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### **Public-private partnership development in Kazakhstan education**

**Abstract.** The purpose of the article is to analyze the application of public-private partnership mechanisms in projects in the education sector of Kazakhstan and develop proposals for its activation. There are were used general scientific research methods as observation, description, analysis and synthesis, as well as comparative, formal-logical and other methods of cognition in the research process. As the research information base was used the register of public-private partnership projects, which is maintained by the similarly named Center authorized to accompany public-private partnership projects in Kazakhstan. In this case, the sorting, calculation and interpretation of data on PPP (public-private partnership) projects in the field of education was carried out by the author independently from a large array of data presented in the registry.

In this article a relevant quantitative information on public-private partnership projects was demonstrated and analyzed in the field of education of the Republic of Kazakhstan in a regional and sectoral context. Apart from that, an analysis of public-private partnership projects in the field of education of republican significance was carried out, their characteristics were given. The forms and sources of project financing have been investigated, the features of the implementation of public-private partnership projects in the field of education of the Republic of Kazakhstan have been determined. Ways are proposed to increase the activity of the private sector in engaging in public-private partnerships in education by increasing their investment attractiveness.

**Key words:** Public-private partnership, education, projects, concession, trust management.

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Public-private partnership (PPP) in the field of education is a form of interaction between the state and business, in which, complementary to standard obligations, participants undertake to create conditions for the development of the education system in the territory in order to meet the needs of students, the business entity and the population living on territory [1]. Therewith, the benefit for the state lies in the transfer to the private trader of some functions that he can carry out more efficiently, as well as in reducing the burden on the budget. The benefit for business consists in providing a state guarantee for the consumption of its services in case of trust management, provision of land and premises for educational activities on a free or preferential basis, full compensation for the cost of construction of educational facilities in a concession.

The main foundation for the formation of PPP in Kazakhstan was laid with the adoption of the Law of the Republic of Kazakhstan “On Concessions” in 2006 [2], which regulated the basis of the concession agreement and allowed the participation of foreign investors in PPP projects. In general, terms, the Law clearly defined the scope of actions of the parties to the PPP (public-private partnership), however, it did not consider compensation for foreign exchange losses to foreign investors. For this reason, until 2016, only 2 large infrastructure projects based on PPP (public-private partnership) were implemented in Kazakhstan [3]. Meanwhile, the growing economic crisis, the decline in the income of the national fund, in parallel with the growing needs of the population in healthcare and education facilities, actualized the need to introduce other forms of PPP other than concessions.

To solve the problem of a shortage of kindergartens, the state began to cooperate with private kindergartens by establishing there a public procurement with per capita financing. At that time, other forms of cooperation between the private sector and the state were not possible

in the field of education. With the initiation of the scientific community, individual public figures and representatives of business communities, a draft Law on PPP was developed, providing non-concessionary forms of implementation of PPP projects, which was adopted in 2016 [4].

In general, it could be said that the approach of the Law on PPP is non-standard in comparison with the Law on Concessions. If earlier under the Law on Concessions, it was only possible to build or reconstruct objects, now it is possible to transfer functioning objects to the PPP mechanism by trust, lease, or a service contract. There was also the possibility of a private financial initiative, when an entrepreneur has a land plot or object in which it is possible to provide services to the population in the same field of education. The adoption of the Law allowed to almost completely solve the problem of the shortage of kindergartens in the regions of Kazakhstan, it also contributed to the organization of better nutrition in schools, the creation of training centers and gyms, and the repair of educational facilities by attracting private investment.

It seems clear that, it is much easier to improve the adopted separate Law on PPP than tack in existing related documents each time [5]. And after three years of its operation, it's safe to say that now the development of public-private partnership has received a new impetus in Kazakhstan. This can be judged by the number of projects being implemented: as of October 3, 2019, 1263 projects were registered in Kazakhstan, of which 615 projects have already concluded agreements. The total amount of attracted private investment exceeded 1 trillion tenge.

Today in the development of PPP in the field of education, the positive changes are noted. So, 48,5% of PPP (public-private partnership) projects out of their total number in the Republic of Kazakhstan are registered in the field of education. As of October 3, 2019, contracts were signed for 336 projects, 41 projects are at the competition stage, and contracts were canceled for 6 projects (table 1).

