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Almaty Light Rail Transit project in Kazakhstan

On the 29th November 2018, Almaty, the former capital and the largest city in Kazakhstan, received responses from nine international consortia, consisting of companies from Japan, France, Russia, Turkey, Spain, China and Kazakhstan, to participate in the first stage of the open tender of the Almaty Light Rail Transit (LRT) public-private partnership (PPP) project.

The mayor of Almaty is seeking a private partner to design, develop, construct, commission, finance, operate and maintain the infrastructure, rolling stock and services for a new LRT that will consist of 37 stations along a 22.7 km double track. It is expected to carry up to 112,000 passengers a day and the total estimated construction cost is US\$250.7 million.

In accordance with the PPP Law it is the Almaty city itself, rather than the Republic of Kazakhstan, which would act as a public partner and counterparty

under the PPP agreement and, therefore, a future private partner would have legal recourse under the PPP agreement only against the local municipal budget of Almaty city, but not the state budget of Kazakhstan. Almaty city is ready to give a grant to cover 50% of the capital cost and retain ridership and, apparently, foreign exchange risks, but expects to receive all ticket revenue.

The future private partner would be paid an availability payment to cover its investment and operating costs.

Being one of the most developed Central Asian states, Kazakhstan is increasingly reliant on PPP for its infrastructure development. And there are a number of advantages that Kazakhstan has, that shall undergird PPP investments and attract foreign direct investment, namely:

- Kazakhstan's oil, gas, coal and uranium and others commodities reserves are among the 10 biggest in the world;
- Strategic geographical location of Kazakhstan (eg China's Belt and Road initiative; a door to the Eurasian Economic Union; a single market of 183 million people);
- Good legal framework (special PPP Law and Concession Law);
- Strong political will to support PPPs (KPIs for regions – Five projects per year as a minimum);
- Kazakhstan climbed the World Bank's Ease of Doing Business Index and is now ranked 36th;
- Strong support of Kazakhstan by multilateral development banks (European Bank for Reconstruction and Development, Asian Development Bank, International Finance Corporation, the IDB, Asian Infrastructure Investment Bank) and attracting private and international financial investment.

It is well known that the global Islamic finance market size is estimated to exceed US\$2 trillion in 2018. Given the potential of Islamic finance to support infrastructure development in Kazakhstan, there is a need to unlock the potential of the Islamic finance market to mobilize resources for infrastructure development projects in Kazakhstan using PPP and the proposed Almaty LRT can serve as a pilot project.

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