

**Figure L.1.23 Design Discharge Distribution of Ishim River
under Natural Condition**

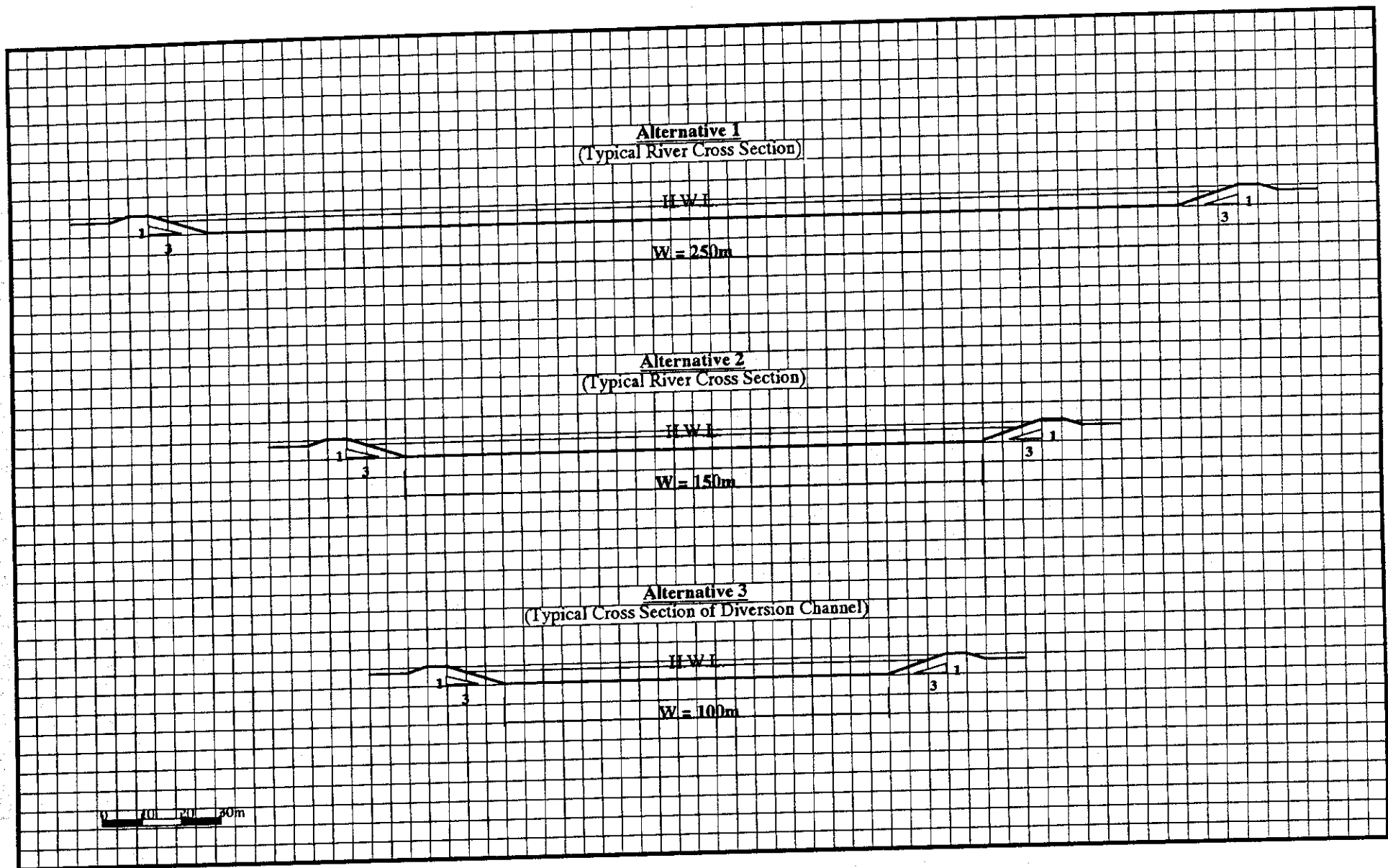
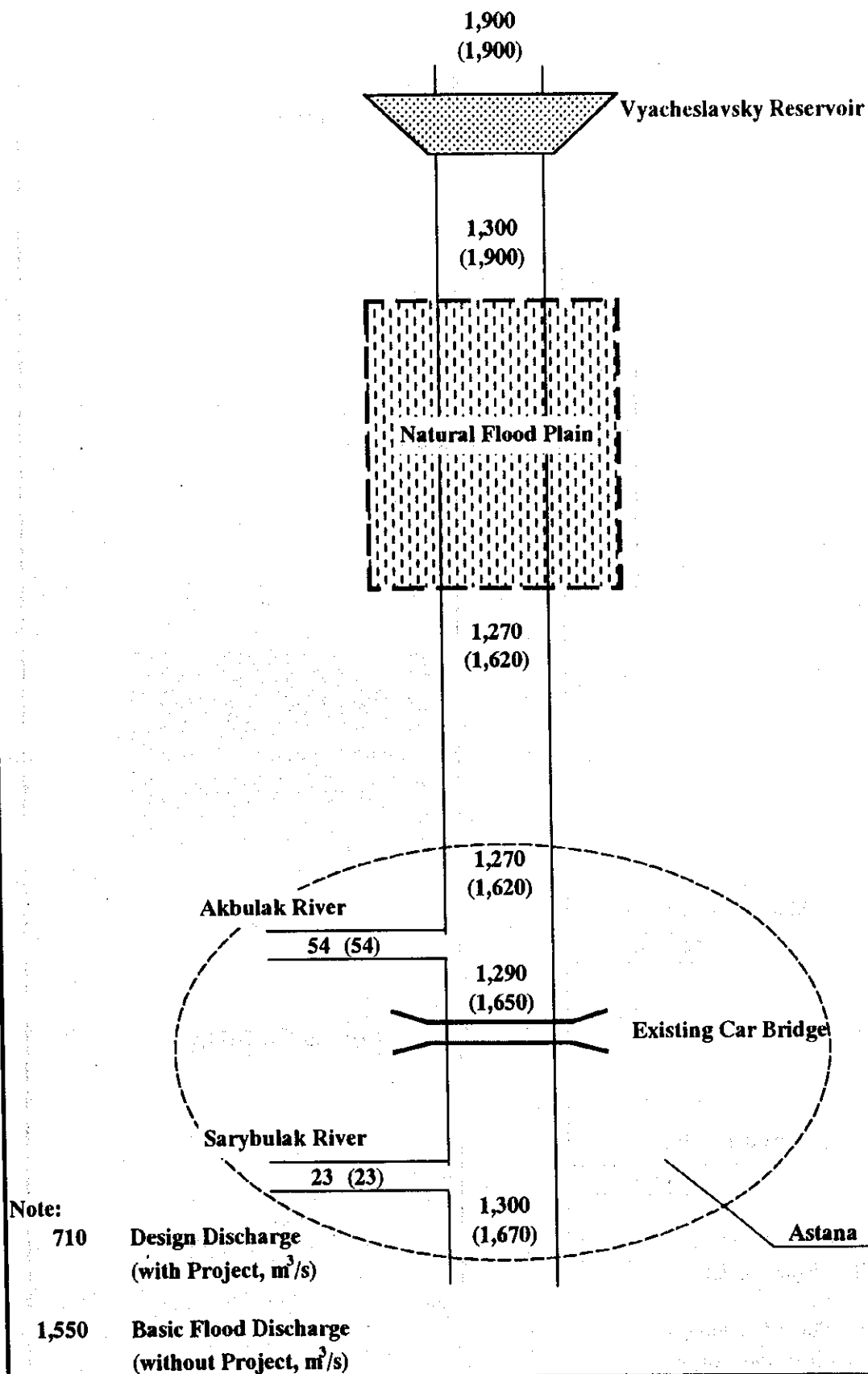
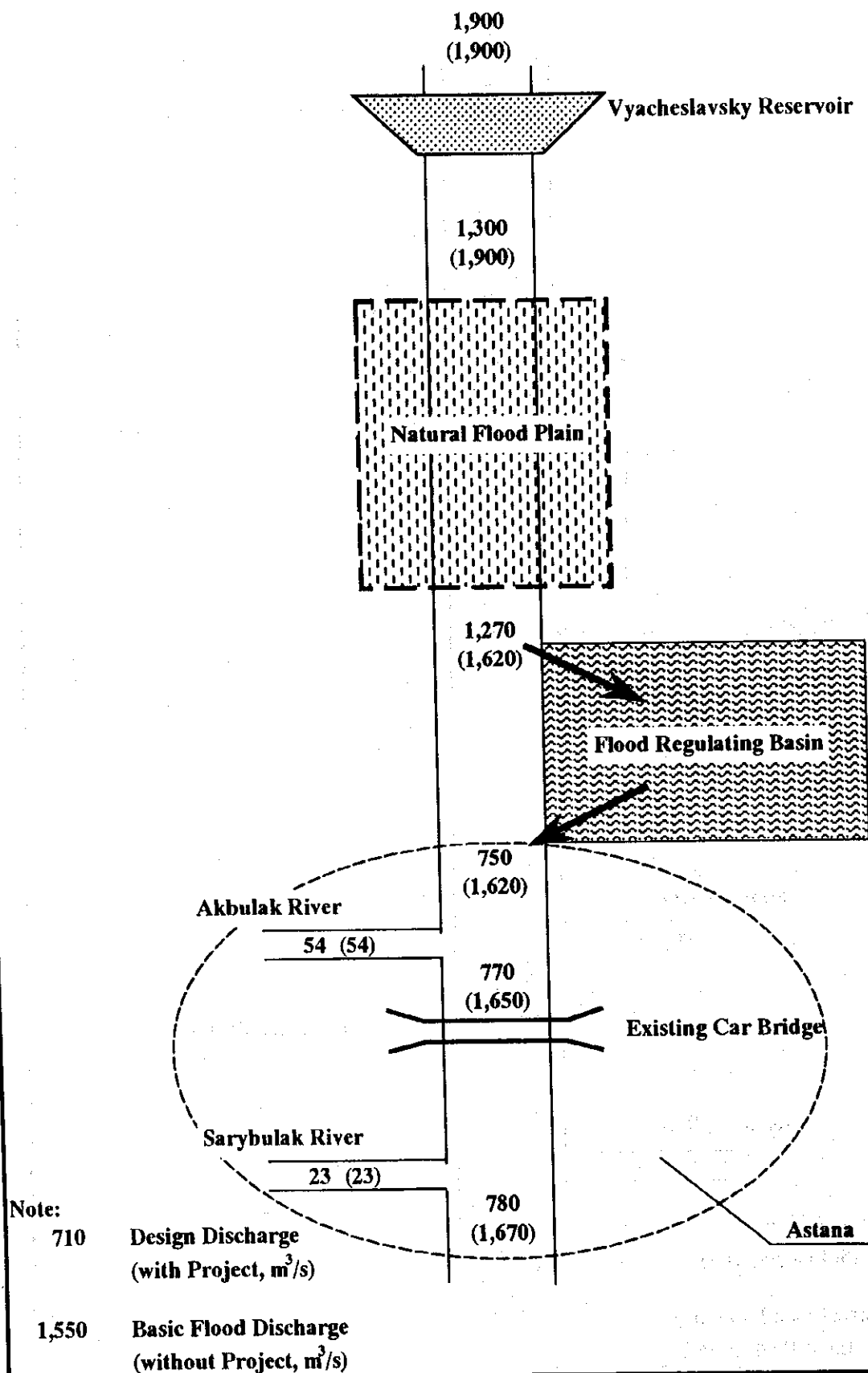


