**INVESTING IN KAZAKHSTAN: STRENGTHENING THE INVESTMENT CLIMATE THROUGH OECD STANDARDS**

**Project start date: July 2011**

**Project end date: March 2012**

**Total cost £150,000**

**Project Code: PPY OECD1003**

**Project Background**

The project aimed to support economic development in Kazakhstan including by carrying out an Investment Policy Review (IPR). Recent trends have seen Foreign Direct Investment (FDI) move gradually from Central Europe to South East Europe and Central Asia. Investments in Kazakhstan are heavily biased towards the energy based market and Kazakhstan is working with the OECD to diversify its economy and attract FDI in productive industries which support economic development objectives such as employment creation, skills and technology transfer, and innovation. A recent report from the OECD Eurasia Competitiveness Programme (ECP) highlighted the need to carry out an Investment Policy Review (IPR). This recommendation was followed by a written request from the Prime Minister of Kazakhstan to the Secretary-General of the OECD to implement an IPR.

The project formed one part of a larger OECD programme which began at the invitation of the then Prime Minister of Kazakhstan, Mr Karim Massimov, to make policy recommendations on the diversification of its economy away from extractive industries. The wider programme was primarily funded by the European Commission with this particular project receiving financial support from the FCO’s Prosperity Programme.

**Executive Summary**

**Key Findings**

* The project produced a final report which formed the basis of Kazakhstan policy thinking around diversification of FDI
* The Review has been used in all relevant Ministries as a blueprint for a range of reforms and there has already been significant progress with the Kazakhstan government in implementation of several of the Review’s recommendations
* The project fitted well with the wider OECD programme and leaves Kazakhstan well placed to achieve diversification of its economy and acceptance by international organisations such as OECD and WTO

**Relevance**

The project was relevant to the Prosperity Fund strategy, the UKDel OECD strategy and the country business plans for both the UKDel OECD and British Embassy Astana. It also formed an integral part of the wider OECD Eurasia Competiveness Programme “Sector Competiveness Strategy for Kazakhstan”.

**Efficiency**

The project design was efficient in that it took forward ongoing work being taken forward in country with EU funding and OECD expertise. Key stakeholders were appropriately consulted from the outset and the activities flowed efficiently from the agreed outputs. The project produced a final report which has formed the bedrock of Kazakhstan policy thinking around diversification of FDI.

**Effectiveness**

The project was effective in that it achieved all indicators of excess. The review, with preface by former Prime Minister Massimov, produced a document used in all relevant Ministries and key interested stakeholders in the international community as a blueprint for a range of reforms in Kazakhstan’s efforts to produce a first class investment climate.

**Sustainability**

Sustainability is guaranteed as the project is just one part of the wider OECD programme ongoing in Kazakhstan. There is senior ministerial interest in using the project’s findings to formulate and implement key reforms around FDI. This has helped form new, or strengthen existing, relationships in Paris and at Post with OECD and ministerial stakeholders. The FCO will need to maintain this interest to ensure that the UK is well placed to take advantage of future political and commercial benefits.

**Impact**

The project has been very well received and OECD colleagues are rightly very pleased with how the review has been implemented so far. There has already been significant progress on the Review recommendations with the Kazakhstan government beginning implementation of 5 out of 12 OECD recommendations:

* Improved access to foreign investors in the PPP projects;
* Effective regulation of IP rights;
* Introduction of responsible business conduct practice;
* Reduction of administrative and corruption burden on business and trade liberalisation;
* Recommendation on improving agricultural sector. These have already had positive impact on businesses operating in this sector. For example, national holding KazAgro will start reducing its direct funding of SMEs by increasing commercial banks’ lending. KazAgro will only keep its function of subsidising the bank loans.

This and the work of the wider programme, leaves Kazakhstan well placed to achieve its aim of diversification of its economy, away from extractive industries and acceptance by international organisations such as OECD and WTO.

**Project Management**

The project was well managed, engaging with key stakeholders from inception including teams in our Delegation in Paris and British Embassy Astana. As the project was just one strand of a larger programme, it ensured that processes and work flows were already in place and stakeholders already aware of ongoing work.

**Main Lessons**

1. Transfer knowledge on the role and importance of OECD Committees to non‑OECD economies so that they may benefit from closer working relationships with the OECD. The reaction of the Kazakh Delegation to the Investment Policy Review is a good illustration of this - they stated how useful they had found the recommendations made in the Review and that they have begun incorporating them in their country’s economic reform process.
2. Establishment of good communication channels. Delivering a project from Paris in a third country with input from stakeholders in Kazakhstan ministries, BE Astana, OECD and UKDelegation required close collaboration to ensure that the project remained focused.