

PPIAF Assistance in Kazakhstan

Since 2001 PPIAF has been providing technical assistance to the government of Kazakhstan in the water and telecommunications sectors and to build capacity on public-private partnerships (PPPs).

Technical Assistance for Kazakhstan's Water Sector

The northeastern region of Kazakhstan, comprising the oblasts of East Kazakhstan, Pavlodar, and Karaganda, as well as the city of Astana, is the industrial heartland of the country. With the third largest reserves of coal in the world, it is a major center for mining and metallurgy and supplies about 60% of the electricity consumed domestically. The region also has a relatively large chemical manufacturing and agricultural base. In 2001 this region accounted for about 40% of the country's GDP and 4.5 million people (approximately 26% of the country's population).

Although close to 85% of the households in Kazakhstan had piped water connections in their houses at the time, the urban centers located in the Irtysh/Nura/Ishim river basins in the Northeast region suffered from low levels of services, both in terms of quantity and quality, including high levels of water losses. In addition, the water utilities in the basin were facing reduced government transfers due to fiscal constraints, charged low tariffs, and had low collection rates. The final result was a disastrous financial situation that prevented the water utilities from doing any maintenance and paying the water utility, Vodokanal staff on time, and made them accumulate large debts to their suppliers, most notably electricity providers. Additionally, the utilities and municipalities had made little or no investments in rehabilitation, repair, and/or expansion of the facilities for years.

In 2001, the government of Kazakhstan requested PPIAF support to involve the private sector in the management, operation, and maintenance of the water supply systems in medium-size cities in Northeast Kazakhstan using a transparent and competitive process. The support required was for: i) consensus building activities to determine the preferred option for private participation in the provision of water supply services; and ii) legal assistance to prepare a model management contract.

PPIAF funded the following activities: i) a series of seminars and workshops carried out in 2001 and 2002 in Astana and Atyrau with representatives of the oblasts, cities, Vodokanal, and the central government during which the stakeholders agreed on a performance-based management contract option, with a single contract for all participating municipalities and a single contract for a supervision unit; ii) the drafting of procurement documents for the management contract, including the corresponding request for proposals; iii) a study tour for key water sector staff and decision-makers in Poland, Czech Republic, and France, which took place in November 2002 and where participants were able to learn more about implementing management contracts from the water utilities in those countries where similar contracts had been used; iv) training in international competitive bidding for the selection of international utility operators for the management contract in Astana on January 17–18, 2002 including procurement activities for contracting the private sector to manage and operate water and wastewater supply systems.

In 2002 the government of Kazakhstan requested follow-up PPIAF support to find the best approach to address the water and wastewater crisis in small and medium towns (10,000–100,000 residents) in the country through increased private sector participation (PSP), and to develop a comprehensive PSP strategy for the sector to improve services. More specifically, the objective of the study was to gain a better understanding of sector challenges and priorities by collecting and analyzing data on service levels, investment requirements, utility financial performance, and experience with PSP; and to develop recommendations to strengthen the sector in a number of areas, including the legislative, institutional, and regulatory frameworks, as well as measures to strengthen and facilitate PSP.

The PPIAF-funded consultants did a comprehensive sector assessment, analyzed the operations and financial sustainability of the water utilities and experience with the private sector, and prepared several recommendations, including:

- Recommendations on regulatory reforms required: ensuring that tariffs are sufficient to ensure the financial viability of the water utilities; ensuring that the utilities operate under a comprehensive set of customer oriented service goals or requirements; and ensuring better co-ordination between tariffs, service level goals or requirements, and affordability considerations
- Recommendations to strengthen and facilitate PSP in the water sector in small and medium towns by standardizing the types of PSP to be permitted in the sector, and providing greater specification of the rules for the initiation and oversight of PSP within these standardized forms of PSP
- Recommendations to establish a national water sector authority with overall responsibility for water and wastewater services
- New legislation focusing on water and sanitation service providers, which could take the form of a separate law or be included within the existing law dealing with water resource issues

A workshop took place on September 20, 2004 with the participation of the private water utilities' operators to discuss the issues affecting the sector and the consultants' recommendations. As part of the project, a study tour was also organized to expose key water sector staff and decision-makers at the national and regional levels (seven participants) to experiences in other countries that have implemented key strategies, policies, and change management issues for small and medium water utilities. The study tour took place in two European cities: Leipzig, Germany and Gdansk, Poland over the week of April 11–15, 2005.