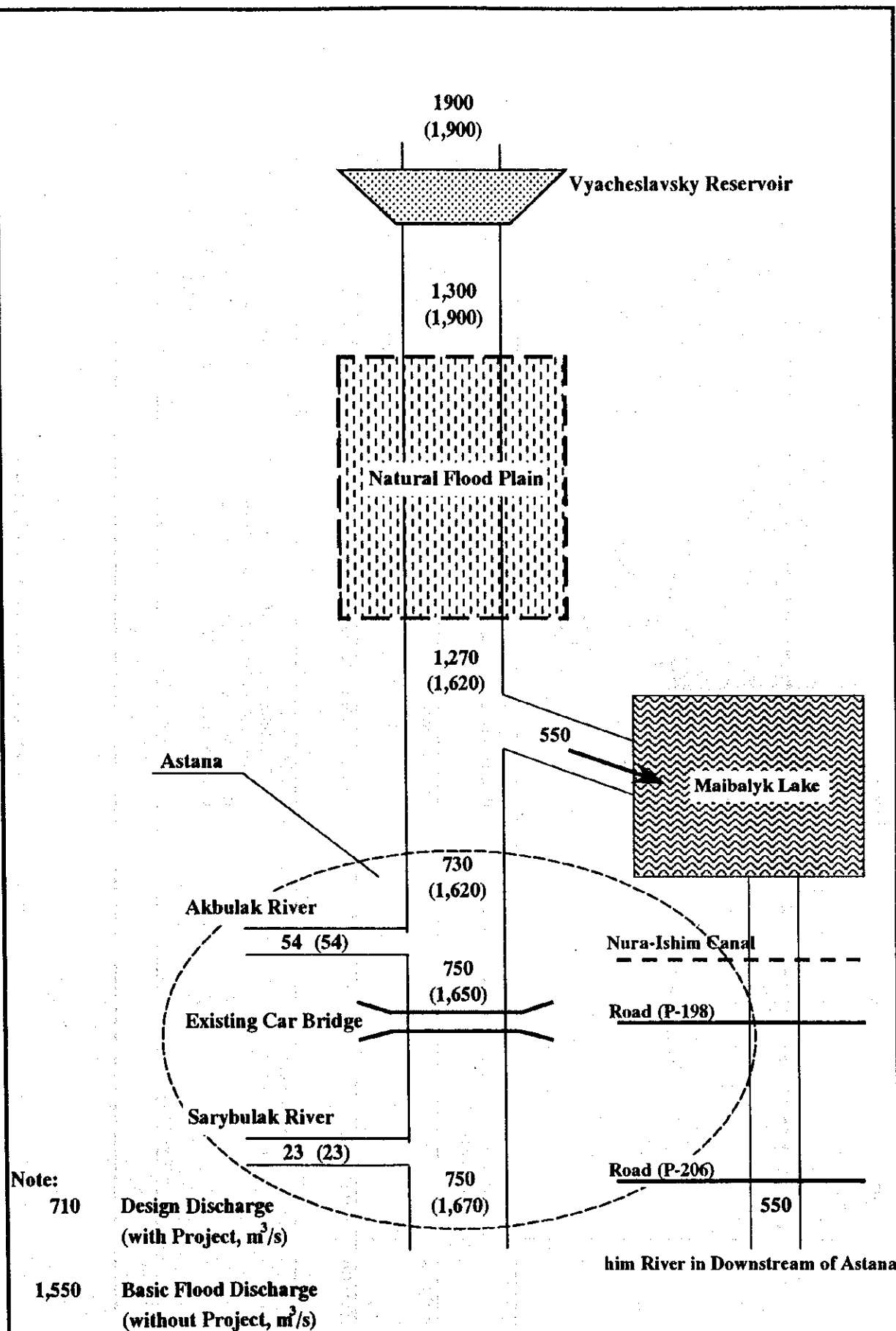
Figure L.1.24 Typical Cross Section of Alternative



**Figure L.1.25 Design Discharge Distribution of Ishim River
(Return Period of 1,000-year, Alternative 1)**



**Figure L.1.26 Design Discharge Distribution of Ishim River
(Return Period of 1,000-year, Alternative 2)**



**Figure L.1.27 Design Discharge Distribution of Ishim River
(Return Period of 1,000-year, Alternative 3)**

Alternatives	Alternative - 1	Alternative - 2	Alternative - 3
River Improvement Works	- Distance of the river improvement work : 55 km (River section from Astana to Aleksandrovka to be improved)	- Distance of the river improvement work : 30 km (Except existing improved area)	- Distance of the river improvement work : 30 km (Except existing improved area)
Other Major Works	- None	- Flood regulating basin - Flood control gate - Embankment for 3rd Ring Road	- Diversion channel : 40 km - Closed Water Way or Flyover at Cross Point of Roac - Embankment for 3rd Ring Road
Utilization of the Ring Road	- For traffic use	- For traffic use and flood protection dike	- For traffic use and flood protection dike
Construction Cost (Million USD)	- River improvement work $3,400,000\text{USD}/\text{km} \times 55\text{km} = 187,000,000\text{USD}$ Total: 190 million USD	- River improvement work $2,000,000\text{USD}/\text{km} \times 30 = 60,000,000\text{USD}$ - Flood regulating basin & 3rd Ring Road Embankment Embankment: $300,000\text{USD}/\text{km} \times 20\text{km} = 6,000,000\text{USD}$ Control Structure: 2,000,000USD Total: 68 million USD	- River improvement work $2,000,000\text{USD}/\text{km} \times 30 = 60,000,000\text{USD}$ - Diversion channel & 3rd Ring Road Embankment Channel: $1,400,000\text{USD}/\text{km} \times 40 = 56,000,000\text{USD}$ Related Structure: 2,000,000USD Embankment: $300,000\text{USD}/\text{km} \times 10\text{km} = 3,000,000\text{USD}$ Total: 121 million USD
Recommended Plan			

