

Construction
project for private schools in the
framework of per capita regulatory
funding



2020

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Construction of private schools

Education sector in Kazakhstan

Project description

The shortage of student places is one of the most serious problems for today; schools teach two or even three times more students.

A partial solution to this problem is possible with the expansion of the network of private schools. Since 2018, it became possible to place a state educational order in private schools, which gave impetus to the development of this sector of education.

While there were 121 private schools in the country before the introduction of per capita funding, the number reached 168 on October 1, 2019. By the end of 2019, it is planned to open 13 more private schools.

Since 2018, it has become possible to place a state educational order in private schools, which has given an incentive to develop this sector of education. Before the introduction of per capita funding, there were 121 private schools in the country, but at the end of 2019, their number reached 181. There is a high need to create new student places (**a deficit of 168 thousand**).

Introduction of per capita financing

In accordance with the order of the Head of State to stimulate successful schools in 446 state urban schools introduced per capita funding (an average of 281 thousand tenge per year). The state order was placed in 114 private schools for 30.7 thousand students.

Today, the development of the education and science system in Kazakhstan is a priority task of the state policy. An unprecedented decision was made to increase spending **to 7% of GDP**. On behalf of the Head of State, the issue of increasing funding for science has been resolved. The total amount of science funding will almost double in the **next 3 years (by 69.6 billion tenge)**.

Mechanism for placing a state order, project features

The state reimburses investment costs to investors, and provides for the option of reimbursing costs for projects implemented **for construction** (96 MCI for every launched student place), **for reconstruction** (47 MCI for every launched student place). The period of implementation of these payments is 8 years, and includes an annual increase in income, taking into account inflation. Operating costs are reimbursed during the entire operating period of the school – 281 thousand tenge per pupil (average standard of 2020). Additional "comfort conditions" of the program are the State grant-in-kind for a land plot and financial support measures - "Simple things economy" is a soft-financing with 6% per annum taking into account 9% of "DAMU" fund subsidies. The building becomes the property of the investor. Independent determination of parent fee.

Successful experience over the years of program implementation (2018-2019)

Since the implementation of this mechanism, 28 preliminary contracts have been concluded, and about 15,072 new places are planned to be introduced. The state order was placed in 153 private schools for 44.1 thousand students. 83 new private schools were opened with a design capacity of more than 24 thousand students. The goal for 2020 is to open at least 100 new private schools. The development of a network of private schools is justified both from the point of view of solving infrastructure problems, and from the point of view of optimizing state budget expenditures.

Kazakhstan

Favorable investment climate

GDP of Kazakhstan is \$ 170B

25th rank in the World Bank's 2020 Doing Business Index:

- **4th in contract enforcement,**
- **7th in the protection of minority investors' rights,**
- **31st on the human capital development index.**

The most favorable tax regime in the region (total tax and contribution rate (% of profit))

Standard corporate income tax rate 20% and VAT rate 12%

Kazakhstan– 29,4%

Russia – 46,3%

Uzbekistan – 48,2%

China – 64,9%

Procedure for entering new schools

1 Receiving of a land plot

- **If an investor does not have a land plot, the following options for obtaining a land plot are offered:**

- to apply to the local executive bodies for information on need to build a school in a particular area of the city and the required number of student places;

- Receiving a land plot from the state is possible without participation in tenders (competitions, auctions), if a potential investor has a joint venture agreement with a Social and Entrepreneurial Corporation (SEC), which in order to implement investment projects grants land plots or the right to rent state-owned land plots:

Cooperation between the SEC and private business entities (hereinafter - the Partner) is carried out in the form of a joint venture and the transfer of land as contributions to the authorized capital (signing of constituent documents) or under a Joint Venture Agreement.

- Obtaining a land plot (*grant-in-kind*) as part of participation in local PPP projects;
- Obtaining a land plot in the form of an in-kind grant by *concluding an investment contract* in accordance with the business code.

