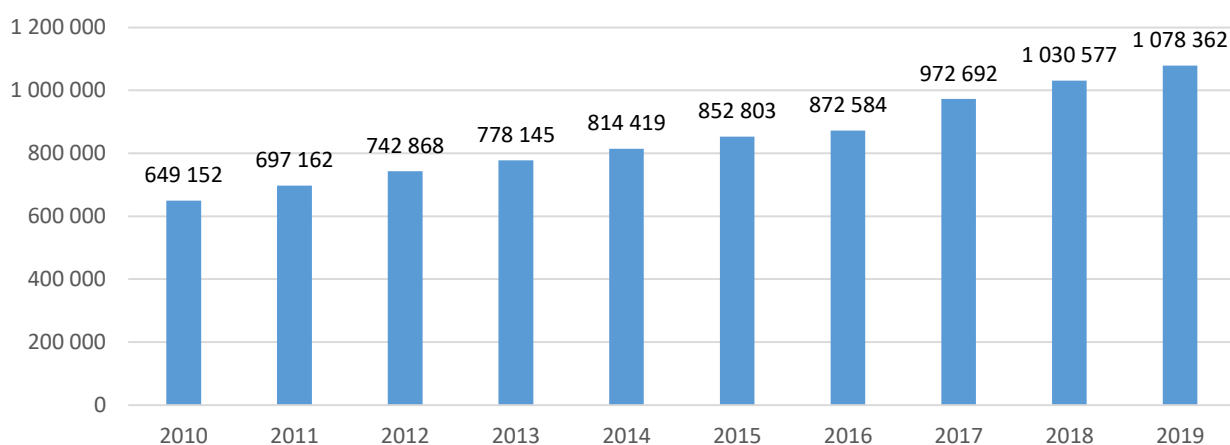


Investment opportunities in Nur-Sultan in the field of education

Number of population, as well as the level of urbanization in the world is growing rapidly. The UN suggests that **69%** of Kazakhstan's population will live in cities by 2050. Over the past 10 years, the population growth of Nur-Sultan has made **more than 50%**. In 2018, more than **65 thousand** people arrived in the capital, **15 thousand** of which are children. According to the forecast, number of population of Nur-Sultan by 2030 will be **1.7 million people**.

*Population of Nur-Sultan at the beginning of the year, people**



* Data of Statistics committee of MNE of RK

Quality of education is an important criterion of the country's competitiveness. In the context of global competition, availability and quality of education is a key priority for the state.

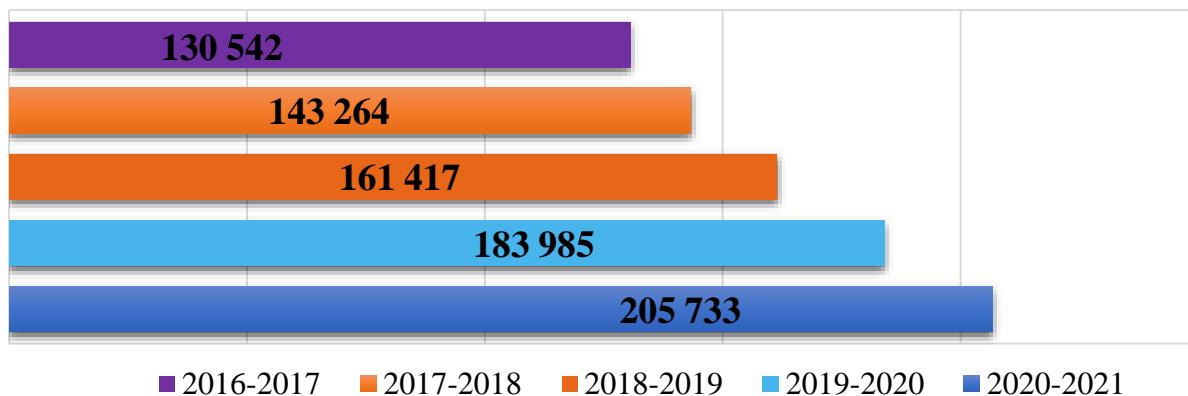
According to Statistics committee of the Ministry of national economy of the Republic of Kazakhstan, in 2018, the share of education field in Nur-Sultan in the total GRP of the city was **3.2%**, which is more than the indicator of Almaty (**1.9%**) but is inferior to Shymkent (**3.8%**).

