

Kazakhstan's road to modernization: advancing economic development through public-private partnerships

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ABSTRACT

Public-private partnerships are one of the primary mechanisms Kazakhstan is utilizing to modernize its economy and develop its infrastructure. Kazakhstan's vision includes several goals that promote a private sector economy. One of the main goals is to put into place a system that embraces the public-private partnership model, promotes economic growth, and provides an effective financing system for public-private partnerships. Kazakhstan's vision transforms the economy into a more market based system and moves the country forward on the road toward modernization. The government is taking encouraging steps in the development of public-private partnerships, establishing new laws that promote their success, helping to put Kazakhstan on the road to modernization. This paper examines Kazakhstan's public-private partnership initiative and its effort to finance and develop its infrastructure on its road to modernization. The Worldwide Governance Indicators, Economic Freedom Indicators, Ease of Doing Business Rank, and the Corruption Perception Index are used to evaluate the effectiveness of government, the level of economic freedom, ease of doing business, and the amount of corruption that exists in Kazakhstan. These indexes are important indicators used to help determine the likely success of public-private partnerships in Kazakhstan.

Keywords: Public-Private Partnership, Infrastructure, Infrastructure Investments, Emerging Markets, Project Finance

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INTRODUCTION

Public-private partnerships (PPP) are used in many countries to provide public goods for their citizens (Latham, 1994, Levene, 1995, Egan, 1998; Iossa & Martimort, 2016; Badasyan & Alfen, 2017; Fleta-Asín & Muñoz, 2017; Sällberg, & Numminen, 2017; World Bank, 2020). Governments often use public-private partnerships to provide roads, bridges, and other infrastructure related projects (Kwak, Chih, & Ibbs, 2009). Since the fall of the former Soviet Union, Kazakhstan, and the entire region of Central Asia, still require substantial infrastructure investments to modernize their economies. Kazakhstan's infrastructure has deteriorated significantly since its independence in 1991. Major renovations, upgrades, and expansion are needed to modernize their infrastructure and economic system. Kazakhstan's government is unable to finance the needed spending to achieve modernization using traditional financing, government spending, and borrowing. Therefore, the public-private partnership is an important method for modernizing and financing these projects that could not be financed otherwise.

Kazakhstan's government has used traditional centrally planned public financing methods to finance most of its infrastructure spending. Other Central Asian countries predominantly rely on their governments for infrastructure project development and financing. Major roads in Kazakhstan are still built with taxpayers' money via public tenders, where the price is the key success factor for the companies to receive the contracts. In the case of road construction, the results of a low bid public tender system is that the construction of roads are of low quality, therefore poorly built, so they are in constant need of repair each year, and consequently, there is a constant demand for funding for these repairs required from tax payers.

Kazakhstan has typically solicited bids for government contracts, usually accepting the lowest bid. The use of lowest bid government contracts is fraught with many problems. For example, information asymmetry is a major problem that exists in the government contracting system, resulting in moral hazard and adverse selection by contractors (Vecchi, Hellowell, Della Croce, & Gatti, 2016, 2017; Saussier, 2013; Engel, Fischer, & Galetovic, 2009; Florio, 2007). Adverse selection takes place as inefficient producers seek government contracts, but information about the inefficient contractor's cost of production is not readily available, or is hard to determine, prior to the decision to award the project to the inefficient contractor. It is often the weakest and most inefficient firms that seek out lucrative government contracts, and in seeking these contracts, they conceal their weaknesses and inefficiencies. Once the government awards the contract, it is hard to completely monitor, supervise, or exactly determine the production cost, and there is limited reason for a contractor to minimize their production cost or utilize the most efficient methods of production (Cox, Isacc, Cech, & Conn, 1996). A problem of moral hazard occurs as the private partner engages in inefficient behavior, cutting corners, and behaving differently than how they originally presented themselves in the PPP application proposal.

PPP infrastructure contracts based on the quality of project construction, efficient operations, and timely maintenance would initially cost nominally more than the low bid approach, but would produce a higher quality result that would be more beneficial to Kazakhstan's society, and would likely cost less in the long run. There have been a limited number of public-private projects related to important social programs such as infrastructure, power, health care, and transportation, but the Kazakhstan government is optimistic that more cooperation will occur and more of these projects will be undertaken using a PPP. One of the customary roles of government has been to provide infrastructure projects. The development of infrastructure is certainly important for economic growth (Takim &

Akintoye, 2002) and is a very important goal for the future of Kazakhstan.

A balanced approach is being developed, but it still has not yet been achieved in Kazakhstan. There needs to be a system in place that will balance the benefits and cost of the projects and properly allocate the risk and the rewards. To do this, the government must continue to establish laws that clearly define the rights, responsibilities, and duties of each party. In 2008, Kazakhstan established the Public-Private Partnership Center (PPP Center) to improve, promote, and support cooperative private-government partnerships in an effort to develop and expand Kazakhstan's infrastructure. The passage of the 2015 PPP Law was a major step forward in legislation to improve the system. In addition, the importance of the PPP was strongly emphasized in the 2017 State of the Nation address by former President Nazarbayev:

"...The public-private partnership should be the primary mechanism for the development of infrastructure, including social. In order to attract private capital it's necessary to use all possible kinds and forms of PPP: trust management of the state property, and other service contracts. It should simplify and speed up all approval procedures, particularly in relation to small projects..." "Third Modernization of Kazakhstan: global competitiveness, State of the Nation Address by former President of Kazakhstan Nursultan Nazarbayev, January 31, 2017."

Kazakhstan's former president laid out a bold vision for Kazakhstan's future in Kazakhstan's 2050 Strategy that the current President (President Kassym-Jomart Tokayev) continues to follow. President Tokayev was formerly chairman of Kazakhstan's Senate, has been loyal to the former president, and continues to support the policies put in place by former President Nazarbayev. Though Nazarbayev is no longer president, he still has considerable power and decision making in Kazakhstan. Nazarbayev is still chairman of the Nur Otan Party and he is still in charge of the nation's security council.

Kazakhstan's vision includes several goals that promote a private sector economy. One of the main goals is to put into place a system that embraces the public-private partnership model and promotes economic growth. Kazakhstan's vision transforms the economy into a more market based system and moves the country forward on the road toward modernization. (Address by the President of the Republic of Kazakhstan, 2017).

Kazakhstan has a number of projects currently in progress using traditional public financing methods. These projects include projects related to social infrastructure and transportation with more than 660 Billion Tenge invested. Many of these projects require significant support from Kazakhstan's government because of their large scale and the extensive scope entailed to complete them. The simple fact is that Kazakhstan's geography and terrain make it difficult to complete infrastructure projects without government assistance and financing. Therefore, government partnerships are essential, and they must balance the risk faced by investors, banks, creditors, private contractors, as well as the government.