Table 1

**Description of PPP projects in the field of education of the Republic of Kazakhstan, as of October 3, 2019**

	Projects		At the stage of competition	Terminated Contracts	Concluded Contracts
	Amount	Share			
Total	1263	100.0	138	7	607
Education	612	48,5%	41	6	336
Note - compiled and calculated by the author on the basis of the Register of PPP projects of the PPP Center					

According to the Center for Public-Private Partnerships, the objects of the canceled projects were kindergartens for 230-320 places. The initiator of 5 projects was the state represented by local Education Departments and 1 project was initiated by a private entrepreneur. The state in these projects guaranteed the state order in the form of consumption of kindergarten services with per capita financing. Moreover, the initiative to terminate these contracts belongs to the state due to non-compliance with the terms of the contract by the concessionaire (private trader). The remaining information on terminated PPP (public-private partnership) contracts is presented in Table 2.

Table 2

**Information on terminated PPP contracts in the field of education**

Region	Year of conclusion	Reason for termination	Type of contract	The total cost of the project	External Investments
K o s t a n a y region	2017	By the decision of Special Interdistrict Economic Court of Kostanai Region, 16/09/2019	C o n t r a c t PPP (public-private partnership). T r u s t management of state property	895600	895600
K o s t a n a y region	2017	By the decision of Special Interdistrict economic court of Kostanai region, 16/09/2019	C o n t r a c t PPP (public-private partnership). T r u s t management of state property	895600	895600
The East Kazakhstan region	2015	for non-compliance with the terms of the contract by the Concessionaire, 17/04/2017	O t h e r agreements	664600	664600
The East Kazakhstan region	2015	for non-compliance with the terms of the contract by the Concessionaire, 18/04/2017	O t h e r agreements	571900	571900
The East Kazakhstan region	2015	for non-compliance with the terms of the contract by the Concessionaire, 19/04/2017	O t h e r agreements	495500	495500
A k m o l a region	2016	By the decision of the Specialized Interdistrict Economic Court of Astana city, 20/09/2018	No data		
Note - compiled and calculated by the author on the basis of the Register of PPP (public-private partnership) Projects of the PPP (public-private partnership) Center					

It should be noted that due to the termination of these Contracts, there were no state losses, since the form of state participation in these projects was to provide land plots for temporary use to private owners.

Of all 612 PPP projects in the field of education, 610 projects are implemented at local levels, the remaining 2 – are at the republican level. Let’s consider them.

The first project is related to the creation, implementation and operation of the automated information system Kundelik in the Republic of Kazakhstan. The aim of the project is the cancellation of paper reporting forms (including journal and diary) in educational institutions in the Republic of Kazakhstan and a complete transition to the electronic version of journaling. The contract for this project was concluded on January 26, 2018 on a private initiative (“Kundelik LLP”), the project is currently in the operation, the service life is coming to an end in 2030. The state partner is the state represented by the Ministry of Education and Science of the Republic of Kazakhstan. The volume of attracted private investments covers the entire necessary amount for the implementation of the project and equals to 5,8 billion tenge [6]. State support measures for this project include: providing comprehensive legal and regulatory, technical, methodological and other support; guarantee of consumption during the implementation of the project.

The second project “Regional Center for Testing and Pedagogical Competence” was also initiated by a private trader (“U-FUTURE” LLP). As envisioned by the initiators, a network of testing centers will be created in 17 regions of the country. The network of regional testing centers to be created will be united by a single software, technical requirements and general testing administration rules. The purpose of the network of regional testing centers is standardization, increasing the transparency and fairness of external assessment procedures involving computer and paper testing. The project involves for both paper and online testing. The user can work on errors and get 11 analytical and statistical reports. Now, with the help of the UStudy service, it is possible to pass trial testing of UNT (Unified National Testing), as well as pass training video courses in various subjects [7].

The state support measure is to provide a guarantee of the consumption of services provided during the implementation of the Project. The guarantee of consumption is as follows: providing each Kazakhstani scholar with access and the opportunity to prepare for UNT (Unified National Testing) by passing trial tests with the provision of consulting and methodological assistance. The volume of attracted private investments for this project is 1,4 billion tenge.

Data on the sources of financing of PPP projects in the field of education of Kazakhstan are presented in Table 3.