While the capacity of the technical staff from the government working on this project was enhanced, we understand that the government did not act on the action plan recommended by the consultants.

Results of PPIAF's Activities in Kazakhstan's Water Sector

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> • Private Sector Options in Water Supply for Small and Medium Sized Cities, July 2005
<i>Policies prepared or legal or regulatory changes recommended</i>	<ul style="list-style-type: none"> • Outline of a comprehensive water utilities law, July 2005
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> • Action plan for the government of Kazakhstan to move forward with the findings, conclusions, and recommendations of the consultancy related to private sector options in water supply for small and medium cities, July 2005
Project cycle-related assistance	
<i>Transaction support</i>	<ul style="list-style-type: none"> • Draft procurement documents for the management contract, including the request for proposals

Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Seminars and workshops in Astana and Atyrau during which the stakeholders agreed on a performance-based management contract option, 2001 and 2002 • Study tour in Poland, Czech Republic, and France, November 2002 • Training in international competitive bidding for the selection of international utility operators for a management contract, Astana, January 17–18, 2002 • Private water sector operators' workshop to discuss the issues affecting the sector and the consultants' recommendations, September 20, 2004 • Study tour to Germany and Poland, April 11–15, 2005

Category	Outcomes
Capacity and awareness building	
<i>Technical capacity enhanced</i>	<ul style="list-style-type: none"> • Technical capacity of water sector staff and decision makers enhanced on private sector involvement in the water sector and experience with private sector operators, 2002 • Technical capacity of procurement staff enhanced on the procurement process to select a private operator through international competitive bidding, 2002 • Key water sector staff and decision-makers at the national and regional levels learned about experiences in other countries that have implemented key strategies, policies, and change management issues for small and medium water utilities, April 15, 2005

Technical Assistance for Kazakhstan's Telecommunications Sector

In 2003 the government of Kazakhstan requested PPIAF assistance to facilitate the process of Kazakhstan joining the World Trade Organization (WTO) and to support its national reform program in the telecommunications sector, by promoting increased private participation in the sector.

Appropriate trade and regulatory reform in the sector, in compliance with WTO requirements, would bring about accession and thereby the further integration of Kazakhstan into the global economy. Building confidence for investors was expected to stimulate foreign direct investment in the sector, improving quality, widening choice, and reducing prices. Since the sector provides a basic input to all economic activities, users would become more competitive, thereby improving the relative position in global markets, providing both greater export potential and diversification opportunities. Additionally, the sector would produce growing fiscal contributions to the state budget.

The PPIAF-funded consultants analyzed the national reform program and WTO commitments, including the draft of the actual WTO offer; and analyzed the option for the liberalization of the telecommunications sector, the development program for the sector with the introduction of competition, and the requirements for universal access. The analysis was discussed during a workshop for stakeholders in the telecommunications sector, with participation from government officials, representatives of the national telecommunications company Kazakhtelecom, and other telecommunications providers in the country, which took place in Astana in October 2003.

We understand that the last Working Party meeting for the WTO accession took place in 2008. While Kazakhstan has enacted some laws, which enabled the country to make progress in aligning national legislation with the requirements of key WTO agreements, the country is still not a member of the WTO although it continues making progress on the accession process.

