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Shaimerden Chikanayev on development of the PPP projects market in Kazakhstan

Shaimerden Chikanayev, Partner of GRATA International law firm made comments to the national newspaper "Kazpravda" on the development of the PPP projects market in Kazakhstan.

The original article in Russian language can be found on the "Kazpravda" newspaper website:

<http://www.m.kazpravda.kz/articles/view/ot-gosudarstva-zhdut-reshitelnosti-i-tonkoi-balansirovki/>

THE STATE IS EXPECTED TO DEMONSTRATE ITS VIGOUR AND ... DELICATE BALANCING

'Almaty' Social and Entrepreneurial Corporation was defined as the responsible authority destined to promote projects of public-private partnership in the city. A working group was created to develop proposals on PPP projects and further implementation thereof.

According to Ruslan Dosmakhanov, Deputy Chairman of the Board of National Company 'Almaty Socio - Entrepreneurial Corporation' JSC, since the beginning of the year the working group examined 84 projects for a total amount of 387 bln tenge. Thereat, 16 projects were accepted for implementation. Among them there is one 95.3 bln tenge project in the area of public transport, which provides for the LRS (Light Railway System) construction with a total length of 22 km. Other 9 projects are in the area of education and amounted to 7.8 bln tenge, in particular, they are construction of eight new kindergartens for 2,220 places and kids school of music No. 5 after Tulebayev.

The health sector accounts six projects for 15.2 bln tenge, in particular, they include a 250-bed rehabilitation centre, diagnostic centre of paediatrics for 400 visits per a shift in the territory of the Children's Municipal Clinical Hospital No. 2, construction of a new building of clinic No. 13 for 200 visits per a shift, and three first-aid substations.

"The implementation of these projects will increase the level of accessibility and quality of goods, works and services in view of the interests and needs of the population, development of infrastructure and life support systems," said Ruslan Dosmakhanov. "Businesses are interested in the projects because they are profitable. Akimat is always open to proposals from private investors for the implementation of PPP projects," said the representative of Almaty SEC.

According to him, construction of the above facilities will be financed by private investments. The operation and management of the facility will be the entire responsibility of a private partner with the subsequent generation of revenues. Upon commissioning the facilities will be transferred to municipal property of the city. Compensation of investment costs of the investor within 7-10 years with the guaranteed right of management and carrying out commercial activity is provided.

The PPP Centre conducts a number of activities to attract investors to PPP projects. Partners are determined through competitive procedures. The notice of the competition (tender) will be posted in the national and local media, as well as on the official website of Almaty Akimat. The SEC representative has asserted that by the end of this half-year period they expect to complete the competitive procedures, conclude contracts with private partners and start construction and installation works for all planned projects.

The partner of GRATA Law Firm - Shaimerden Chikanayev, has also given his point of view on the PPP development in the country. He believes that the partnership mechanism has not been fully developed yet, despite the legislation in this area has been effective since 2006.

"Unfortunately, to the best of my knowledge, such a large and reference project for Almaty like BAKAD construction has stuck because the state has not decided yet on the responsibility for currency risks. Though earlier this issue was discussed," - the lawyer noted. "The meaning of PPP is precisely that the state and a private partner shall fairly distribute market risks among themselves. If Kazakhstan tries to introduce PPP widely, then the state shall initially show its will and determination, perhaps, through taking on more risks to attract foreign investors. Pursuant to the international practice, it is the currency risks that the state takes on, because it has more opportunities to control this risk, and this is fairer. No matter how the state perfects the legislation, the lack of personal responsibility of a particular official for projects and risks will not bear fruits."

According to the expert, PPP is a rather complex process that requires delicate balancing. It is important to draft an agreement in the best possible way, to attract economists, lawyers, and to arrange hard work by the state authorities.

When a private investor takes on all expenses, the state will perform its financial obligations within a certain period. In fact, it is a loan and it is profitable for the state. Another advantage of PPP is that its implementation allows reducing the risk of corruption.

In general, to launch widely the PPP mechanism, there must be a clear and firm will of the state. According to Shaimerden Chikanayev, the concept of PPP is often misinterpreted. In our country, this is more like interaction within the framework of social responsibility of business.

You can also find more detailed overviews of the current legal framework for the PPP projects in Kazakhstan in English and Russian languages below:

[ГЧП в Казахстане](#)

[Public-Private Partnerships in Kazakhstan](#)

Practice areas

[PROJECT FINANCE & PUBLIC-PRIVATE PARTNERSHIP \(PPP\)](#)

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[KAZAKHSTAN](#)

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