Public-private partnerships in Kazakhstan: background, models, and structure

PPPs are contracts that the government establishes with a private company, usually to build infrastructure projects such as roads, bridges, and airports as well as other public infrastructures, including, but not limited to, community facilities, schools, and other types of social services. The private company finances the project itself without any government support. When the project is finished, the private company receives payment, and is able to recover their investment. In the private sector, the ownership and delivery of the project, as well as funding for the project, is the sole responsibility of the private company. In the PPP,

the government still retains the ultimate responsibility of making sure that the service from the project is provided to the public and in many cases the government still retains ownership of the project's assets.

A wide variety of PPP models and structures exist including:

- Design the whole project; and build the whole project.
- Operate the project and maintain the project; but do not design and build it.
- Build the whole project; and finance the whole project.
- Design the whole project, build the whole project, and finance the whole project.
- Design the whole project, build the whole project, finance the whole project, and once completed maintain the project.
- Concession

The justification of public-private partnerships involve several explanations which include:

- The use of private sector capital, and the expertise that it brings to the project, results in a more efficient operation and procurement of the infrastructure projects desired by society and by the government.
- Private companies have a reputation for completing projects in a timely way, and maintaining a high awareness for the budget and cost.
- Tools to manage risk are widely available to the private sector, and their expertise in using these tools can be used to mitigate PPP risk. Risk management tools can also be used to mitigate the risk unique to the government when working with the PPP.
- The government's budget and balance sheet are improved and it frees up capital that can be used for other needs.

Leibenstein's (1996) x-inefficiency theory has been cited as an explanation for the use of PPP's in the production of government produced public-goods. According to Leibenstein (1996), the use of public-private partnerships can improve efficiency and reduce costs of government produced goods, as well as subject the PPP to market pressures that encourage more efficiency. Using a PPP in the provision of public goods, instead of having those goods provided by the government, may reduce political interference (Boycko, Shleifer & Vishny, 1996; Hart, 2003). Much of the risk may also be shifted to the private partner (Boycko, et al., 1996; Hart, 2003). In addition, a more efficient use of technology, and improved management may occur using the PPP structure (Boycko, et al., 1996; Hart, 2003). However, it is not possible for PPP contracts to include all contingencies, uncertainties, or exigencies and therefore future problems and unseen cost are sure to occur (Williamson, 1985).

Until the PPP Law of 2015 the primary forms of PPP in Kazakhstan included:

1. Design and Construct
2. Reconstruct-own and Operate
3. Operate and Maintain
4. Management and Maintenance
5. Concession, Concession Law has generally been applicable for build-transfer-operate projects.

The passage of the 2015 PPP Law broadened the application of Kazakhstan's Concession Law, strengthened the PPP system and clarified the PPP legal status. The PPP Law was designed to expand and grow the number of infrastructure investment projects

using PPPs. The European Bank for Reconstruction and Development (EBRD, 2015) said that the 2015 legislation is in line with global best practices, provides adequate support and protection to foreign investments, and is attractive to investors.

The 2015 PPP Law divided PPP's into two types, contractual and institutional. In some situations, the 2015 PPP Law permitted the state owned companies to become partners in PPP projects. The law authorized the establishment of an institutional PPP, a PPP company through a joint stock company, and a limited liability partnership.

The following elements describe the most important elements of the 2015 PPP law:

- “Resources combined by private PPP partner and the state partner to implement the project.”
- “Private PPP partner and the state partner jointly participate in the implementation of the project.”
- “Improved partner relationship with private PPP partner and the state partner with mutually beneficial contract for both sides.”
- “Projects from three to thirty years are encouraged by the government, depending on the specific factors and requirements of these medium-term and/or long-term projects.”

The 2015 PPP Law has substantially expanded the types of PPP that can be formed in Kazakhstan. There are now two ways a PPP arrangement may be formalized (institutional or contractual method). The joint venture company can be used to establish the PPP (known as the institutional method) or the contractual method can be used without the establishment of a joint venture company.

Contractual PPPs now include the following types:

- Concession agreements.
- State property trust management agreements.
- State property lease agreements.
- Lease financing agreements.
- Research and development contracts that develop new technology, new prototypes for production, pilot testing, and process engineering as well as for shorter term production projects.
- Life-cycle contracts.
- After-sales service contracts.

To promote private investment, various methods of government support are considered in the 2015 PPP Law. The 2015 PPP law requires more comprehensive project preparations and procurement procedures to improve the public-private partnership system. Also, there are sections in the PPP Law that help to reduce the private sector risk. PPP priorities in the law include, health care, education, transportation, power industry, housing and public utilities. There are some restrictions by law on concession projects that include limits, or outright prohibition, for the following: military equipment, railway-network property, water (in some situations) and the property of national bodies. There are also limits on what can be transferred through the PPP, such as certain areas of health (for example, emergency medicine). Additional public-private partnership legislation was approved in 2017 and 2018 including, “On Public-Private Partnership” (2017); “On Amendments to Certain Legislative Acts of the Republic of Kazakhstan on PPP Issues” (2017); and “On Concessions” (2018).

The PPP Center of Kazakhstan recommended a “4P system for PPPs”. The recommended system was adopted by the government in 2018. The 4p system refers to a

Public-Private-Partnership-People process that integrates local financing, local culture, and local financing to provide for the public needs in the local area.

The PPP Center of Kazakhstan outlined the following steps:

- “Establish a socio-cultural space – Sociocultural hub.”
- “Ensure the involvement of the local population under the principle of Do-it- Together”
- “Create an operational budget that meets the actual needs of the population.”
- “Initiate the selection and implementation of the PPP projects.”

Even though the government has tried to make it easier to establish PPPs, and has encouraged their development, the number of PPP projects is still relatively limited. One problem in establishing a PPP is the availability of funds to finance the projects. The Kazakhstan banking system still suffers from a large number of non-performing loans, mismanagement, big-bank failures, and corruption. In addition, Kazakhstan’s banking system does not have the funds or liquidity to finance large PPP projects, and international investment is severely limited. However, the government is taking encouraging steps in the development of PPPs, recently signing 615 PPP contracts (worth more than four billion U.S. dollars) and there are many more are in the planning stage (Chikanayev, 2019; Khassenkhanova, 2019).