Results of PPIAF's Activities in Kazakhstan's Telecommunications Sector

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> • Drafting Proposals for the Telecommunications Sector to Enter WTO, October 31, 2003 • Presentation on implementing regulatory reform in the Kazakhstan telecommunications sector; and presentation on the case for a liberal offer on telecommunications by Kazakhstan, October 2003
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> • Action plan to implement the program for Kazakhstan telecommunications sector development for 2003–2005, November 2005
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> • Stakeholders workshop in Astana for the Kazakh telecommunications sector, October 2003

Technical Assistance for Kazakhstan's Enabling Environment for PPPs

As part of the Joint Economic Research Program, the World Bank carried out an analysis in 2007 of the government of Kazakhstan's PPP program and made recommendations on a PPP framework, a fiscal risk management program, and the establishment of a PPP Center, its structure, and scope of work. Following these recommendations, the government established the Kazakhstan Center for Public-Private Partnership (KZ PPP Center) in July 2008.

In 2009 the government requested PPIAF support to further develop its PPP program and to provide support to build the capacity of the KZ PPP Center. Assistance was required to provide "just-in-time" support for specific transport projects, including roads; to translate and disseminate various documents on PPPs through a workshop; and to provide consulting services to analyze options for an urban transport strategy in Almaty through PPPs.

PPIAF provided technical assistance for the following:

- Three sets of guidance notes tailored to Kazakhstan's specific needs: i) establishing a method of screening and selecting potential PPP projects, December 23, 2009; ii) developing methodologies related to project preparation, June 17, 2009; and iii) developing bidding proposals and PPP project implementation methodologies, June 17, 2009. These notes are in use by the Methodological Support and Research Sector of the KZ PPP Center.
- Training on the use of these guidance notes for the KZ PPP Center and staff from the Ministries of Economy, Finance, and Transport through a seminar held on May 21, 2009 on the topic "developing methodologies for PPP bidding proposals and implementation of PPP projects."
- The translation of the following books and materials into Russian: i) A Practical Guide to Private Participation in Infrastructure: Project Development and Project Finance by Jeff Delmon (PPIAF, 2009); and ii) Chapters 17–21 of the Private Sector Investment in Infrastructure book by Jeff

Delmon (PPIAF, 2009) on PPPs in the power, transportation, oil and gas, telecommunications, and water and sanitation sectors.

As part of PPIAF support, Almaty’s Parking and Urban Transport Strategy was prepared and discussed in a stakeholder workshop held in April 23, 2009 in which PPP options for a pilot parking PPP project in Almaty were discussed with the International Finance Corporation.

On October 7, 2009, Almaty Municipality confirmed its strategy to enhanced private sector participation in the provision of urban transport services, and requested support to draft a comprehensive municipal transport development strategy, as well as prepare concession contracts and other measures for including private sector involvement to improve passenger transportation services and to introduce a comprehensive paid parking system in the city. As a follow up to the previous PPIAF assistance, UNDP is currently assisting the Municipality of Almaty (the “Akimat”) for the development of a Sustainable Urban Transport Strategy and Action Plan 2013–2023.

Results of PPIAF’s Activities for Kazakhstan’s Enabling Environment for PPPs

Category	Outputs
Enabling environment reform	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> Three sets of guidance notes on PPP projects tailored to Kazakhstan's specific needs, 2009
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> Almaty Parking and Urban Transport Strategy, May 2009
Capacity and awareness building	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> Training on the use of guidance notes for the KZ PPP Center and staff from the Ministries of Economy, Finance, and Transport on the topic “developing methodologies for PPP bidding proposals and implementation of PPP projects,” May 21, 2009 Stakeholder workshop in Almaty to discuss PPP options for a pilot parking PPP, April 23, 2009
<i>Knowledge products disseminated</i>	<ul style="list-style-type: none"> Translation into Russian of Practical Guide to Private Participation in Infrastructure and the sector-specific chapters of Private Sector Investment in Infrastructure by Jeff Delmon, 2009

Category	Outcomes
Enabling environment reform	
<i>Plans/strategies adopted</i>	<ul style="list-style-type: none"> Almaty Parking and Urban Transport Strategy adopted, October 2009
Capacity and awareness building	
<i>Technical capacity enhanced</i>	<ul style="list-style-type: none"> Capacity of the KZ PPP Center strengthened for implementation of the nascent Kazakhstan PPP program and for facilitating PPPs by making global good practice knowledge available to several key government officers, 2010