2 Sources of financing

- **The following sources of funding are offered:**

- Loan funds (preferential subsidy through the DAMU Fund for a period of 7 years at 6 % per annum)
- Own funds
- Creating consortia (pooling funds)
- Other sources (sponsorship, charitable assistance)

3 Participation in auction

- **Algorithm of participation in the competition for placement of the state educational order:**

Operator in the Internet places information on the beginning of application acceptance for receiving the state educational order;

- basing on the results of consideration of applications forms a list of private schools for placement of the state educational order;

A private school submits an application with the following documents:

- copy of the license for educational operation;
- certificate of state registration (re-registration) of a legal entity;
- certificate of Bank account.

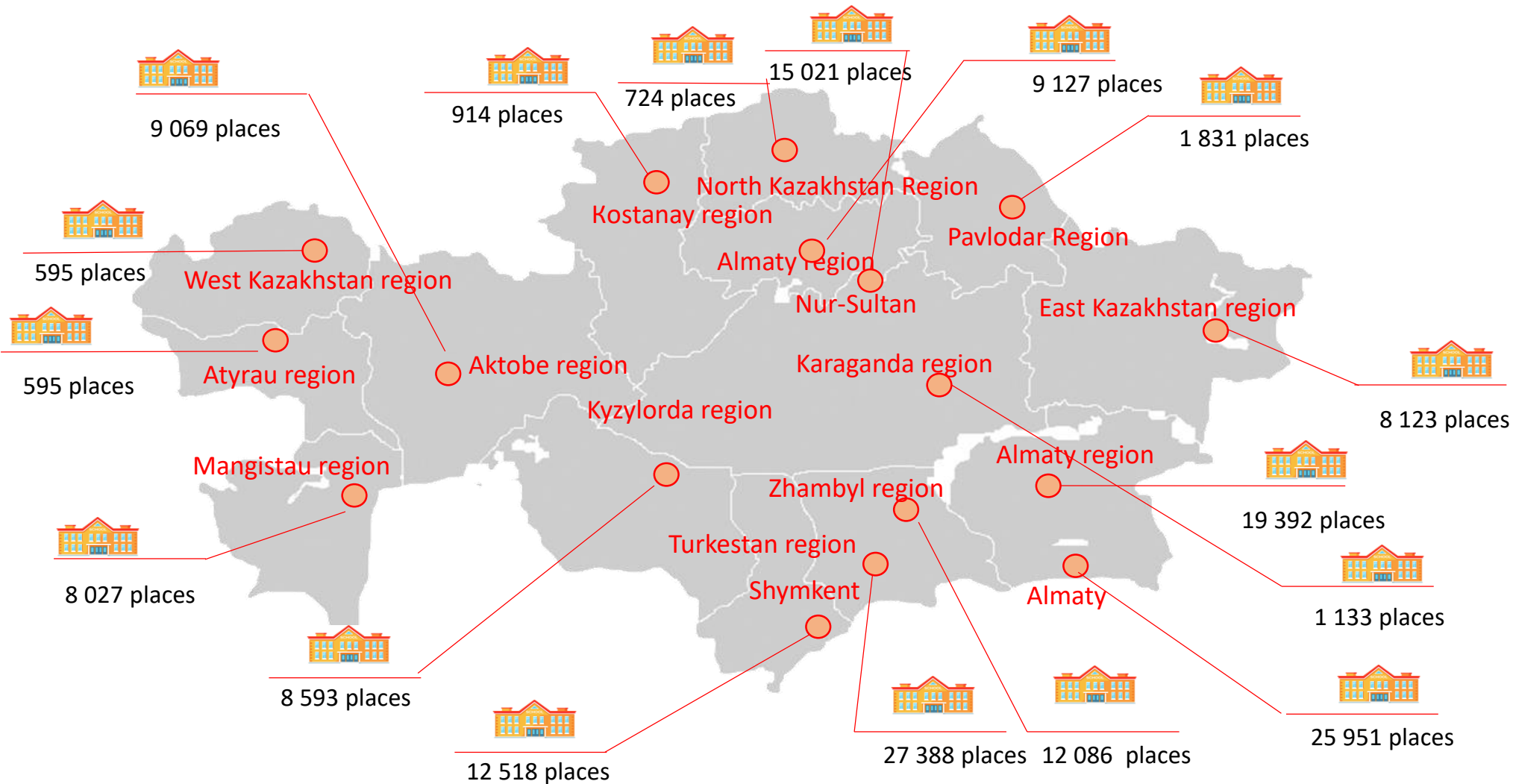
4 Measures for an investor

- **Liberalisation of construction rules and regulations for schools:**

- possibility of placement on the 1st and 2nd floors in the construction of residential buildings and private households
- reduction of the general requirements to the land plot by 40% (with the number of city residents over 500 000)
- exclusion of the recreation and sports area of the school when using the park area and sports core of the neighborhood
- up to 5 floors in the capital and up to 4 floors in other cities
- project capacity is up to 3,000 students according to the project assignment

"Financial Center" JSC - acts as the operator of this program, is a subordinate organization of the Ministry of education and science of the Republic of Kazakhstan. The operator's functions include organizing the procedure for concluding state contracts for providing students, undergraduates and doctoral students with places in dormitories, providing consulting support to interested parties, providing comprehensive information support, monitoring student accommodation in dormitories, monitoring the commissioning of new places, and interacting with interested organizations on the introduction of new places.

Shortage of student places in the Republic - 168 thousand student places



Forbes Kazakhstan presented rating of Top 20 private schools in two largest cities of Kazakhstan (Nur-Sultan and Almaty)

*The Ministry of education and science reported that there are 83 operating schools in two megacities (in the previous academic year - 71)
The cost of education in institutions included in the top 20 ranges from 900 thousand to 8.1 million tenge per year for student*