AGENCY COST, ASSEMETRIC INFORMATION, AND MORAL HAZARD

A PPP’s organizational structure, risk exposure, risk mitigation, risk management, and who bears the risk (the principal or the agent), are significant issues in the analysis of public-private partnerships (Ameyaw & Chan, 2015; Chung & Henscher, 2015; Liu & Wilkinson, 2014; Guo, 2013; Cheung, Chan, & Kajewski, 2012; Hu, Fan, & Dong, 2012; Li, 2012; Chen, Li, Ren, Xu, & Hong, 2011; Zhang, 2006; Ibrahim, Dainty, & Price, 2006; Li, Akintoye, Edwards, & Hardcastle, 2005). Contract enforcement and dispute resolution is another risk factor that impacts the success of PPPs; the enforcement of contracts depends on protecting and guaranteeing property rights, the regulatory and legal system, as well as the government’s economic policies (Kaufmann, Kraay, & Mastruzzi, 2010; North, 1991). The temporary assignment of property rights to the private partner in a PPP motivates the private company to more efficiently manage the risk during the concession period of the contract (Grossman & Hart, 1986), The private company has complete control of the concession, earning profits and incurring cost to maintain the infrastructure (such as a toll road) as their own (Klein, Crawford, & Alchain, 1979; Grossman & Hart, 1986).

Corruption is one form of agency cost that adversely impacts PPP projects. In addition, there are many PPP problems related to agency cost. Agency cost occurs when the management of the organization is separated from control, or ownership, of the organization; creating monitoring cost, as well as additional cost due to inefficiencies, divergent interest, and asymmetric information (Jensen & Meckling, 1976; Eisenhardt, 1989; Mahaney & Lederer, 2003; Florio, 2007; Lyonnet du Moutier, 2010; Fayezi, O’Loughlin, & Zutshi, 2012; Cuevas-Rodríguez, Gomez-Mejia, & Wiseman, 2012). There is informational asymmetry involved in a public-private partnership. The private party (the agent) has superior information about their ability, actions, and skill level relative to the government, and this can lead to the agent taking actions that are in their own best interest, but may be harmful to the principal (Akerlof, 1970; De Palma, Leruth, & Prunier, 2012). However, at the beginning,

the government (the principal) will generally have a stronger bargaining position in the negotiating phase of the PPP contract, but later the agent (with superior information) will have more power to influence cost and the success of the partnership (Eisenhardt, 1989). Even though the principal may have a stronger bargaining position in the initial negotiations, the agent's knowledge about their own abilities may be concealed, given the agent some advantage regarding the terms of the contract. Those with superior information (the agent) can act in their own self-interest and extract rents by exploiting the lack of information of the principal (Schieg, 2008).

The complexity of contracts tends to increase the risk faced by public-private partnerships; there are many parties (some with little experience) involved in the PPP contract and they must deal with complicated designs & project construction, as well as issues related to financing, taxes, and government regulations, making conflict and disagreements inevitable (Grimsey & Lewis, 2002; Bloomfield, 2006; Carbonara, Costantino, Gunnigan, & Pellegrino, 2015; Wang, Xiong, Wu, & Zhu, 2018). The government's role in the public-private partnership can certainly create a conflict of interest in its role as regulator and controller, its compliance oversight function, and its control of the legal and court system relative to its partnership with the private company that it regulates. This relationship is vulnerable to corruption, bribery, and unethical conduct.

The different goals and interest of the principal and the agent are magnified in the public-private partnership arrangement because the private partner seeks profits, and the government entity seeks social benefits, creating significant conflicts of interest (Florio, 2007; Badasyan & Alfen, 2017). The enforcement of the PPP contract is subject to many problems and difficulties since it is hard to completely specify every detail and possibility that may arise, which can lead to expensive and costly changes (Cruz & Marques, 2013; Iossa & Martimort, 2016). In addition, asymmetric information can result in the PPP ignoring problems that are not specifically included in the contract (Milgrom & Roberts, 1993). Therefore, property rights, laws, and regulations governing PPP contracts must be clear and well developed (Oxley, 1999; Williamson, 1985; Dixit, 2009; Mota & Moreira, 2015; Iossa & Martimort, 2016). The problems of moral hazard and asymmetric information lead to higher risk, because initially the government (the principal) of the PPP presents the project in a favorable way with lower risk, and the agent (the private company) may hide relevant information to secure the contract, but once the project starts, the agent may behave in a different way (demonstrating moral hazard) than the promises they made to secure the contract; therefore, the principal must protect its interest with contract incentives, safeguards, contingencies, and contract monitoring (Williamson, 1979, 1985; Jin & Doloi, 2008; Milgrom & Roberts, 1993; Chiles & McMackin, 1996; Fleta-Asín & Muñoz, 2017).

Market failures are often given as a reason why certain public goods (goods and services that are non-excludable and non-rival in consumption) are not provided in an efficient level in the free market; for example, education, national defense, law enforcement, and fire protection (Chong, Huet, Saussier, & Steiner, 2006; Stiglitz, 1989). Therefore, governments justify producing these goods and services either through government run companies, quasi-government agencies, or public-private partnerships. Consequently, government planners and political forces, instead of market forces, decide how much of the good or service is provided to society.

Podemska-Mikluch & Wagner (2013) distinguish between bilateral (called dyadic) and trilateral (called triadic) exchanges. Bilateral commercial transactions entail agreement

among the participants. The key feature of bilateral transactions is that they are agreeable to the participants, whether there are two, two hundred, or any number of participants. Trilateral exchanges exhibit alliance or coalition type relationships that do not exist in bilateral exchanges. Trilateral exchanges that involve government provided goods and services that rely on the government's ability to dominate, or force, those who oppose or disagree with the government's actions to comply with the government's policies and participate (or at least contribute through taxes) or pay a penalty. These are characteristics of trilateral exchanges involved with goods and services provided using the PPP structure, especially with reference to the consumers of the goods produced by the PPP arrangement. Some consumers are willing participants and some consumers are forced participants that don't agree with the government's policy. Significant asymmetric information and agency cost are sure to develop in trilateral exchanges, increasing risk, contract disputes, and the probability of failure.

In the case where the risk transferred to the PPP is not consistent with the risk preferences of the government, adverse selection and moral hazard are more likely since those PPPs with higher risk tolerance will seek out contracts from the government, in addition, once the PPP agrees to the contract, they are likely to engage in inappropriate risk (as viewed by the government), leading to problems and eventually breach of contract (Engel, Fischer, & Galetovic, 2001; Saussier, 2013; Vecchi, Hellowell, Della Croce, & Gatti, 2016, 2017).

AVAILABILITY PAYMENTS OF PUBLIC-PRIVATE PARTNERSHIPS

Three of the most important issues of the PPP, and their improvement, expansion, and growth in Kazakhstan, are the matters of availability payment, bankability elements, and legislative initiatives. Kazakhstan introduced availability payments in 2013.