Figure L.1.28 Comparison of Alternatives

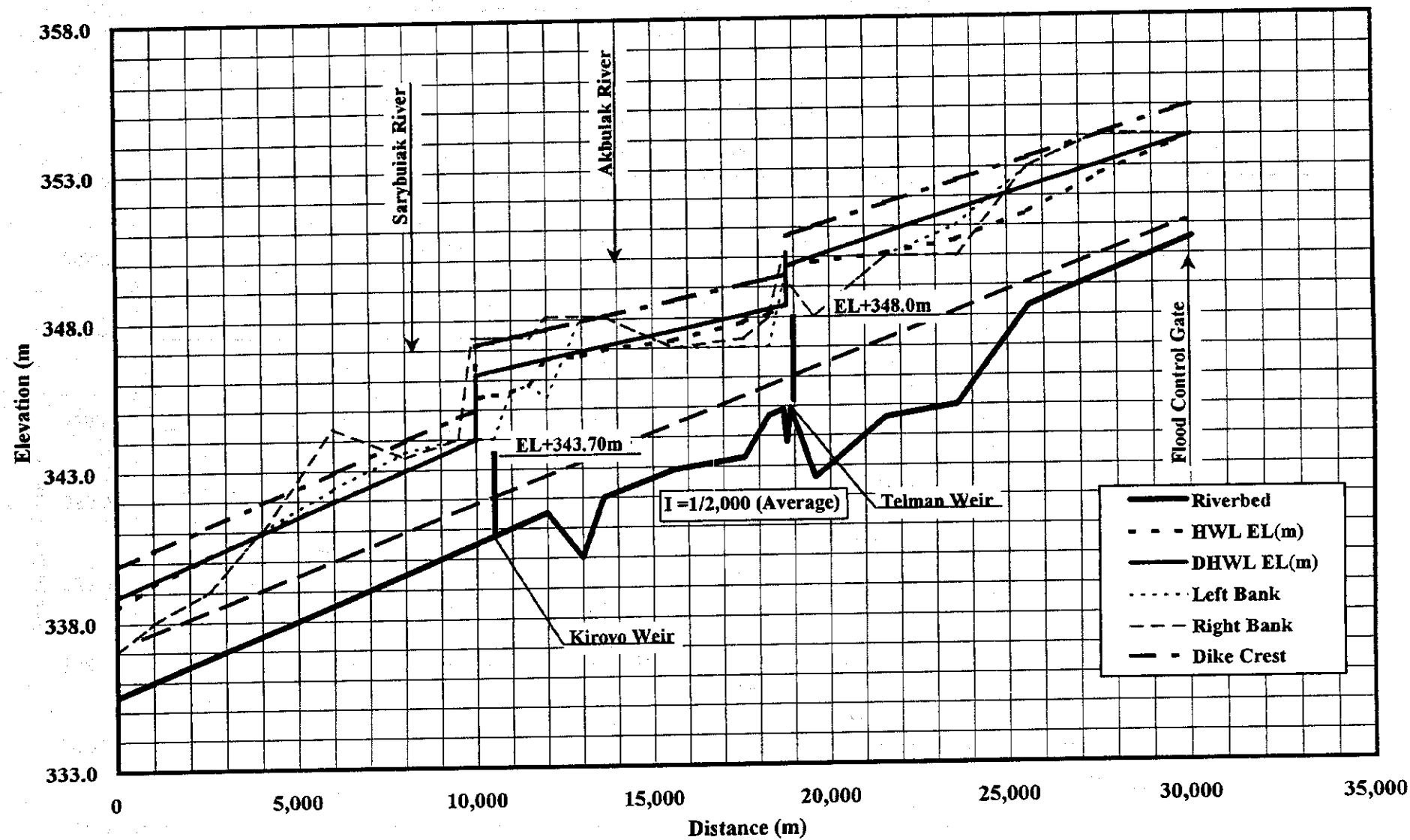


Figure L.1.29 Longitudinal Profile of Ishim River in Astana

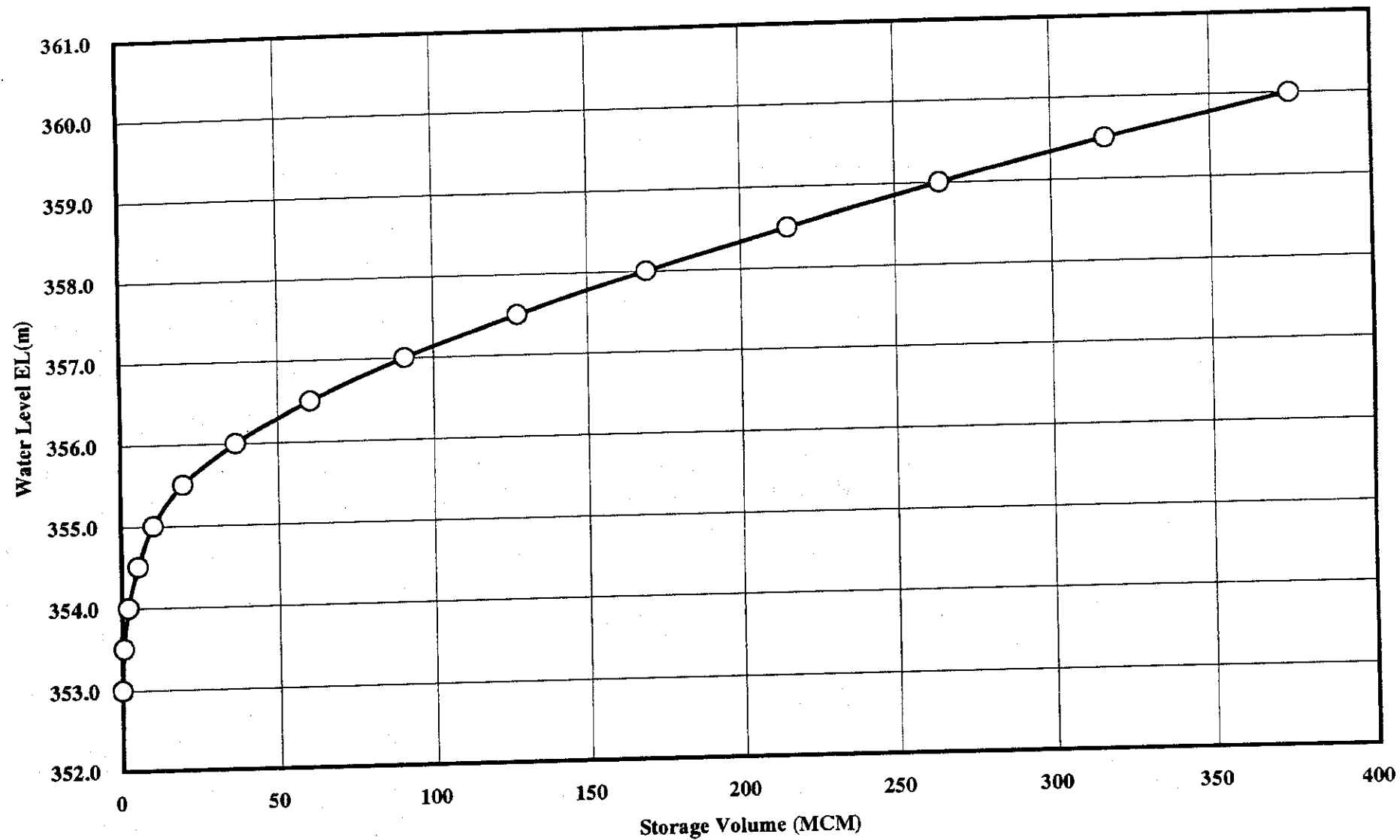


Figure L.1.30 H-V Curve of Flood Regulating Basin

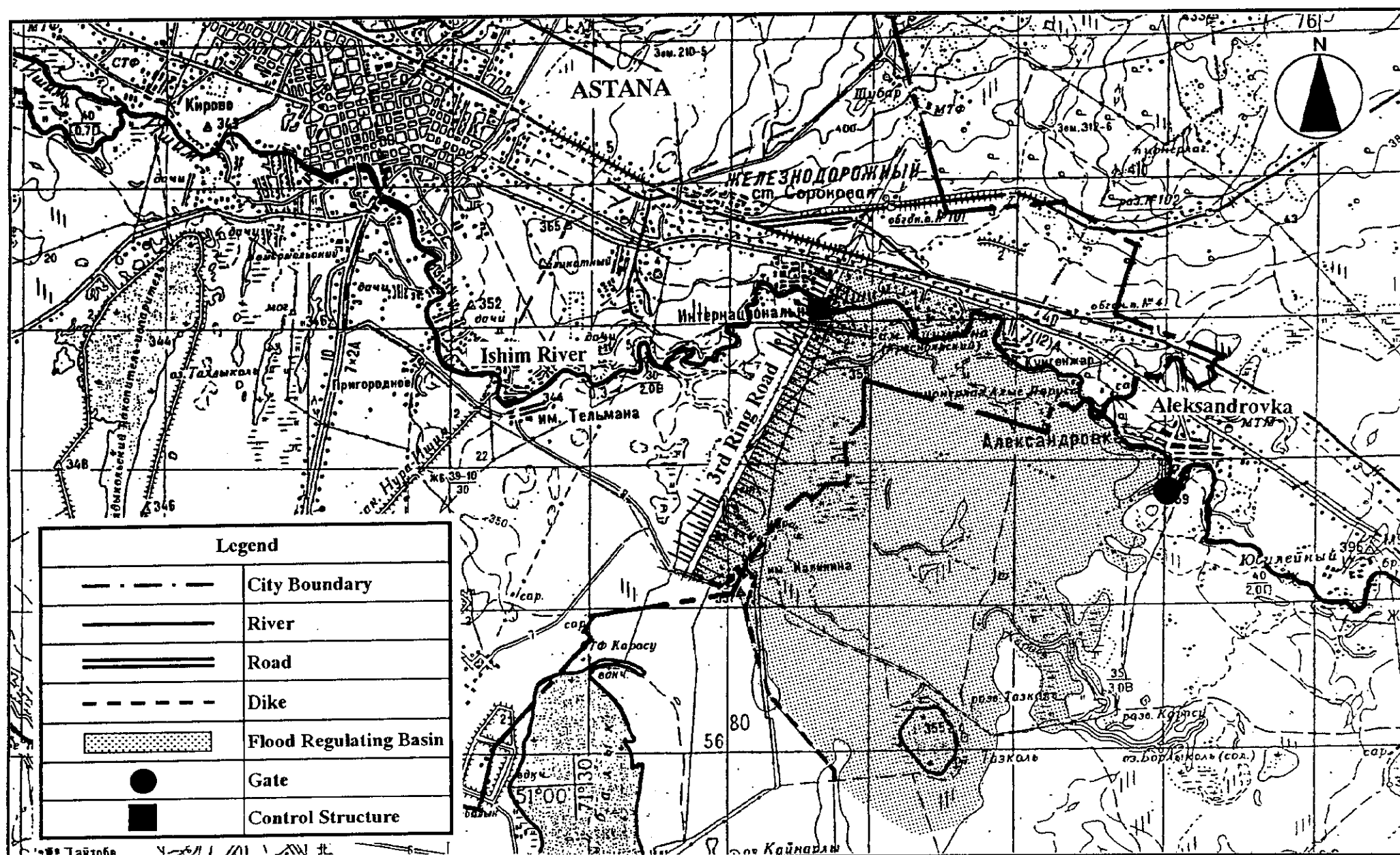









Figure F.1.31 Location of Proposed Flood Regulating Basin

ASTANA

THE STUDY ON THE MASTER PLAN
FOR
THE DEVELOPMENT OF THE CITY OF ASTANA
IN
THE REPUBLIC OF KAZAKHSTAN

LEGEND

-  RIVER
-  DIKE
-  GATE
-  WEIR

-  2010 RIVER
-  2020 RIVER
-  2030 RIVER

Flood Regulation
Basin

Kalinina

GL360m
(Contour Line)