Table 3

**Cost of PPP projects in the field of education by level of implementation**

	<b>Total cost of projects, billion tenge</b>	<b>Share of the total cost, %</b>	<b>The volume of attracted private investment, thousand tenge</b>	<b>Share of total investment, %</b>	<b>Budget financing</b>
Local level	106,3	93,6	46,4	86,6	59,9
Republican level	7,2	6,4	7,2	13,4	-

A 1 1 PPP(public-private partnership) projects in the field of education of the Republic of Kazakhstan	113.5	100	53,6	100	59,9
Note - compiled and calculated by the author on the basis of the Register of PPP projects of the PPP Center					

As can be seen from table 3, the total cost of PPP projects in the field of education amounts 113,5 billion tenge, more than half of this cost, or rather 53,6%, is covered by private investments, the rest are reimbursed by the state. 93,6% of the total cost of PPP projects in the field of education is concentrated at local levels. Therewith, out of 106,3 billion tenge, 86,6% are funded by private entrepreneurs, the remaining 13,4% - by the state.

In the regional context, the East Kazakhstan and Zhambyl regions show the greatest activity, the least -Shymkent, West Kazakhstan and Almaty regions (Figure 1).

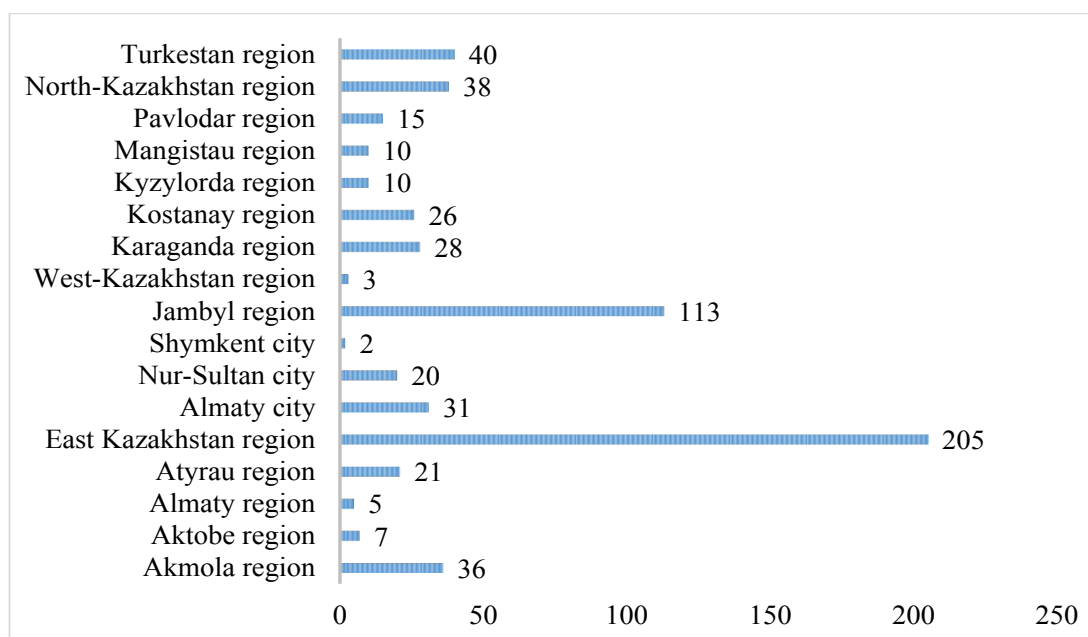


Figure 1 – The number of PPP projects in the field of education, as of October 3, 2019  
 Note - compiled and calculated by the author on the basis of the Register of PPP projects of the PPP Center.

As can be seen from Figure 1, the practice of applying PPP mechanisms in educational projects in the regions of the Republic of Kazakhstan is developing unevenly. So, 205 projects are being implemented in the East Kazakhstan region, only 3 in the West Kazakhstan region, and only 2 projects in Shymkent. The Zhambyl region in the number of PPP projects in the field of education is in second place in Kazakhstan with 113 projects. In other regions, the number of PPP projects in the field of education does not exceed 40 units. Thus, it can be concluded that the regions do not fully utilize the potential of PPPs in the field of education.

Let's consider the sectoral structure of PPP projects in the field of education (Figure 2).