Ensuring the Availability Payments

One system of payments used in a PPP is the "availability payments" method. The private partner is generally required to provide their own financing for the infrastructure project. In the availability of payments system, payments are not made until the project is completely finished and made available to the public (Sharma & Cui, 2012). The amount paid to the private sector party is set by a fee schedule, and the fee schedule does not change based on demand or usage. The government is responsible for collecting payment from those that utilize the infrastructure project. In Kazakhstan, availability of payments are generally utilized for projects such as toll roads and hospitals.

Kazakhstan's government permits availability payments for public-private partnerships. The use of availability payments helps to provide the right balance between the interest of private companies working with the government and the interest of the government. The availability payment mechanism is fair for both sides (private investors and the government) and will help to promote the use off the PPP in Kazakhstan.

To successfully implement availability payments the government must ensure the legal requirements are carefully articulated and in sync with the goals of the project. In addition, there must be a well-defined, first rate tender process in place for availability payments to be successful in a wide range of public-private partnerships projects, such as social infrastructure projects, transport projects, power projects, and utility projects. Availability payments should be readily obtainable for the PPP, especially for the initial PPP projects. This would give support and confidence to the PPP that the funds would be

forthcoming (for example, a minimum revenue guarantee).

"Facility availability payment" was approved by Kazakhstan's 2015 PPP laws. With facility availability payments, accelerated payments are made by the government to pay for PPP expenses, in addition, other sources of income and revenues from the government are made available more quickly.

Kazakhstan's concession law required projects to be valuable, beneficial, and make a positive contribution to society to qualify for availability payments, limiting the number of projects completed. However, under the current PPP law there is no socially important requirement to qualify for the availability payments.

When the availability payment method is used with the collection of user fees, taxpayers complain of double taxation. Taxpayers have already paid taxes to provide public goods and infrastructure to society. Taxpayers may resent the second user fee payment since they assume their taxes should have already paid for the service, road, or infrastructure provided.

Availability payments are paid by the government to the private partner over the entire contract period of the public-private partnership arrangement. Availability payments in Kazakhstan cover reimbursement for the cost of the investment, and payment for operation cost, lease payments, and payment for the operation of the concessions that are owned by the state. However, there are specific requirements that must be met prior to the payments. To receive the availability payments the private partner must meet specific standards identified in the initial PPP contract. Key performance indicators are set to determine if the private partner is meeting the standards of performance (Garvin, Molenaar, Navarro, & Proctor, 2011). The payments have already been set in the public-private partnership contract. For example, when a project (road, power station, hospital) is completed, open, and available, then the availability payments are accessible. The payments require attainment of certain performance standards specified in the PPP contract. Often, inflation adjustments are included in availability payment systems. Financial institutions (such as insurance companies and pension funds) have generally been supportive of financing public-private partnerships in other countries (Gatti, 2014). Long-term bonds and other long-term investments used to finance infrastructure projects, that are expected to have stable returns, attract life insurance companies, sovereign country wealth funds, as well as pension funds (Rothballer, and Kim, 2013).

Strengths of availability payments:

1. The use of specific performance measure can improve performance of the private partner (Sharma & Cui, 2012).
2. Payments are known ahead of time.
3. The use of availability payments is very attractive to the private partner since the risk is mitigated by the access to the funds and this reduces the possibility of bankruptcy.
4. The cost of capital is lowered, debt ratings are generally higher when availability payments are used (Yescombe, 2011; Sachs, 2008).
5. Maintenance cost are fully provided (Seliga, Paasman, & Jansen, 2011).
6. The possibility that the government can balance risk between the private partner and the public sector is a benefit of the PPP method (Forrer, Kee, Newcomer, & Boyer, 2010).

Weaknesses of availability payments:

1. Construction efficiency and optimization of assets during construction are significantly impaired due to the elimination of demand risk that exist in availability payments (European PPP Expertise Centre, 2011; Ugarte, Guitierrez & Phillips, 2012; Lawther & Martin, 2014).

2. Significant risk of under-performance exists and may result in service disruptions and /or poor quality that fail to meet the required standards (European PPP Expertise Centre, 2011; Lawther & Martin, 2014).
3. The availability payments generally remain constant. Therefore, there is no incentive to exceed the minimum standards set by the contract in order to receive the payments (European PPP Expertise Centre, 2011; Lawther & Martin, 2014).
4. Increase cost to operate and maintain the project can significantly reduce profits (Ugarte, et al., 2012; Lawther & Martin, 2014).

BANKABILITY

Ensuring the Bank Financing of the Projects

Kazakhstan still suffers from a high level of non-performing loans, unstable financial markets, and relatively high interest rates. It may be a long time before local banks are able to provide a favorable financing package with low interest, using local funds, and in the required amount and volume necessary to support the public-private partnerships expected in the near future. Some funding can be provided by pension funds, but only at the operational stage. In the PPP implementation stage of the projects, the risk is very high and it would not be prudent for pension funds to provide the funds during this high risk start-up period.

To achieve bankability, the PPP's cash flows need to be consistent and predictable so banks and other financial institutions (foreign and domestic) will provide appropriate financing. In those cases where foreign exchange risk occurs, the risk can be managed by using swaps (both interest rate and currency swaps, as well as credit default swaps), option contracts, futures contracts, or forward contracts.

A major factor needed for success, with respect to public-private partnership projects, is the capability to pledge the project assets as collateral to finance these public-private projects. Legislative changes to facilitate these changes are needed to improve the financing for these organizations.

Since the government's budget is obviously limited (as well as the government pension funds available for financing) they can only provide a partial amount of the needed financing for the PPP projects. Financing availability for PPP projects could be dramatically increased if the government were to take actions to lower interest rates charged by banks, provide alternative enhanced credit instruments (with low interest and favorable terms), and to promote the involvement of institutions focused on national development and modernization. Also, prototype or "pilot projects" proposed by the government authorities would be more attractive if they were co-financed by the government. The government could use methods such as sovereign guarantee provisions, budget grants, or equity participation to facilitate the funding process.

The Asian Development Bank (ADB) has agreed to a deal to support the development of a bankable PPP structure for a hospital project in Kazakhstan. In June 2017, the ADB advertised for consultants to work on a university hospital PPP. For PPP projects to succeed, there must be a well-developed budget system that can show the viability and profitability of the project and is available for review by potential investors or financial institutions that are willing to provide the funds.