PLAN FOR FLOOD PROTECTION
2010, 2020, 2030

JICA MASTER PLAN TEAM
HEADED BY KENJI KUROKAWA

SCALE 1:50,000



FIGURE L.1.32

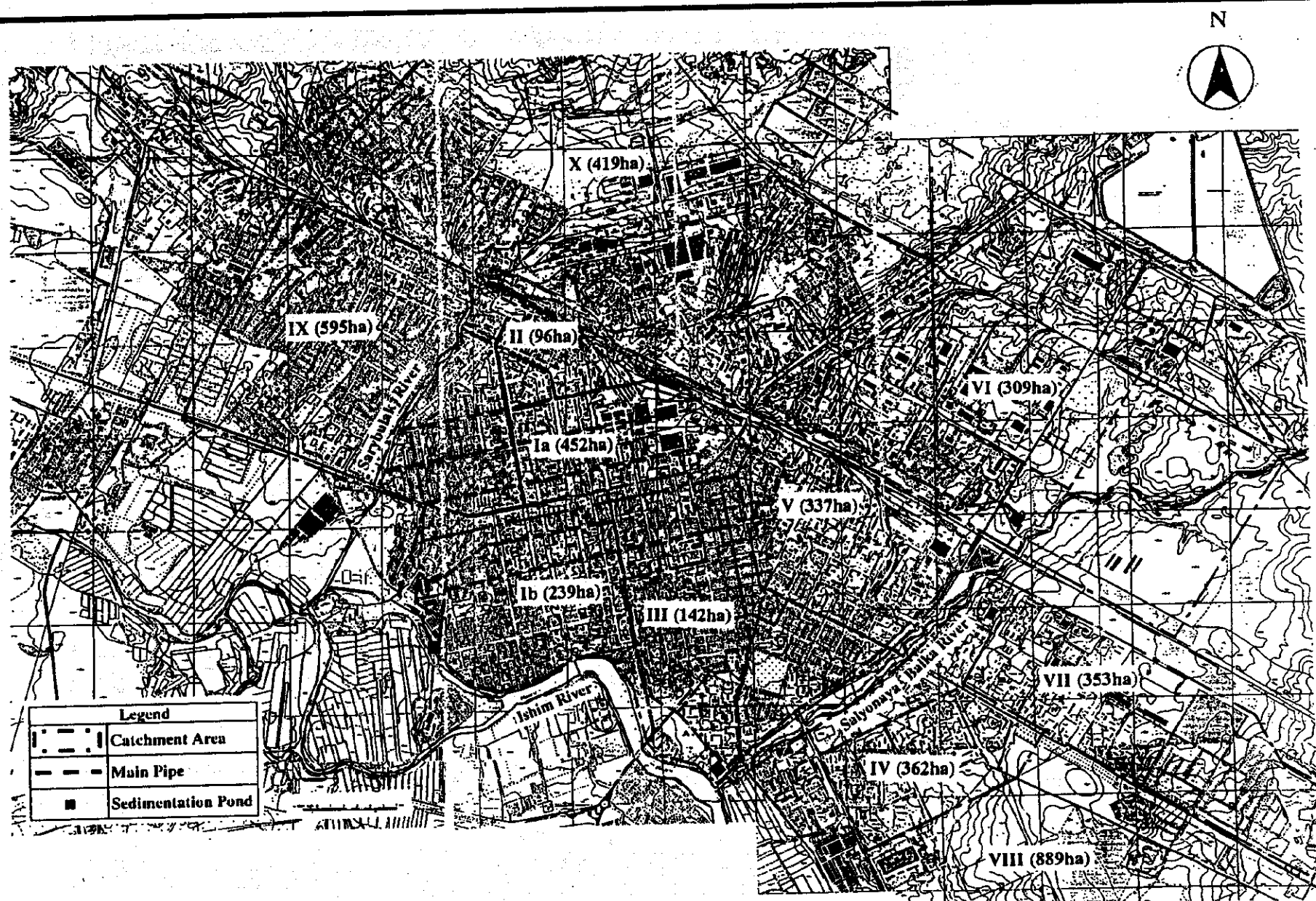


Figure L.2.1 Present Storm Water Drainage Network

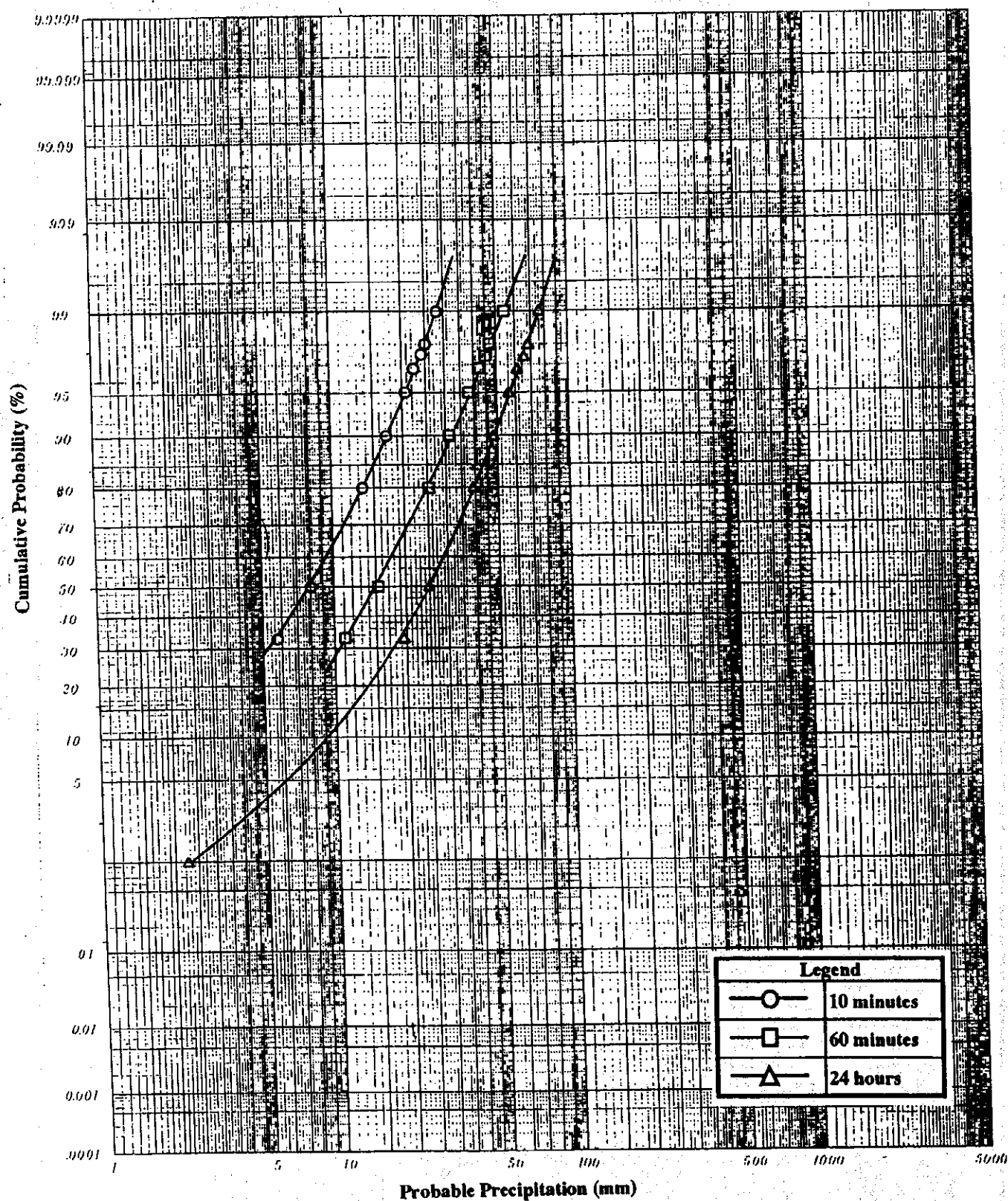


Figure L.2.2 Probable Storm Precipitation Estimation

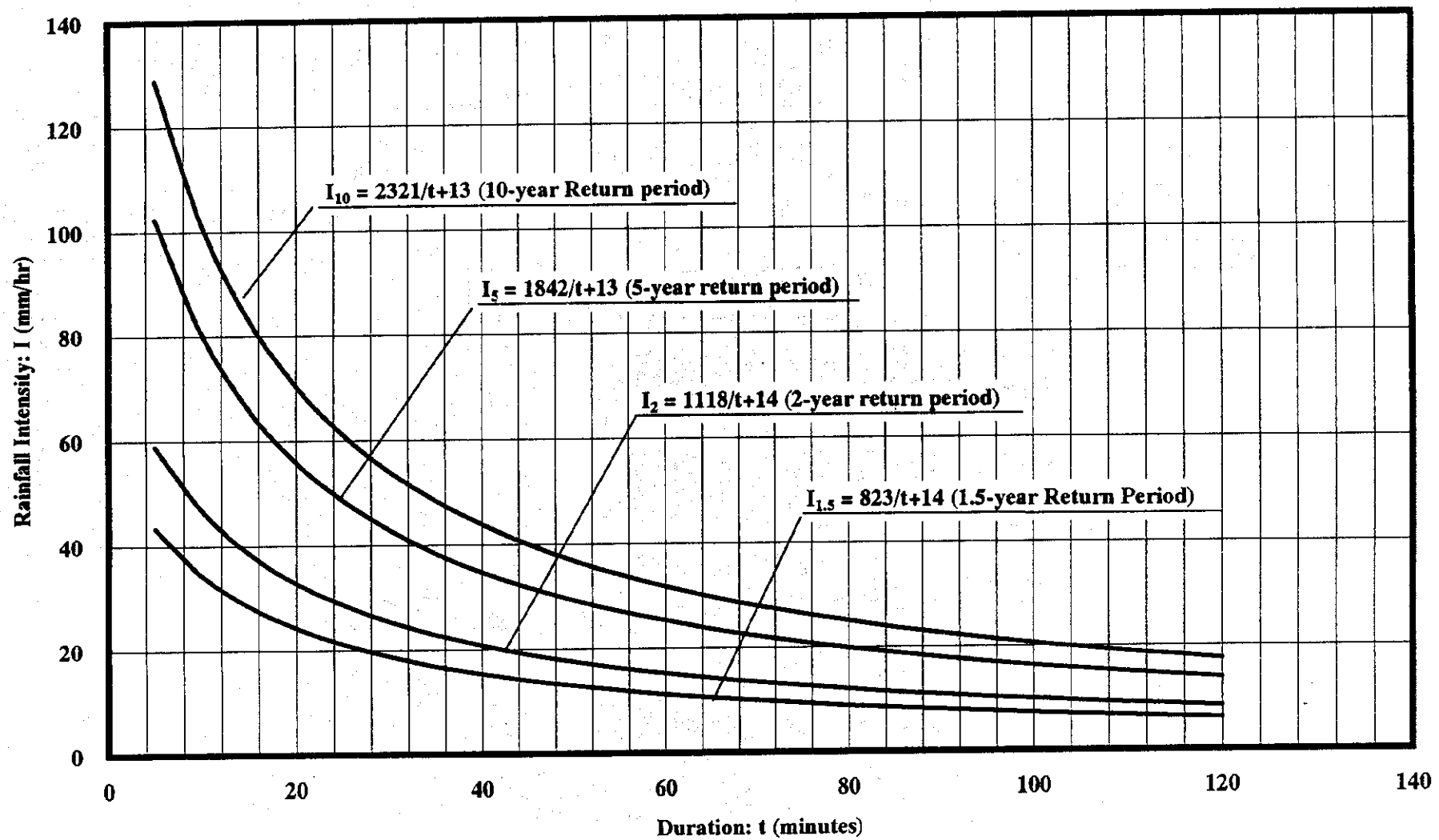


Figure L.2.3 Rainfall Intensity, Duration and Frequency Curves

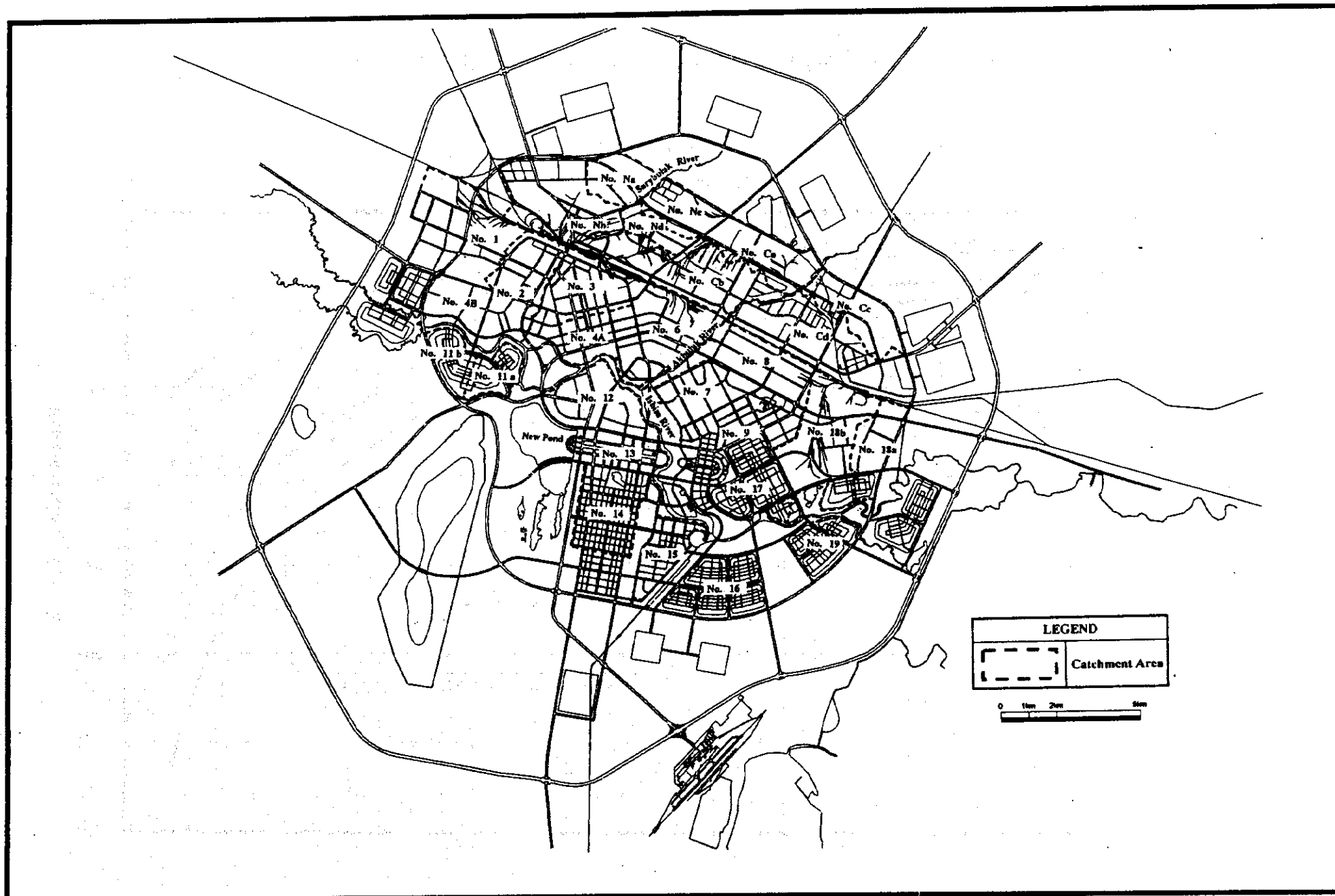


Figure L.2.4 Storm Water Catchment Location Map

ASTANA

THE STUDY ON THE MASTER PLAN
FOR
THE DEVELOPMENT OF THE CITY OF ASTANA
IN
THE REPUBLIC OF KAZAKHSTAN

LEGEND

- PIPE LINE (EXISTING)
- PIPE LINE (2010)
- PIPE LINE (2020)
- PIPE LINE (2030)
- PUMP STATION WITH TREATMENT FACILITIES (EXISTING)
- PUMP STATION WITH TREATMENT FACILITIES (2010)
- PUMP STATION WITH TREATMENT FACILITIES (2020)
- PUMP STATION WITH TREATMENT FACILITIES (2030)

PLAN FOR STORM WATER DRAINAGE 2010, 2020, 2030

JICA MASTER PLAN TEAM
HEADED BY TORINO KUROKAWA

SCALE 1:60,000

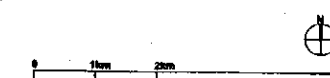


FIGURE L.2.5



CHAPTER M

URBAN ADMINISTRATION AND ORGANIZATIONAL ISSUES

SUPPORTING REPORT M: URBAN ADMINISTRATIVE AND ORGANIZATIONAL ISSUES

Contents

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Annexes

Annex M.1	Change in Governmental Structure
Annex M.2	Factors for Considering Infrastructure Facilities Management

M.1 Organizational Issues

M.1.1 Main Organizations Related to the Development of Astana City and their Function

There are several main organizations in relation to the development of Astana City. Each organization and its functions are described below.

The functions of each organization do not seem to be clearly stipulated to other organizations. A main issue that should be considered in these organizations is clear and solid demarcation of development functions such as planning, fund raising, construction, supervising and so forth, with transparency to each other and to citizens as discussed in the Main Report.

However, both of Republic Governmental and Astana Municipal organizational structures are on the course of reforms from December 2000 to January 2001¹.

(1) Temporary Working Group for the Development of Astana City

A Working Group for the development of Astana City has been formed to discuss the issues pertaining to the development of Astana City under the Vice-Prime Minister Mr. Akhmetov. Specialists are temporarily assigned to the working group by the Vice-Prime Minister from related Ministries and organizations. According to a source, participants are from the Construction Committee, Agency for Strategic Planning, Agency for Economic Planning, Kazinvest, Astana Municipality, the Department of Architecture and Urban Planning, Astana Finance, major contractors and so forth.

The reason for taking a temporary working group structure was to maintain a freedom in selecting appropriate specialists for each project. For example, a construction project and an ecological project require different specialties for examinations of projects.

(2) National Committee for Control over the Course of Construction of the New Center of the City of Astana

The committee was established on December 25, 2000 by the Presidential Decree No.530. The decree stated that: "In order to provide complex building up of the new center of the capital of the Republic of Kazakhstan and control the accelerated construction". It also stated that the committee "provides the construction of the sites in strict compliance with the approved Master Plan for Building up of the City of Astana".

The members of the committee are as below.