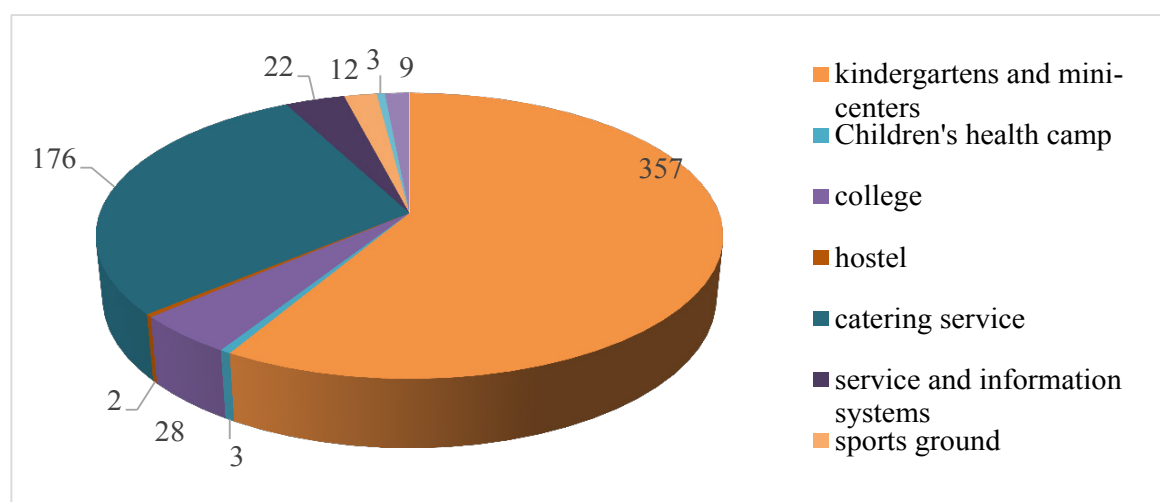


Figure 2 - Sectoral section of PPP projects in the field of education, as of October 3, 2019  
Note - compiled and calculated by the author on the basis of the Register of PPP projects of the PPP Center.

As can be seen from the presented figure 2, of the total number of registered PPP projects in the field of education, 58% or 357 projects are carried out as part of the construction, operation and placement of state orders in kindergartens and mini-centers. The next popular area of PPP (public-private partnership) is catering in schools, 176 projects are registered in this area.

If classified by types the concluded contracts, then in most cases this is trust management and lease contracts. Trust management is mainly used in projects for the operation of kindergartens, training centers, colleges, and rental contracts in the field of school meals. These forms of PPP contribute to the development of per capita financing and dual education, open up new social standards - by transferring functions to the private sector, and also reduce current budget expenditures. In case of successful implementation of the project, the business gets the opportunity to transfer management costs of the educational object, measures of state support. And the state body (local council) within the framework of its participation in the project contributes to the development of intellectual capital of the private sector, reducing the one-time burden on the state budget, and the possibility of accelerated implementation of the social project [8].

The study allows us to draw the following conclusions:

1. Thus, today in the educational system of Kazakhstan, more PPP projects are concluded in comparison with other areas.

2. Along with this, the sectoral structure of PPP projects in the field of education is dominated by pre-school education facilities and colleges on a contractual basis and on the basis of trust management. Nevertheless, Kazakhstan can not yet brag about a large number of projects under the PPP in the field of secondary education for the following reasons. This is due to the fact that initially the partnership was aimed at eliminating the shortage of places in preschool education organizations, and in subsequent years the government took measures to strengthen the role of secondary technical education.

3. Uneven regional development in the application of the potential of PPPs in the field of education.

4. Weak implementation of PPP mechanisms in secondary education projects, which is due to the features of cooperation between business and the state in secondary education, which require time and development. The task of the state is to accelerate this process by creating appropriate conditions, implementing best international practices in national legislation.

In general, to stimulate the active use of PPP mechanisms in educational projects, the following measures should be taken:

1. Create additional preferences for private investment in the framework of the PPP project for the construction of secondary schools with their further reconstruction. It is necessary to realize that only by increasing the investment attractiveness of PPP projects, by which their effectiveness can be achieved.