LEGISLATIVE ISSUES

Kazakhstan's regulations and its legal environment related to public-private partnership projects has been burdensome and difficult to navigate and these are important

factors discouraging the investment by the private sector in public-private partnerships. The burdensome regulations, and cumbersome legal environment, inhibits the successful collaboration needed for the private sector to invest time, money, and resources into the building of infrastructure and the development of social projects.

Kazakhstan's law on new types and formations governing public-private partnerships streamlines the practice and should improve the ability of a PPP to implement new projects. Even though Kazakhstan's concession structure can encompass many situations and alternative structures, it is still a limited system compared to the public-private partnership system.

Several barriers still exist that discourage participation by the private sector. For example, there is limited state support and it is not clear how the government will deal with long-term indexation of tariffs, nor is it clear if international arbitration is permissible for disputes regarding the work done by the PPP.

The PPP law (Republic of Kazakhstan Law, 2015) provides several financing measures including but not limited to the following:

- "State sureties for infrastructure bonds (not necessarily placed on the Kazakhstan stock exchange)."
- "Government guaranteed loans."
- "Government owned intellectual property rights exclusively transferred to the authorized concession company."
- "Provision of in-kind grants (e.g., land, machinery)."
- "Government financed concession projects."
- "Financing of concession projects by the state."
- "Government receives specific amount of the goods and services produced by the concession company or facility."

PUBLIC-PRIVATE PARTNERSHIP RISK

PPPs face macro risk (see Table 1), such as changes in the macro economy due to recession, inflation, or an economic slowdown. Macro risk includes political and legal risk as well as social and cultural changes (Stager, 1996; Kopp, 1997; Duffield, 1998; Gupta & Sravat, 1998). In addition, PPPs face project level and micro level risk that are listed in Table 1, and are related to project design, implementation, construction, the use of technology, as well as demand and usage (Reijniers, 1994; Brodie, 1995; Gallimore, Williams, & Woodward, 1997; Kopp, 1997; Stager, 1996; Lam & Chow, 1999). Principal-agent problems are also included in micro level risk, which includes the difference in goals that exists between the principal and agent (Al-Bahar & Crandall, 1990). Furthermore, conflicting goals make it more difficult to achieve the goals desired by the private partner and those goals sought on behalf of the public interest (Al-Bahar & Crandall, 1990). Common risks related to construction projects is shown in Table 1, classified as macro, meso, and micro level risks (Lu, Wu, Chen, & Lin, 2000; Wang, Tiong, Ting, & Ashley, 1999; Lam & Chow, 1999; Zhang, Wang, Tiong, Ting, & Ashley, 1998; Duffield, 1998; Smith, 1997; Stager, 1996; Kopp, 1997; HM, 1995; Wells & Gleason, 1995; Reijniers, 1994; Al-Bahar & Crandall, 1990).

New laws and regulations can change the risk faced by public-private partnerships. The risk increases when governments are unstable, or when the general public is not supportive of the project (which can impact the demand). Another major risk factor is the ability to finance the project. Sällberg & Numminen (2017) found changes in laws and legislation, unmet revenue expectations, poor management, and coordination with the

principal to be the most relevant PPP risk, and that the more uncertainty, volatility, or ambiguity in these factors, the more chance the PPP structure will fail. More stable governments and countries with efficiently run institutions are more likely to find success when using the PPP structure than countries with unstable governments and inefficiently run institutions (Coase, 1998; Shavell, 2004; Sällberg, & Numminen, 2017).

INDEXES & INDICATORS: ASSESSING KAZAKHSTAN'S PPP CONDITIONS

The Worldwide Governance Indicators, Economic Freedom Indicators, Ease of Doing Business Rank, and the Corruption Perception Index are used to evaluate the effectiveness of government, the level of economic freedom, ease of doing business, and the amount of corruption that exists in Kazakhstan. These indexes are important indicators used to help assess Kazakhstan's PPP conditions and to determine their likely success.

World Governance Indicators

The "World Governance Indicators (WGIs)" are: "Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption" (Kaufmann, et al., 2009, 2011). These factors (see Table 2) can influence the success or failure of public-private partnerships (Kaufmann, et al., 2009, 2011).

Indicators (WGIs) produced by the World Bank and developed by Kaufmann, et al. (2009) are described as follows:

1. "Voice and Accountability (VA) – capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media (Kaufmann, et al., 2009, 2011)."
2. "Political Stability and Absence of Violence/Terrorism (PV) – capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism (Kaufmann, et al., 2009, 2011)."
3. "Government Effectiveness (GE) – capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (Kaufmann, et al., 2009, 2011)."
4. "Regulatory Quality (RQ) – capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development (Kaufmann, et al., 2009, 2011)."
5. "Rule of Law (RL) – capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence (Kaufmann, et al., 2009, 2011)."
6. "Control of Corruption (CC) – capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests (Kaufmann, et al., 2009, 2011)."

Kazakhstan's Voice and Accountability index (see Table 2) is weak (2018 = -1.17), indicating that some difficulty exists for people to freely express their views and to participate in the selection and development of public-private projects. Kazakhstan's Political Stability and Absence of Violence/Terrorism Index (2018 = 0.00) is moderate (see Table 2),

not strong or weak, indicating neither support or resistance to the PPP success. Kazakhstan's Government Effectiveness Index (see Table 2) is poor (2018 = 0.02) making the administration and management of PPPs more difficult. The Regulatory Quality Index (see Table 2) has improved from -.046 in 2008 to 0.02 in 2018 making it easier for PPP's to operate and succeed. The Rule of Law Index (see Table 2) is poor (2018 = -0.43) indicating problems with the legal system, complying with rules and laws, and fairness in the laws. Finally, the Control of Corruption Index (see Table 2) is also very poor (2018 = -0.50) indicating problems with corruption that can lead to PPP failure.

The index of Regulatory Quality indicates a government's ability to create regulations that promote and encourage free markets, entrepreneurship, and private sector development. The Regulatory Quality index indicates a government's ability to provide a supportive legislative environment that encourages private enterprise, as well as public-private partnerships. Kazakhstan's Regulatory Quality Index (see Table 2) for 2008 = -0.34; 2013 = -0.37; and 2018 = 0.14 has improved since 2008, but does not indicate strong governance that would support policies conducive to public-private partnerships, yet, it does not show a terribly weak governance toward public-private partnerships.

Index of Economic Freedom

“The Index of Economic Freedom focuses on four key aspects of the economic and entrepreneurial environment over which governments typically exercise policy control including rule of law, size of government, regulatory environment and market access.” (Heritage Foundation, 2020). The index is scaled from 0 to 100, in which “Scores above 80 are considered free. Scores between 70 and 80 are mostly free. Scores between 60 and 70 are considered moderately free. Scores between 50 and 60 are mostly unfree. Scores below 50 are considered repressed” (Heritage Foundation, 2020).