¹ Please refer the change in Republic Governmental organization in Annex M.1

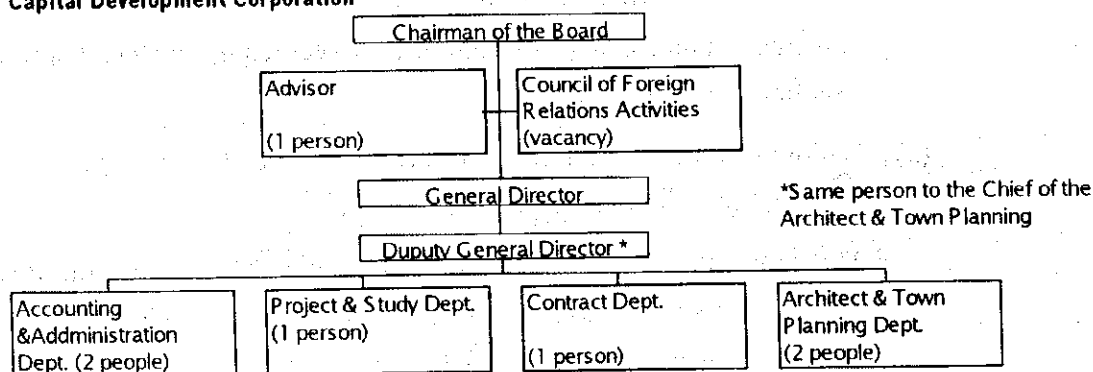
- Mr. Akhmetov Danial Kenzhetayevich, First Deputy Prime Minister, Chairman
- Mr. Dzhakysbekov Adilbek Ryskeldinovich, Mayor (Akim) of the City of Astana, Deputy Chairman
- Mr. Dosmukhaubetov Temirkhan Mynaidarovich, Head of Presidential Administration Office, Deputy Chairman
- Mr. Yessenbayev Mazhit Tuleubekovich Minister of Finance
- Mr. Shardarbekov Sharipbek, Chairman of the construction committee of Ministry of Economy and Trade
- Mr. Rustembekov Akmurza, President of the Union of Architects
- Mr. Laptev Vladimir Aleksandrovich, Chief Architect of the City of Astana

Although it was established, there have been no meetings yet. Thus, the purpose and function of the committee has not been clear even to a member of the committee as of January 2000.

(3) Capital Development Corporation

Closed Joint-Stock Company "Capital Development Corporation" (hereafter CDC) was established on May 10, 1999 based on the decree of the Republic of Kazakhstan dated March 18, 1999 No.261 "On the Additional Measures on the Development of Astana City". The decree stated that the objective of CDC was "organizing of work to attract and utilize credits of the Government and private companies of Japan". Later on, CDC enlarged their objectives so as to approach governments and companies of other countries. The organization chart of CDC is as shown below.

Capital Development Corporation



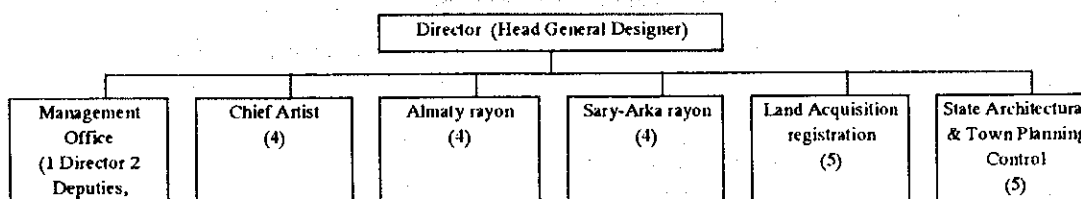
As the chart shows, CDC has a general director and six (6) staffs (excludes drivers etc.). CDC plans to gradually hire experts in accordance with the progress of getting foreign funds, namely ODA and private direct investments. The experts will work as supervisors for each development project in future.

(4) Department of Architecture and Urban Planning (DAUP)

DAUP is a department of, and budgeted by, the Astana City municipality. DAUP is prohibited to provide payment-based services to individuals and legal entities by the legislation of the RK.

DAUP is assigned with controlling and supervising functions in relation to architectural and urban planning activities.

The organization chart of DAUP is as below.



As of January 2000, there are two companies directly under DAUP; Astanagenplan and City Architecture. Astanagenplan was newly established and is an urban and architectural planning organization on entire Astana City and surrounding areas. City Architecture was transferred the function of the formerly named Architectural Planning Bureau that provided payment-bases services on development procedures such as examining development application and issuing development permissions. However, City Architecture itself has no authority to give development permissions. City Architecture is an agent of DAUP. The permissions are issued by the name of DAUP itself.

(5) Astanagenplan

Astanagenplan was discussed its establishment by the Working Group for the development of Astana City headed by the Vice-Prime Minister Mr. Akhmetov. Finally it was established by the Administration Council of Astana Special Economic Zone. Astanagenplan is under the control of the DAUP, consequently under the deputy Akim of Astana who is in charge of the development of City.

Astanagenplan is a designing and planning organization in architectural and urban planning of Astana City and neighboring areas. Astanagenplan makes comprehensive development plan and basic designs of Astana City. It will not be in charge of implementation stage.

Referring to the charter of Astanagenplan, its functions are as below.