In 2018-2019 academic year, 108 schools carried out educational activities in the capital, including 87 public (including 1 evening school), 17 private, 3 Nazarbayev Intellectual schools and 1 Republican school of physics and mathematics direction. Now 162 thousand children study in schools of the capital. According to the forecast, in 2020-2021 academic year the number of pupils will be 206 thousand children.

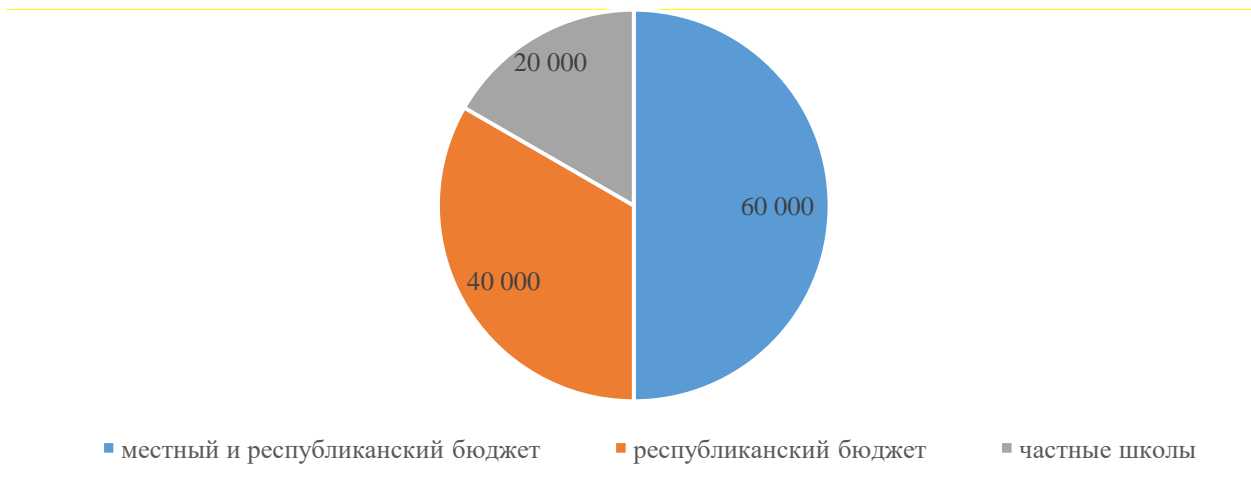
Meanwhile, currently, deficit of pupillary places is 17 thousand children. In this regard, 5 schools of the capital work in three shifts, these are schools № 5, 14, 24, 31, 40. By 2023, it is expected that the demand for pupillary places will grow to 120 thousand pupillary places.

To solve the problem of deficit of pupillary places, it is planned to build new schools through the state budget. However, without an increase in the number of private schools to unload secondary schools is not possible.

Pupils, children contingent **



Construction of new schools by source of funding, places **



***Data of Office of education in Nur-Sultan*

In order to improve the efficiency of management and organization of the educational process in Kazakhstan, as well as to stimulate the construction of schools, a per capita financing system has been introduced. In Nur-Sultan, this measure has been introduced for all public, secondary, complete and private schools since September 1, 2018.

As part of this measure, it is planned to increase per capita financing for new private schools – up to 480 thousand KZT per pupil, which is an incentive to attract business, including investors, to the construction of private schools.

It should be noted that the built school will remain the property of the investor as an operating business, and placement of the state educational order does not prohibit charging a parent fee for providing more comfortable conditions of stay in the school and additional services.

In addition, the Government of the Republic of Kazakhstan is considering the possibility of reimbursement for reconstruction of the school.

Per capita standards of the Republic of Kazakhstan in the form of ownership

thousand KZT

Form of ownership	State	Current private school	Newly introduced private school
Size of the standard (per pupil)	225	235,5 (225 + utilities and Internet)	480 (235,5 + expense for depreciation of buildings/acquisition in the amount of 96 MCI (investment expenses))

Today, there are 8 free land plots for the construction of private schools with a total area of 10 HA, for 4 735 pupillary places.

Selection of investors for the construction of school takes into account the compliance with certain criteria (see figure №1).



Figure №1. Investor selection criteria

In order to attract private investment in the education sector, the following support measures are being implemented by the state.