“The Economic Freedom index is based the following”:

- The rule of law as indicated by “property rights, government integrity, and judicial effectiveness” (Heritage Foundation, 2020).
- The size of government is determined by “government spending, taxes, debt, and fiscal health” (Heritage Foundation, 2020).
- The index evaluates “regulatory efficiency and its effects on business freedom, labor freedom, and monetary freedom” (Heritage Foundation, 2020).
- The extent to which markets are open are indicated by “trade freedom, investment freedom, and financial freedom” (Heritage Foundation, 2020).

“Each of these factors are rated on a scale from 0 to 100. The higher the score, the more freedom exists” (Heritage Foundation, 2020). Kazakhstan's Economic Freedom Indexes are shown in Table 3.

A brief discussion of the main aspects of the index are included here to provide an indication of favorable or unfavorable conditions for public-private partnerships to succeed in Kazakhstan. Poor property rights protection, a corrupt and ineffective judicial system, restricted unfree markets (labor, investment, financial) all make it more difficult for public-private partnerships to succeed.

People will not accept economic and political institutions that are founded on principles contrary to their underlying culture, inconsistent with society's cultural values, or incompatible with local culture. To be successful, public-private partnerships, and the established economic and political institutions, should accommodate, complement, and support society's cultural values; and when these values are in conflict with a free-market

economic system there are serious difficulties that impair the system (Voigt & Engerer, 2002; Pejovich, 2003; Boettke & Nicoara, 2015). Pejovich (2003) goes on to say that for market systems to be successful, the cultural values of society must foster “self-interest, self-determination, self-responsibility, and free market competition”. If society’s cultural values are not in-line with their legal, political, and economic systems then market inefficiency, corruption and asymmetric information will increase the transaction cost of maintaining the out-of-line cultural-economic system, making it difficult for public-private partnerships to survive; eventually the system will adapt to reflect a society’s cultural values (Pejovich, 2003).

Ranked 39th out of 186 countries, Kazakhstan has an Economic Freedom score of 69.6 (see Table 3). Economic Freedom scores between 60 and 70 indicates a moderately free country indicating that economic conditions in Kazakhstan are moderately supportive and unrestricted to foster the growth of entrepreneurs and supportive of public-private partnerships.

Property Rights

Kazakhstan has a Property Rights score of almost 50 (Kazakhstan = 49.8; see Table 3) indicating extremely poor property rights protection. The property rights system is considered repressed, and not conducive to public-private partnerships, economic freedom, capitalism, or market systems. Poor and ineffective property rights protection, and the absence of effective contract enforcement, limits the ability of individuals to freely participate in the market and allows the government to unfairly seize property and limit freedom, severely hindering the ability of public-private partnerships to succeed. At its most basic level, economic freedom can only be maintained by the strong protection of property rights and the ability to engage in voluntary market transactions (Lawson, Gwartney, & Block, 1996). Zengrui, Buitrago, & Odilova (2017) found a significantly positive relationship between individualism and intellectually property rights protection; more individualist societies have better property rights protection. More individualistic cultures are generally supportive of strong private property rights (Rosenbaum, 2001). This probably has an adverse effect on property rights protection in Kazakhstan, since Kazakhstan is thought to have a moderate to low level of individualism and tends to be a more collective society (Majidi, Ashurbekov, Altaliyeva, & Kowalski, 2015; Nezhina, & Ibrayeva, 2013; Mukazhanova, 2012). Poorly protected property rights makes public-private partnerships more difficult to maintain and less likely to succeed.

Judicial Effectiveness & Government Integrity

Kazakhstan has a Judicial Effectiveness score of 62.1 (see Table 3) indicating Kazakhstan’s Judicial Effectiveness is moderately free and generally conducive to public-private partnerships economic freedom, capitalism, and market systems.

Kazakhstan has a Government Integrity score below 50 (Kazakhstan= 40.9; see Table 3), indicating an extremely repressed, corrupt, and untrustworthy government; lacking integrity and hindering freedom. Government integrity in Kazakhstan is considered repressed and not conducive to the establishment of public-private partnerships, economic freedom, capitalism, or market systems.

Taxes, Tariffs, and Trade

Kazakhstan's tax burden score is 92.3, indicating a supportive environment for economic growth, public-private partnerships, and market systems. In addition, Kazakhstan's tariff rate, income tax rate, corporate tax rate, and tax burden as a percent of GDP are all low, which encourages and promotes business, economic activity, and public-private partnerships. Kazakhstan's Trade Freedom score is 80.2, indicating it has free trade with other countries that supports public-private partnerships. Kazakhstan's FDI Inflow is USD 3,816.6 Million).

Business, Labor, Monetary, Investment, & Financial Freedoms

Kazakhstan's Business Freedom Index is 74.6. Scores between 70 and 80 are mostly free indicating a supportive environment for public-private partnerships, economic freedom, capitalism, and market systems development. Kazakhstan (Labor Freedom = 86.8) has a Labor Freedom score above 80 indicating a free labor system. Kazakhstan's Monetary Freedom score is 68.1 indicating a mostly free and non-manipulated monetary policy.

Kazakhstan's Investment Freedom score is 50. Investment Freedom scores between 50 and 60 are mostly unfree. The investment freedom in Kazakhstan is mostly unfree and limits the success of public-private partnerships and hinders economic freedom, capitalism, and market systems development.

The better investment and property rights protection that exists, the more risk investors are willing to take, and better protection provides confidence they will receive the benefits of their investments, and this leads to more growth in the economy and a good environment for public-private partnerships (Besley, 1995; Aron, 2000; Claessens & Laeven, 2003; Castro, Clementi, & MacDonald, 2004; Cull & Xu, 2005; Litov, & Yeung, 2008; Haidar, 2009). The existence of poor investment and property rights protection discourages investment, hinders public-private partnerships, and limits the amount of financing available, and therefore restricts economic growth; with weak property rights investors worry they will not be able to receive the returns from their investment (Knack & Keefer, 1995; De Soto, 1989, 2000; La Porta Lopez-de-Silanes, Shleifer, & Vishny, 2000; Kerekes & Williamson, 2008; Besley & Ghatak, 2010). The regulatory systems in high individualistic countries are better at protecting the rights of investors and establishing a more competitive economic system (Gray, 1988; Licht, Goldschmidt, & Schwartz, 2005). In more collectivist societies, the concept of fairness is applied differently depending on whether one is in-group or out-of-group (Redding, 2013). Kazakhstan is thought to have a relatively high collectivist society, sometimes clashing with the individual protection of property rights (Majidi, Ashurbekov, Altaliyeva, & Kowalski, 2015; Nezhina, & Ibrayeva, 2013; Mukazhanova, 2012).