- Development of urban planning documentation

- Planning (master plans, detailed plans, district planning schemes)
- Development of districts, micro-districts, blocks and other areas
- Planning, accomplishment, and forestation of the cities and settlements
- Planning projects of industrial zones in the cities
- Master plan schemes of the group of enterprises with common facilities
- Transport schemes
- Engineering networks (power and heat supply, water supply, sewerage, gas supply, communication and radio)
- Territorial complex schemes of environment protection
- Investment intentions and feasibility studies on construction
- Architectural design
 - Facilities' master plans
 - Civil and manufacturing facilities with complicated technological processes
 - Bridges at up to 24 m width
 - Automobile roads of local and regional importance
 - Streets and roads of cities and villages
 - Front of the buildings
- Construction design
 - Basements and fundaments
 - Concrete and reinforced concrete structures
 - Stone structures
 - Steel and aluminum structures
 - Wooden and plastic structures
 - Calculations of all structure' types
- Design of engineering systems, networks, and facilities
 - Heating and ventilation, conditioning
 - Water supply and sewage networks with necessary facilities
 - Heat and gas supply
 - Power supply higher than 35 kV, electric appliances, illumination; electric heating
 - Low voltage appliances
 - Transport with contact network and traction substations.
- Development of specific chapters of the projects
 - EIA chapter
 - Labor protection
 - Anti-corrosion protection
 - Fire alarm, fire prevention
 - Engineering and technical measures of crime prevention, emergencies prevention

- Technological design
 - Boiler rooms with boilers using liquid, solid and gasified fuel
 - Hydro technical facilities such as water supply, water collection, water discharging, water diversion, riverbank improvement, dredging, and rectification
 - Storm water drainage including main engineering networks

It hires substantial numbers of professionals such as engineer, designer, urban planner, economist, sociologist and so forth. As of January 2000, Astanagenplan has two divisions (or groups called "workshop") and named by using head architect's name ("XXX's workshop"). One workshop is in charge of making detailed plan of the area that they called the "Government City", the left bank part of District 13. The other is in charge of infrastructure development planning, including water/sewage, gas, heat supply and power supply. Thirty to forty specialists form each group.

Astanagenplan plans to expand its activities to the redevelopment plan of old cities and neighboring area of District 13 by forming other two groups in 2001. It will expand the size of organization up to 235 specialists from about 80 as of January 2000.

After completion of master plan and detailed plans of all areas of Astana City, Astanagenplan will submit the new guideline of development in the territory of Astana City.

(6) City Architecture

State Municipal Enterprise "City Architecture" was transferred the function of the formerly named Architectural Planning Bureau. The organization is self-supported and providing payment-basis services to individuals, legal entities and state organizations in relation to the architectural and urban planning procedures on the territory of Astana and its suburbs. City Architecture is assigned tasks by the DAUP, such as registration of documents, dealing with technical part like construction site visits. City Architecture was established to provide payment-based services, which DAUP is prohibited to do.

City Architecture is in charge of technical and normative service provisions only in relation to urban and architectural developments. Similar services concerned with infrastructures are provided by State Expertise under *Kazstroicommitee* (Committee for Construction).

(7) Department of Administrating of Astana Development Programs (DADP)

The establishment of DADP was discussed by the Working Group for the development of Astana City headed by the Vice-Prime Minister Mr. Akhmetov. It was called "Service of Common Client" and supposed to be an intermediate agent working for multiple donors/investors by carrying out financial controls of projects, and supervises the project quality as of May 2000.

DADP was finally established 1 January 2001, reportedly, by Akim. The organizational structure of DADP consists of

- Director
- First deputy director
- Deputy director on construction
- Deputy director on state procurement
- Financial-credit department
- Law department
- Construction department
- Department on state procurement
- General department.

It is sole coordination, and executing body on the developments, urban, architectural and infrastructure developments, of the entire territory of Astana City. All developments financed by city budgets or budget crediting from the central government will be controlled by DADP, reportedly.

DADP was transferred functions of former UKS- Department of Capital Construction, which was in charge of infrastructure development planning and was the client of the major developments.

The functions (and thus responsibilities) of DADP are;

- Preparation and administration of the programs "Development of Astana City" by taking some actions such as conducting tenders for subcontracting works, making contracts with subcontractors, approval of work schedule and opening of facilities, procurement of materials, construction works and services in compliance with contracts, control over contractual obligations, work arrangement of the commissions for facility' commissioning, and participation in making the program "Development of Astana City"
- Administration of the "Budget crediting" programs
- State procurement

- Implementation of the regional program on small business support

DADP plans to develop all infrastructure networks in Astana City and after completions DADP transfer infrastructure facilities to infrastructure operators such as ASA.

(8) Kazstroicommitee (Kazakhstan Construction Committee)

Kazstroicommitee is the Republic authorization body of technical and normative issues in relation to construction projects. It is under the Ministry of Economy and Trade from December 2000. *Kazstroicommitee* has layered structure from republic level to rayon. The constructors of projects must acquire development permissions from *Kazstroicommitee*.

Kazstroicommitee controls three self-supported companies as working bodies directly under the committee. These are "State Expertise" that examines applications for projects and issues development permissions, "State Architectural and Construction Control" (*GASK*) that supervises the project implementations, and "State Construction License" that issues licenses concerned with construction.

The State Expertise is the republican organization with the branch offices in all the oblast centers. Their authorities are demarcated depending on the estimated cost of the facility. But all the facilities subject to construction in the Cities of Astana and Almaty, as well as designs of large-scaled unique complexes and facilities are considered by republican level of the State Expertise.

(9) Astana Finance

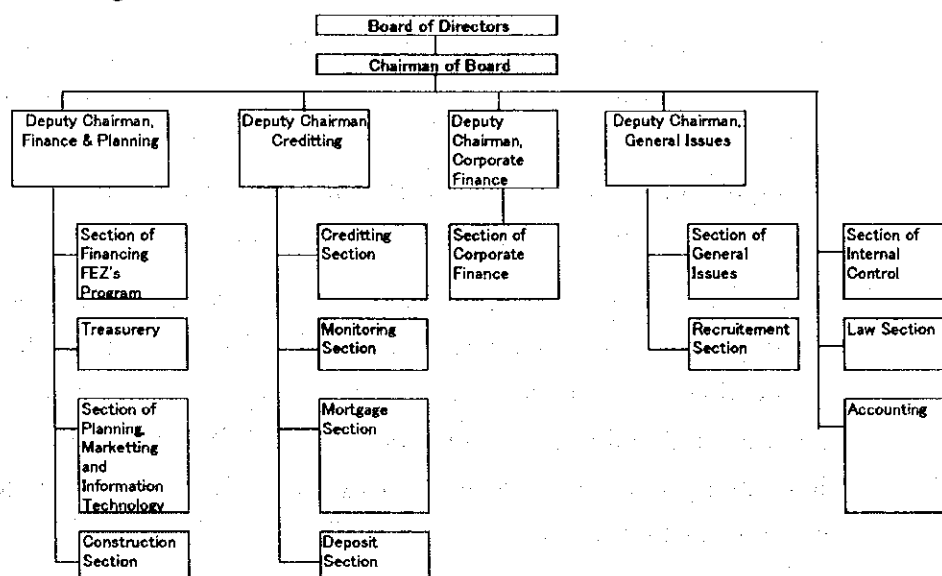
Astana Finance, formerly known as Fund Akmola, was established in accordance with the Administrative Council of the Astana Special Economic Zone (Astana SEZ) based on the Decree of 18 December, 1997, No. 3-1-704/13, "On a Fund for Economic and Social Development of the Akmola (Astana) Special Economic Zone". At that time the company was a closed joint stock company with all the shares held by the Administrative Council of the ASEZ. Later, in accordance with its activity expansion, it changed its status into an open joint stock company.

The company acted as an agent for the Administration Council of the City of Astana SEZ and the Ministry of Finance. As an agent, Astana Finance underwrote the loans and monitors proper utilization of the credits provided. The company received a small margin from these activities. It is reported that, in accordance with the establishment of Department of Administating of

Astana Development Programs (DADP) and the dissolution of ASEZ, Astana Finance will transfer its role as a financial operator of Astana City to DADP.

Astana Finance acts as a private investment bank. It invests and monitors its own money and those of domestic and foreign investors.

The organization chart of Astana Finance is shown below.



M.1.2 Consideration on Organizations and their Demarcation

(1) Factors in Consideration

These are several basic factors that might be useful to be given attention in selecting appropriate organizational structures to establish effective demarcation and coordination among different tiers of functions for the development of Astana City; the Republic level and Astana City level, and inside the Astana City level. Each factor and its merits and demerits of choosing one from alternatives are explained below.

Separation or Collaboration.

	Definition	Merit	Demerit
Separation	Republic and City formulate plans separately within their each responsible domain	- Each government knows its requirements better than another	- Needs to establish an effective coordination system
Collaboration	Republic and City establish one Planning Body/Committee	- One planning body may work as an effective coordination system	- Needs to have specialists who are familiar with (or can coordinate) both governmental functions

Form of Separation

	Definition	Merit	Demerit
Based on Facilities	- Republic formulates plans/implements of republic facilities - City formulates plans/implements of city facilities	- Flexibility in zoning	- Needs to establish an effective coordination system - Unclear demarcation in zoning
Based on Area	- Republic formulates plans/implements in special area of the city - City formulates plans/implements of other area	- Clear demarcation in zoning	- Inflexibility in zoning

Form of Collaboration

	Definition	Merit	Demerit
Joint Committee	Republic and City establish a Joint Committee	<ul style="list-style-type: none"> - To consolidate wisdom of many - Democratic nature - No additional budget 	<ul style="list-style-type: none"> - Possibility of time-consuming decision making - Tendency of unclear demarcation /responsibility
Special Body	Republic and City establish a special organization(s) together	<ul style="list-style-type: none"> - Clear responsibility - Staffs could devote themselves to single objective 	<ul style="list-style-type: none"> - Needs of additional human resources - Needs of additional budget

Existing organization or New Organization

	Definition	Merit	Demerit
Existing organization	- Assign an existing organization(s) specifically for the development	<ul style="list-style-type: none"> - No additional budget - No additional human resources 	- Possible conflict with their existing duties and responsibilities
New organization	- Establish a new organization(s)	<ul style="list-style-type: none"> - Possibility of recruiting specialists - Possibility of devotion to the job 	<ul style="list-style-type: none"> - Needs of additional budget - Needs of additional human resources

Temporary or Permanent

	Definition	Merit	Demerit
Temporary	Temporarily forms a group to obtain a specific goal	- Could use limited resources just as long as it needs	- Difficulty of accumulating knowledge/ experiences
Permanent	Establish an organization with a stable structure for taking a role in a society	- Could accumulate knowledge/ experiences into organizations	- Needs of additional funds (or ways of generating income) as an independent body

One Body Control or Multiple Body Control

	Definition	Merit	Demerit
One Body Control	- One body controls all activities	<ul style="list-style-type: none"> - Clear responsibility - Less coordination tasks - Likely to take quick actions 	- Possibility of out of control by people resulting from the concentration of authorities
Multiple Bodies Control	- Multiple bodies control one specific activity	<ul style="list-style-type: none"> - To consolidate wisdom of many - Possibility of checking each other 	<ul style="list-style-type: none"> - Possibility of time-consuming decision making - Tendency for unclear demarcation/ responsibility

Form of Organization

	Definition	Merit	Demerit
Governmental Body	- Part of Government(s)	- Direct control - Better pursuit of public benefit	- Possibility of reluctance derived from no-competition environment - Little flexibility
State Company	- Publicly budgeted - Directly controlled by government(s)	Compared to private companies - Do not need to pursue high profit - Possibility in better pursuit of public benefit - Could have stronger control	- Comparatively inflexible than private companies - Prone to have less efficiency than private companies
Private Company	- Self- Sustained - Controlled by Laws - Profit seeking - Freedom of choosing its future	- Likely to have high efficiency derived from competitions - Flexibility - Quick actions - No additional budget	- Possibility of conflict with public benefit due to profit seeking nature - Prone to unequal service provision

M.2 Infrastructure Management

M.2.1 Nature of Infrastructure Management

Infrastructures are indispensable basis for urban life, people in all social and income classes. One of the fundamental natures of infrastructure service provisions is non-excludability of people.