Investment support measures

Exemption from imposition of customs duties	When importing technological equipment and its components for the term of validity of the contract, but no more than 5 years, when importing of spare parts to the technological equipment for a period to 5 years, when importing raw materials and (or) materials it is provided for a period of 5 years from the date of commissioning
VAT exemption	For import of raw materials and materials up to 5 years
Government natural grants	In the form of free land plot
Lending under the program “Business road map-2020”	Up to 2.5 billion KZT of borrowed funds for the construction of school for a period to 5 years. State subsidizes 40% of the nominal interest rate. Guarantee for operating business up to 50%

As part of the work to attract private investment in the educational sector of the capital, 2 investment contracts were signed for the provision of government natural grants in the form of a land plot for the implementation of investment projects "Construction of the international school "SABIS" and "Construction of a secondary school and a kindergarten "Alpamys School". Implementation of the projects will create 1 900 pupillary places, 550 preschool education places, as well as 375 new permanent jobs.

Currently, akimat of Nur-Sultan together with "CCID "Astana Invest" LLP is working on the issue of implementation of 11 projects in the field of construction of private educational facilities, which will create more than 10 thousand pupillary places, about 1.8 thousand preschool education places, as well as about 1.4 thousand new permanent jobs.

Conclusion of these contracts is an important measure to reduce the burden on the educational facilities of Nur-Sultan.

*Use of per capita financing standard in the countries of the world****

Russian Federation

For today, in Russia, all schools have moved to finance expenses based on per capita financing standard. Funds for provision of educational process come directly from the central budget, additional factors in the form of food, medical care, etc. are financed from the local budget.

Financing model of the Russian Federation uses additional coefficients that depend on the degree of education (the higher the level of education, the higher the coefficient), regional characteristics, the number of children in school (small schools), the availability of in-depth study of individual subjects and home schooling. The school management is independent in the allocation of funds received and directs them depending on the current goals of the school.

Great Britain

Main components for calculating per capita financing standard in Great Britain are basic financing (calculated per pupil based on level of education, i.e. the older the pupils, the higher the coefficient), additional funding needs (pupil nutrition, academic performance) and school characteristics (schools with a small number of pupils).

In the British system, schools are independent in terms of budget management, however, there is a system of control over the expenditure of funds. In the process of budget expenditure management, the main participants are: Council (school management body), school administration, parents, local bodies, business community.

Due to the fact that the majority of per capita financing depends on the number of pupils, rural schools began to receive less financing, for this reason, local executive bodies were allowed to exclude from the per capita financing of schools in which less than 200 children study, their funding was left to local bodies.

United States of America

Calculation of basic financing per pupil is based on the level of education (primary, basic secondary, general secondary). Increased training in the initial stages can reduce expenses in the future.

Financing model also takes into account additional training needs, in-depth study of individual subjects, location and school buildings.

Unlike the British system, USA schools do not manage their own budget. Financing is provided by the district authorities, and the distribution is carried out by the boards of trustees. All States are independent in choosing the method of accounting pupils.

Georgia

Voucher financing in Georgia began to be introduced in early 2006. The system covers 100% of expenses of the school, also from the state budget, if necessary, additional funds can be allocated that were not included in the voucher.

For public schools, value of the voucher depends on the number of pupils and level of education (the higher the level of education, the greater the amount of financing). Private schools receive a voucher less than public, and also not tied to the number of children and level of education.

In addition, public schools are provided with a lump sum for effective work calculated from the number of pupils (the more pupils, the lower the amount), schools for ethnic minorities and boarding schools, depending on the level of education, also receive additional financing.

Special schools with special needs of pupils are financed in addition in the amount of \$ 2.4 thousand to \$ 9.6 thousand per year. Inclusive classes do not have additional allowances.

In case of lack of financing, the school may request additional funds, which are allocated by the decision of a special commission of the Ministry of education of Georgia.

Conclusions:

Thus, taking into account the growth of the capital's population, as well as the problem of three-shift schools in Nur-Sultan, the need for private schools (financed by the state through the placement of state order) is a necessity. Introduction of per capita financing standard is the first step in changing the approach to raising and spending funds in the education system.

The system of per capita financing as a model of distribution of funds of the educational sector is a widely used practice.

These changes will allow us to move from the traditional model of spending money to investment.

Reference:

Per capita funding standard – the standard of financial support of the guaranteed state cost of education at all levels of education.

Voucher - a financial instrument transferred by the state to the pupil for circulation, which can be issued both in materialized and non-materialized form and is intended to finance pupils' general education.

*** According to “Financial center” JSC, <http://www.fincenter.kz/funding/international-experience/>.