Financial Freedom scores between 50 and 60 are mostly unfree indicating restrictive financial markets. Kazakhstan has a Financial Freedom score of 50. Financial freedom in Kazakhstan is mostly unfree and not conducive to the success of public-private partnerships, economic freedom, capitalism, or market systems.

Kazakhstan has a population of 18.5 million, its GDP is USD 508.6 billion with a five-year GDP growth rate of 2.9%. Kazakhstan has a 4.9% unemployment rate, a 6% inflation rate and has a USD27, 550 per capital GDP. Kazakhstan's government expenditures are 22% of GDP and it has a public debt of 21.9% of GDP. The moderate growth rate, relatively low unemployment rate, moderate inflation rate bode well for economic growth and the use of public-private partnerships to help modernize the country.

The Ease of Doing Business Ranking

The World Bank publishes the “Ease of Doing Business Index.” Countries with good legal systems, strictly enforced property rights, free-trade, less regulations, and low barriers to entry receive a higher rank (World Bank, 2020). Countries with poor and ineffective legal systems, vague property rights protection, trade barriers, burdensome regulations, and high barriers to entry receive a low rank (World Bank, 2020). According to the World Bank, “economies are ranked on their ease of doing business, from 1–190 where 1 is the highest ranking and 190 is the lowest ranking. A high Ease Rank means the regulatory environment is more conducive to the starting and operation of a local firm.” The Ease Rank is shown in Table 3 and Table 4. Kazakhstan has a good Ease of Doing Business rankings (25), indicating limited interference and a supportive environment for public-private partnerships and market systems.

The World Bank identified the following highlights and drawbacks related to the ease or difficulty of doing business in Kazakhstan.

- “Kazakhstan made starting a business easier by registering companies for value added tax at the time of incorporation” (World Bank, 2020).
- “Kazakhstan made dealing with construction permits easier by streamlining the expert evaluation of the construction project and by improving the process for obtaining a new water connection” (World Bank, 2020).
- “Kazakhstan made registering property cheaper by decreasing registration fees. Kazakhstan also made transferring property more difficult by requiring additional proof of payment of state duties” (World Bank, 2020).
- “Kazakhstan strengthened access to credit by automatically extending security interests to the products, proceeds and replacements of the original assets and by giving secured creditors absolute priority during insolvency proceedings. Kazakhstan also improved access to credit information by reporting credit data from retailers” (World Bank, 2020).
- “Kazakhstan made resolving insolvency more difficult by requiring that all creditors vote on the rehabilitation plan, regardless of its impact on their interests” (World Bank, 2020).
- “Kazakhstan made getting electricity easier by abolishing the requirement to obtain an expert opinion after the completion of external works. Kazakhstan also made getting electricity faster by streamlining the approval of new connection requests” (World Bank, 2019).
- “Kazakhstan made trading across borders easier by introducing an electronic customs declaration system, ASTANA-1 IS, as well as reducing customs administrative fees” (World Bank, 2019).
- “Kazakhstan made enforcing contracts easier by making judgments rendered at all levels in commercial cases publicly available and publishing performance measurement reports on local commercial courts” (World Bank, 2019).

Corruption Perception Index

“The Corruption Perceptions Index (CPI) ranks countries by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys” (Transparency International, 2019). “The CPI generally defines corruption as the misuse of public power for private benefit” (Transparency International, 2019). According to

Transparency International, “Countries are ranked from 0 to 100. The lower the CPI, the more perceived corruption, the higher the number the lower the perceived corruption.”

The CPI is included in Table 3. Kazakhstan’s CPI is 34. Countries that have low CPI scores, below 40, are perceived to have pervasive and widespread corruption, making it extremely difficult for entrepreneurs to open their own business without paying bribes or engaging in corrupt practices. The low CPI, implying widespread corruption, makes it much more difficult for public-private partnerships to succeed in Kazakhstan.

Central Asian cultures have a common habit of giving gifts in both personal and business situations. The gift giving culture attaches a responsibility to repay the person giving the gift in a future encounter. The gift giving culture creates trust, bonds the participants together, and strengthens the established relationship, unfortunately, this is often misunderstood by western managers as corruption (D’Souza, 2003). Societies that are collectivist in nature believe in reciprocity, a practice that obligates people to repay favors from others in order to build relationships (Whatley, Webster, Smith, & Rhodes, 1999; Chandler & Graham, 2010). Those societies, with high collectivism make value judgements and follow moral principles that benefit their family, and the community that they belong to; and in these societies interpersonal relations and connections are more important than ethical or legal conformity, therefore, they are willing to overlook the stated law when it is in the best interest of their family or in the interest of important social & group connections (LaPalombara, 1994; Husted, 2000; Weaver, 2001; Getz & Volkema, 2001; David & Ruhe, 2003). This feature of a collectivist society, relying on connections and making value judgement relative to one’s family and group, can lead to corruption, nepotism, and doing favors for those in the group and hinders the success of public-private partnerships (Gomez-Mejia, Balkin, & Cardy, 1998).

CONCLUSION

PPPs are more likely to succeed in those countries that are able to access international funds to finance infrastructure projects (Mengistu, 2013; Clive, 2003; Glasser, 2001). However, Kazakhstan, like many countries, prefers to finance PPP projects with domestic funding. PPPs are more likely to succeed, and acquire financing, when economies are stable, exchange rates are stable, inflation is low, and monetary & fiscal policies are sound (Banerjee, Oetzel, & Ranganathan, 2006; Yehoue, Hammami, & Ruhashyankiko, 2006; Bogado, 2015; Zhang, 2005). In addition, property rights protection, the political environment, government stability and integrity, legislative framework, effectiveness of institutions, regulation, corruption, and economic freedom are all major factors in the success of public-private partnerships (Singh & Kalidindi, 2014; Foster & Briceño-Garmendia, 2010; Estache & Wren-Lewis, 2009; Yehoue, et al., 2006; Borner, Bodmer, & Kobler, 2004; Jamali, 2004; Lamech & Saeed, 2003; Pistor, Raiser, & Gelfer, 2000), and these factors are major concerns that may hinder the success of public-private partnerships in Kazakhstan.