Infrastructure developments normally require huge initial investments, as we can easily understand by just considering water supply systems, for example. It thus probably means infrastructure investors have to charge high tariffs to users to recover investments and to make profits from their service provisions, if they need to recover full investments by charging to customers.

These contradictory natures² of infrastructure service provision are one of the important reasons that infrastructure facilities developments and operations are often provided as quasi-public goods by public sectors.

However, lack of competition in public provision systems often results in inefficient management of infrastructures. Therefore, the so-called "privatization" becomes a means of improving efficiency in infrastructure services in both terms of developments and operations.

It is important to notice that there are prerequisites for the privatization of infrastructure managements.

- To establish management systems appropriate (or at least competent) to a market economy, for example consumption based tariff table
- Existence of (comparatively) fair competition in a market and the means so-called "exit", that is people can stop using a service and choose another one based on their preference. In other words, it is dangerous to privatize a company making a monopoly of an infrastructure service provision.
- Security of (minimum level of) service provision, as social safety net for the so-called basic human needs such as water supply

M.2.2 Basic Understanding on Current Situation

(1) Privatization of Infrastructure Service Provision

After the establishment of the Republic of Kazakhstan, the Government of RK started to privatize state-owned companies including infrastructure operators

² Please refer to comparison charts of basic natures in Annex M.2

as a major component of economic reform and transition to a market economy. It has been achieved in four ways.

- Selling infrastructure facilities and rights of operation totally to private company
- Providing Privatization Investment Coupons (PIKs), which is like a bonds, and establishment of a commercial investment fund that works an intermediary between PIKs holders and a business
- Establishing “self-supported enterprise”, which is Republic/Municipality owned Joint Stock Company that is expected to sustain its organization by charging its service provisions
- To sell licenses to private companies, for example license for public transportation

The Government of RK started the privatization process in 1991. In 1991-1992, the process was started first by focusing on the small business such as wholesale distributors, retailers, public catering, and services.

At the next stage, in 1993-1996, medium-sized and large businesses had been started their privatization processes.

The small-scale privatization program was officially concluded in mid-1997. The Government of RK shifted the focus of privatization program to large-scale industries including power and heat, railways, airlines and telecommunications.

In 1998, logistics and household service (81 companies), transport and communication (54), farming and forestry (39), construction (35), machine engineering (35) and food-processing (34) industries were privatized.

As a consequence of the privatization, the Government has received substantial funds³, which had eased the debts and budget deficits.

Regarding Astana City, infrastructure operators such as *Astana Su Arnasy* (ASA, formerly called *Gorvodokanal*), which is the operator of water supply and sewage network in Astana City, have been privatized as a “self-supported company” with being transferred facilities as its assets. It is, however, that the infrastructure operators tend not to have sufficient management systems for a market economy. It is reported that ASA plans to set up individual meter

system to all customers in near future. Without individual meter system, it is difficult to charge by consumption, although one of the principles of market economy is the "benefit principle". This may imply these operators need to reform management systems suitable to new economic regime. In addition, it could be pointed out that these infrastructure operators tend to lack the experience of marketing activities such as market research, product planning, sales and sales promotion, in relation to demands for their services, which is indispensable for sustaining their companies in a market economy.

(2) Priority sectors

There are four (4) sectors that are considered to have an urgent role in relation to the development of Astana City;

- Water supply system,
- Sewage treatment system,
- Power/heat supply system, and
- Telecommunication system.

Republic Government or Astana City established three (3) joint-stock companies for the management of these four sectors.

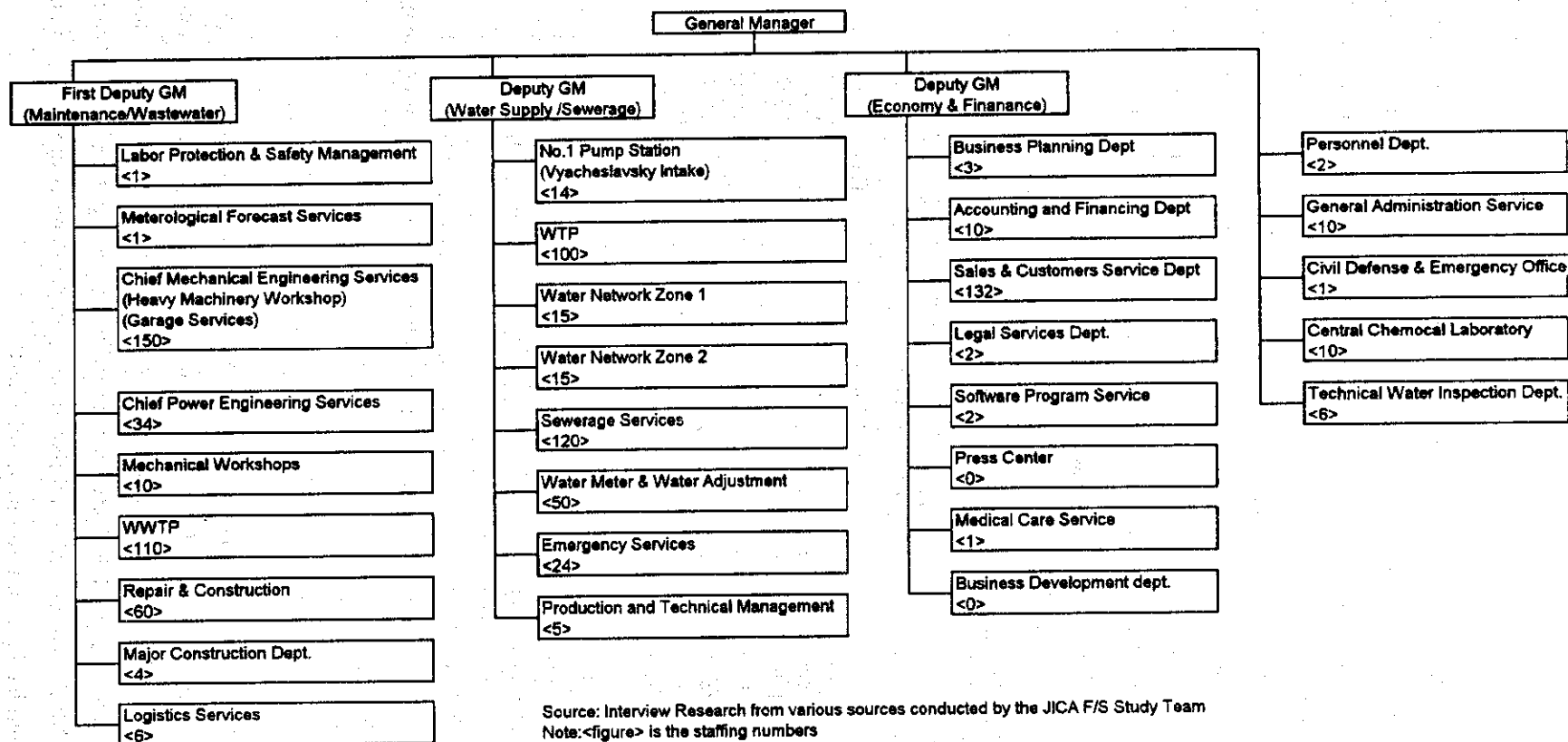
Astana Su Arnasy (ASA)

ASA, which was formerly called *Gorvodokanal*, is a closed joint-stock company that manages the water supply and sewage treatment systems in Astana City. Astana City holds the 100% share of the company. The organization chart is shown on the next page.

ASA planed to increase it sales to Tenge 700 million in 2000 due to a rise in service charges on 1 October 1999. However, the business year 1999 for ASA reportedly has resulted in the sales of Tenge 580 million, yet the gross sales loss of Tenge 32 million and the debts of Tenge 600-2,200 million.

In September 2000, Astana City transferred facilities in relation to water and sewage to ASA as assets, and self-supported management contract was formalized. According to the charter of ASA, however, ASA is not at the liberty to sell their assets without the consent of Akimat. Akimat continues to invest water and sewage facilities from now on, reportedly.

³ Kazakhstan government received US\$ 31.2 million in 1994 by privatizing state-owned enterprises. The figure increased to US\$38.7 million by 1997, and US\$ 521.1 million by 1998. "Investor's Guide 1999-2000", Agency of the Republic of Kazakhstan on Investment.



Astana Telecom/Kazakhtelecom

Astana Telecom is said to be a local affiliate of the open stock company Kazakhtelecom. In accordance with the state license #000001, Kazakhtelecom is conferred with the status of the Common Use Telecommunication Network National Operator (CUT). As a CUT, it is given a right for creation, construction, assembling, ownership, execution of operation and maintenance of the common use telecommunication network, and also of execution of exclusive functions of CUT on provision of inter-city and international communication services. The tables below show the financial status of Kazakhtelecom in the business year 1999. As the tables show Kazakhtelecom makes a profit of Tenge 1,264million in 1999.

