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Obstacles to Public-Private Partnership Development in Kazakhstan

Introduction

By 2016 Kazakhstan established what was considered a solid legal and institutional basis for public-private partnership (PPP) projects that led to a sharp increase in PPP formation with 15 PPP agreements signed in 2016, 161 in 2017, 292 in 2018 and 294 in 2019. In addition to being the leader in Central Asia in terms of establishing a PPP legal and institutional framework and the number of PPP Agreements executed, Kazakhstan has also been successful in pursuing the 66 km *Big Almaty Ring Road* benchmark concession project (a toll road around the city of Almaty), also known as BAKAD. This project finally reached its financial closure on 7 August 2020, making it the largest PPP project in Central Asia.

BAKAD is supported by the *European Bank for Reconstruction and Development (EBRD)*, the *Bank of China, PGGM*, the *Eurasian Development Bank* and the *Islamic Development Bank*. It is a groundbreaking PPP project for Kazakhstan because it is the first large-scale PPP project in Central Asia structured with international advisors in an open competitive process conforming to international best practices.

On its face, therefore, the Kazakhstan government's PPP policy has so far been very successful. *The Ministry of the National Economy* and *Kazakhstan's PPP Center*, as the bodies with the most important role in developing Kazakhstan's PPP policy, should be congratulated for what has been done. However, by 2019 it became increasingly clear to all the major stakeholders that PPP development in Kazakhstan was moving in the wrong direction, as current PPP policy and governance proved inefficient, often concealing public borrowing.

The *General Prosecutor's Office*, the *Accounts Committee of the Finance Ministry*, and the *National Chamber of Entrepreneurs (Atameken)* each conducted their own investigations of PPP practice in 2019 and publicly confirmed cases of fake PPPs, lack of transparency, and misuse of the PPP mechanism, including corruption by regional and local officials. The problems in the PPP mechanism became so acute that in July 2019 Kazakhstan's President, Kassym-Jomart Tokayev, acknowledged that the whole PPP concept in Kazakhstan had been discredited.

Read more in the [Investor's Voice Magazine](#) by The American Chamber of Commerce in Kazakhstan (AmCham) [here](#)



Author: Shaimerden Chikanayev
Partner, GRATA International

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