In the past, Kazakhstan’s regulations, and its legal environment related to public-private projects, has been burdensome and difficult to navigate. Kazakhstan remains optimistic that it can utilize public-private partnerships to develop its economy, expand its infrastructure, and modernize its country. Kazakhstan is looking to the future, developing a balanced approach, establishing appropriate laws, and legislation to create successful public-private partnerships that will take them on the road to modernization. The 2015 PPP Law has substantially expanded the types of PPP that can be formed in Kazakhstan. Enhanced and improved public-private partnership legislation was approved in 2017 and 2018 including, “*On Public-Private Partnership*” (2017); “*On Amendments to Certain Legislative Acts of the Republic of Kazakhstan on PPP Issues*” (2017); and “*On Concessions*” (2018).

One problem establishing a PPP is the availability of funds to finance the project. The Kazakhstan banking system still suffers from a large number of non-performing loans, mismanagement, big-bank failures, and corruption. In addition, Kazakhstan's banking system does not have the funds or liquidity to finance large PPP projects, and international investment is severely limited. The government in Kazakhstan permits availability payments for public-private partnerships. The use of availability payments helps to provide the right balance between the interest of private companies working with the government and the interest of the government.

The ability of Kazakhstan's government to utilize PPPs to modernize and develop its country and economy is hampered by its poor Government Effectiveness Index, poor Rule of Law Index, poor Control of Corruption Index, poor Property Rights protection, poor Government Integrity score, and its poor Corruption Perception Index. These indexes indicate problems with Kazakhstan's legal system, complying with rules and laws, and fairness in the laws, as well as problems with corruption. However, Kazakhstan is committed to modernizing its economy and developing their infrastructure, and public-private partnerships will play a major role in their future development.

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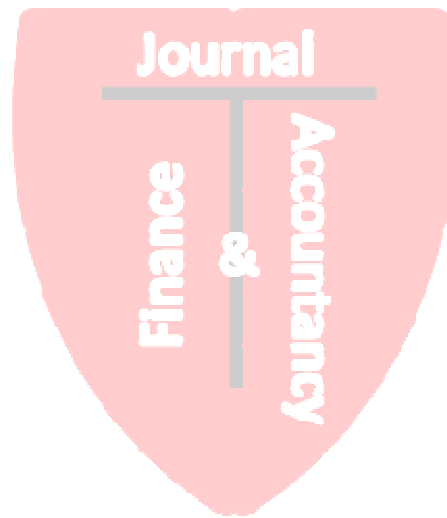
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APPENDIX

Table 1: PPP Risk Factors

	Risk Level	Risk Factors
Macro	Political and government policy	Legislation change
	unstable government	Change in tax regulation
	Expropriation and nationalization	Social
	Corruption	Social corruption
	Macroeconomic performance	Shortage of society voluntary
	Poor financial market	Traditional public opposition
	Inflation and interest rate fluctuation	Industrial Sector specified
	Exchange rate fluctuation	Industrial regulatory change
	Influential economic events	Labour/material unavailable
	Legal	Natural
Meso	Hard currency not transferability	Force majeure
	Currency exchange unavailable	
	Project selection	Construction time delay
	Project demand	Delay material supply
	Land acquisition	Design alteration risk
	Residual risk	Poor quality
	Project finance	Technological
	Project investment attraction	Geographic conditions
	Finance cost	Operation
	Design	Operation cost overrun
Micro	Design deficiency	Income under-performance
	Construction	Low productivity
	Construction cost overrun	Maintenance
	Public risk	Both
	Higher project cost	Contract variation
	Private company capability	Organization and co-ordination risk
	Private monopoly risk	Little experience
	Private inefficiency risk	Inadequate distribution of responsibilities and authorities
	Private Risk	Laborious political decision-making process
	Approval and permit risks	Difference in working method and know-how
Tort liability risks	Power struggle	
Publicly accountability		
Staff Crisis		
Reliability and creditworthiness of government		

Sources: (Lu, Wu, Chen, & Lin, 2000). Wang, Tiong, Ting, & Ashley, 1999; Lam & Chow, 1999; Zhang, Wang, Tiong, Ting, & Ashley, 1998; Duffield, 1998; Smith, 1997; Stager, 1996; Kopp, 1997; HM, 1995; Wells & Gleason, 1995; Reijniers, 1994; Al-Bahar & Crandall, 1990).

Table 2: Kazakhstan's World Governance Indicators: (-2.5 weak; 2.5 strong)

Indicator	Year	Governance (-2.5 to +2.5)	Percentile Rank
Voice and Accountability	2008	-1.09	16.83
	2013	-1.24	14.08
	2018	-1.17	15.76
Political Stability and Absence of Violence/Terrorism	2008	0.62	68.27
	2013	-0.40	34.60
	2018	0.00	45.71
Government Effectiveness	2008	-0.46	39.81
	2013	-0.53	35.55
	2018	0.02	54.33
Regulatory Quality	2008	-0.34	43.20
	2013	-0.37	37.91
	2018	0.14	60.10
Rule of Law	2008	-0.82	23.56
	2013	-0.69	30.52
	2018	-0.43	35.58
Control of Corruption	2008	-0.98	16.02
	2013	-0.93	18.96
	2018	-0.50	36.06

Source: www.govindicators.org

Table 3: Kazakhstan's Economic Freedom Indexes

¹ Econ Freedom World Rank	2020 Score	Prop Rights	Judi Effectiv	Gov Integ	Tax Burd	Gov Spend	Fiscal Health	Bus Free	Labor Free
39	69.6	61.3	62.1	40.9	92.3	85.5	84.1	74.6	86.0
Monetary Freedom	Trad Free	Invest Freedom	Fin Free	Tar Rate (%)	Inc Tax (%)	Corp Tax (%)	Tax Bur % of GDP	Gov Expend % of GDP	Pop (Mil)
68.1	80.2	50	50	2.4	10.0	20.0	16.4	22.0	18.5
GDP (Billions, PPP)	GDP Grow Rate (%)	5 Year GDP Grow Rate (%)	GDP per Cap (PPP)	Unempl (%)	Infl (%)	FDI Inflow (Millions)	Pub Debt (% of GDP)	Ease Rank ¹	CPI ³
\$508.6	4.1	2.9	\$27,550	4.9	6.0	3,816.6	21.9	25	34

¹Heritage Foundation. (2020), ²World Bank, ³Transparency International**Table 4: Ease of Doing Business Index**

	Start Business	Const Permits	Elect	Prop	Credit	Protect Minority Invest	Pay Taxes	Trad Across Borders	Enforc Contracts	Resolv Insolvency
Score	94.4	76.5	81.6	82.4	80	84	78.2	70.4	81.3	66.7
Rank	25 th	37 th	67 th	24 th	25 th	7 th	64 th	105 th	4 th	42 nd

World Bank Ranking (2020)