 2024, Kazakhstan has balanced external vulnerabilities with structural reform and institutional innovation. FDI has remained concentrated in extractive sectors but has begun to diversify through petrochemical and logistics-led industrialization. The Astana International Financial Centre has emerged as a cornerstone of Kazakhstan's investment ecosystem, enabling greater legal certainty and integration into global financial standards.



While external headwinds may continue to pressure net inflows, Kazakhstan's proactive industrial policy, infrastructure investments, and renewable energy initiatives provide a foundation for sustainable and inclusive growth.

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