2. It is necessary to oblige local akimats to the active use of contractual forms of PPP. As part of the Damu training programs, it is advisable to conduct a training cycle on the basics of PPP in order to increase entrepreneurship literacy and their involvement in PPP projects.

3. Large PPP projects in the field of education must be initiated by the state by the Ministry of Education and Science of the Republic of Kazakhstan. Such projects require very large investments, so there is a need to attract foreign investment or loans from international banks. Here the state can act as a guarantor of return on investment. In turn, the initiative to create such projects should be preceded by a study of foreign experience in this area and discussion of nuances with competent international experts. It should be noted that it is advisable to implement such projects at the republican level, since only at this level can the state guarantee compensation for foreign exchange losses, which is important for potential foreign investors.

The implementation of the proposed activities will contribute to increasing the investment attractiveness of PPP projects in the field of education. Enhanced use of mechanisms of PPP in the construction of schools and universities will unload the state budget for education, and a partial solution to the problem of the lack of secondary schools, an improvement in the infrastructure of universities, the establishment of interconnected activities of the educational process, university science and business.

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### **Қазақстанның білім беру сферасында мемлекеттік-жеке әріптестікті дамыту**

**Аңдатпа.** Мақалада Қазақстанның білім беру сферасындағы жобаларда мемлекеттік-жеке әріптестік тетіктерін қолданылуын талдау және оны белсендіру бойынша ұсыныстар әзірлеу болып табылады. Зерттеу барысында байқау, сипаттау, талдау және синтез сияқты жалпығылыми әдістер, сонымен қатар танымның салыстырмалық, формалды-логикалық және т.б. әдістері қолданылған.

Зерттеудің ақпараттық базасы ретінде Қазақстандағы мемлекеттік-жеке әріптестік жобаларының іске асуын қадағалауға өкілетті «Мемлекеттік-жеке әріптестік орталығы» жүргізетін реестр пайдаланылған. Осы реестрде көрсетілген мәліметтердің үлкен массивінен білім саласындағы жобалар бойынша мәліметтерді автор өзі іріктеп, есептеген және оларға интерпретация жасаған. Автор білім беру саласындағы мемлекеттік-жеке жобалар бойынша аймақтық және салааралық өзекті сандық көрсеткіштерді көрсетіп, талдау жасаған.

Республикалық маңызы бар жобаларға талдау жүргізіліп, баға берілген. Қазақстан Республикасындағы білім беру сферасындағы мемлекеттік-жеке әріптестік жобаларын іске асыру формалары, қаржыландыру көздері және ерекшеліктері анықталған. Білім беру саласындағы мемлекеттік-жеке әріптестік жобаларының инвестициялық тартымдылығын арттыру арқылы жеке сектордың оларға қатысуын белсендіру жолдары ұсынылған.

**Түйін сөздер:** мемлекеттік-жеке әріптестік, білім беру, жобалар, концессия, сенімгерлік басқару.

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### **Развитие государственно-частного партнерства в сфере образования Казахстана**

**Аннотация.** Целью статьи является анализ применения механизмов государственно-частного партнерства в проектах сферы образования Казахстана и выработка предложений по её активизации. В процессе исследования были применены такие общенаучные методы исследования, как наблюдение, описание, анализ и синтез, а также сравнительный, формально-логический и другие методы познания. В качестве информационной базы исследования был использован реестр проектов государственно-частного партнерства, который ведется одноименным Центром, уполномоченным сопровождать проекты государственно-частного партнерства в Казахстане. При этом сортировка, расчет и интерпретация данных по проектам ГЧП в сфере образования осуществлялись автором самостоятельно на основе большого массива представленных данных в реестре. В статье продемонстрирована и проанализирована актуальная количественная информация по проектам государственно-частного партнерства в сфере образования Республики Казахстан в региональном и отраслевом разрезах. Кроме того, проведен анализ проектов государственно-частного партнерства в сфере образования республиканского значения, дана их характеристика. Исследованы формы, источники финансирования проектов, определены особенности реализации проектов государственно-частного партнерства в сфере образования Республики Казахстан. Предложены пути повышения активности частного сектора в задействии в проектах государственно-частного партнерства в сфере образования путем повышения их инвестиционной привлекательности.

**Ключевые слова:** государственно-частное партнерство, образование, проекты, концессия, доверительное управление.



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