1. Educational institution "TAMOS Education physics and mathematics school" (Almaty) - Average cost of training per month - 273 thousand tenge Number of students – 2607
2. Non-profit joint-stock company "Haileybury Almaty" - Average cost of training per month-810 thousand tenge Number of students-571
3. Non-profit joint-stock company "Haileybury Astana" - Average cost of training per month-810 thousand tenge Number of students-505
4. Spectrum international school (Nur-Sultan) - Average tuition per month – 611 thousand tenge Number of students-427
5. Miras international school (Almaty) - Average tuition per month-534 thousand tenge Number of students-440
6. School "Nur-Orda" (Nur-Sultan) - the Average cost of training per month – 244 thousand tenge Number of students-907
7. Private school New Generation School (NGS) (Almaty) - Average tuition per month - 273 thousand tenge Number of students-759
8. International school Kazakhstan International School (KIS) (Almaty) - Average cost of training per month-655 thousand tenge Number of students-282
9. Non-governmental educational institution "Prestige" (Almaty) - Average cost of training per month-165 thousand tenge Number of students-939
10. Miras international school (Nur-Sultan) - Average tuition per month - 472 thousand tenge Number of students-310
11. Galaxy international school (Almaty) - Average tuition per month - 347 thousand tenge Number of students-355
12. International school "Dostar" (Almaty) - Average cost of training per month-220 thousand tenge Number of students-543
13. Non-profit educational institution "Economic Lyceum" (Nur-Sultan) - Average cost of training per month - 100 thousand tenge Number of students-1050
14. Lyceum "Turan" (Almaty) - Average cost of training per month-207 thousand tenge Number of students-450
15. Author's school of Zhania Aubakirova (Almaty) - Average cost of training per month - 247 thousand tenge Number of students-371
16. Almaty Lyceum "Bilim-Innovation" for girls-Average cost of education per month - 267 thousand tenge Number of students-328
17. Institution "boarding School-College named after Suleyman Demirel" (Almaty) - Average cost of training per month-211 thousand tenge Number of students-347
18. International school of Almaty - Average cost of training per month-194 thousand tenge Number of students-365
19. High Tech Academy (Almaty) - Average cost of training per month-433 thousand tenge Number of students-158
20. UNESCO associated school at the Kazakh-American University-Average tuition per month-110 thousand tenge Number of students-609