Balance Sheet **Thousand Tenge**

ASSETS		Equity & Liabilities	
Long-term Assets	44,222,799	Equity	37,295,347
Current Assets	12,147,490	Long-term Liabilities	10,990,989
		Current Liabilities	8,083,953
Balance	56,370,289	Balance	56,370,289

Profit & Loss **Thousand Tenge**

Major Activity Income	5,885,938
Production Cost of Merchandise Sold	-3,372,675
Gross Income	2,513,263
Term Expenses	-1,690,614
Profit & Loss of Major Activities	822,649
Additional Income	771,608
Additional Expenses	329,421
Profit & Loss before Tax	1,264,836
Income Tax	
Profit & Loss after Tax	1,264,836
Correction of uncovered loss	-283
Profit & Loss	1,264,553

Kazakhtelecom is planning to make US\$ 300 million investments during 1999-2003.

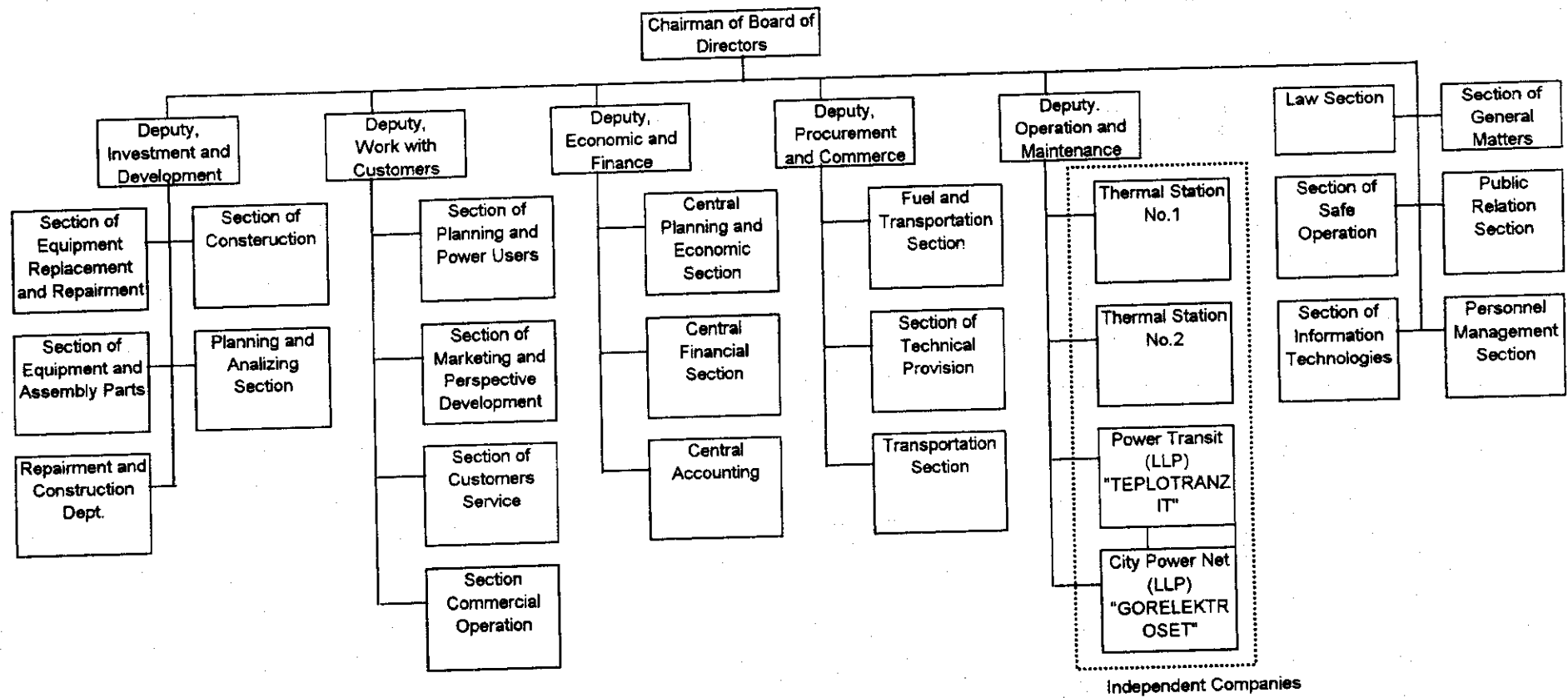
Astanaenergyservice

Astanaenergyservice is an open joint stock company that manages power and heat supply in Astana City. The largest shareholder is Astana Finance (99.8% as of 1999). The organization chart of Astanaenergyservice is shown on subsequent page. There are four facilities, including the Thermal Station No.1 and No.2, which are established as independent companies. (There are surrounded by a dotted line in the chart)

At the moment, restructuring process of Astanaenergyservice is in progress under the consultation of Astana Finance. The table below shows that the decreases in unit costs, and the profitability of the company is picking up during the 1998-1999.

Cost Indicators of OSC Astanaenergyservice million Tenge

	Heat Power			Electricity		
	1998	1999	1999/1998 (%)	1998	1999	1999/1998 (%)
Sales(including VAT)	2408.5	2290.9	95.1	1823.2	2087.8	114.5
Expenditure	2156.1	1788.8	82.9	1229.5	1620.6	131.8
Production Cost	3073.2	2513.6	81.5	1781.2	1750.5	98.2
Profit	-1066.1	-604.5		-261.9	-10.7	
Unit Cost (Tenge)	1296.14	1209.04	93.2	2.71	2.40	88.6



M.3 General Development Procedure

According to a well experienced director of the construction company, current basic procedures of architectural and infrastructure developments are as follows.

Basically, there is no major difference in procedure between Republic projects and Astana City projects, except a rule that the "Republic Expertise Committee" must supervise projects with more than US\$ 10 million. However, regulations were changed recently: the republic level of committee should approve all facilities construct in Astana and Almaty.

The procedure is common for any architectural and infrastructure facilities to be constructed in the City of Astana. It is not affected by the differences of financing sources and form of ownership.

All the development procedures can be divided into 3 stages according to conditions.

In accordance with Laws of the PK, designing and construction works under projects financed from the state budget are conducted after holding corresponding tenders.

The procedures listed above are regulated by the following legislative acts:

- Law "On Architecture and Urban Planning in the RK"
- Law of the RK "On State Procurement"
- Law of the RK "On Land"
- Law "On Representative and Executive Bodies in the RK"
- Decree of the Government of the RK "On Controlling Bodies in the Sphere of Architectural and Urban Planning Activity"
- And corresponding current instructions of the RK.

Stage 1: LAND ALLOCATION

- 1) An investor, i.e. a client, must submit an application for an allocation of a land of construction site to the Mayor of Astana City (*Akim*). It is necessary to apply to *Akim* even if the land is owned privately.

The application must include the followings.

- Approximate request of land area
- Function of the facility to be constructed and its parameters (e.g. total area, number of floors)

- 2) *Akim* considers the application and gives an order to the director of the Department of Architecture and Urban Planning (DAUP) to study the application and prepare a proposal on a land allocation with the corresponding documents.

- 3) The director of DAUP studies the application and issues instructions to the structural subdivisions of DAUP. Within one month the DAUP is to prepare either a negative response in a written form or a proposal on a land allocation with the documents as listed below.
 - Facility layout specifying the land plot boundaries
 - Act of a land plot selection signed by heads of the relevant city organizations in a special form
 - Document of concordance on the facility location signed by the relevant engineering and supervision (control) services
- 4) DAUP prepares a "Draft Resolution of the City of Akim" on the land allocation.
- 5) Akim approves and signs the Draft Resolution.
- 6) The client starts design and survey works on the allocated area. The works must be finished in 0.5 or 1 year depending on difficulty of the facility design.
- 7) After receiving the signed Resolution, the client prepares following documents.
 - Contract on development of the land allocation
 - Terms of reference for the architectural planningThe client also makes a contract of land leasing with the City Department on Land Resources Management (Gorkomzem), if it is necessary.
- 8) DAUP approves the documents and signs them.

Stage 2: PREPARATION OF DESIGN DOCUMENTATION

- 9) The client submits following documents.
 - Terms of reference for provision of the facility connection to the engineering infrastructure to the relevant city service organizations
 - Main draft facility design to the DAUP, including the general plan, architectural planning decisions, finishing and decorative planning of facades
- 10) DAUP approves them.
- 11) The contractor, which contracted with the client, proceeds following activities.
 - Designing-research work
 - Preliminary design
 - Project cost documentationThe contractor should be an organization having a corresponding license.
- 12) The client submits the documents to the State Expertise (*Gosexpertiza*) of the Construction Committee (*Kazstroicomitet*), Ministry of Economy and Trade of RK.
- 13) The State Expertise prepares a conclusion on the design within 45 days. The client should pay necessary costs for assessment process. State Expertise assesses the design in terms of its compliance with current construction norms and regulations of the RK, as well as with the approved Master Plan for development of the city.
- 14) The State Expertise approves the documents. This is the official approval of the application.

- 15) Depending on financing source of the facility construction, the following procedure of documentation approval is required.
 - a) Financed by non-state sources: the design documentation is approved by the client
 - b) Financed even partially by using state funds: the design documentation is approved by superior body of the client (For example, if a project is financed by Astana Municipality, the approval of the central Government is necessary)

Stage 3: FACILITY CONSTRUCTION

- 16) The client submits a request for land allocation for construction purposes to the Mayor (*Akim*).
- 17) The Akim refers the client's request to the DAUP for issuing of a corresponding draft resolution on land allocation
- 18) DAUP submits the resolution, and Akim signs it.
- 19) The client needs to get a permission to commence the construction issued by State Architectural and Construction Control (GASK) by a determined form.
- 20) The client extends the lease contract with the City Department on Land Resources Management (Gorkomzem), and proceeds the construction. Only organizations with corresponding state licenses are entitled to implement construction. Construction must be carried out strictly following the approved design documentation.
- 21) In the course of facility construction the following quality controls are carried out by the client, the designers and the Committee of State Architectural and Construction Control (GASK).
- 22) Construction quality control is formalized by fixing corresponding acts with related actors.
- 22) After completion of construction works, the client and state organizations concerned with the project establish a "Work and State Commission for the facility commissioning⁴".

The commission consists of the following representatives.

- Client.
- Designer
- Contractor
- Engineering and supervision services of the city
- Future facility owner
- DAUP and GASK

Act of the State Commission is approved by decision of the City Akim.

- 23) On completion of this procedure the facility is considered to be officially commissioned, which entitles to legalization of rights of real estate ownership in the "Center of Real Estate Property Registration" of the Ministry of Justice of the RK, as well as rights of land ownership in *Gorkomzem*.

⁴ There is no specific name for this commission.

M.4 Investment Climate for the Development of Astana City

M.4.1 Organizations in relation to Investments

(1) Foreign Investor's Council

Foreign Investor's Council (FIC) was established by the President as a direct advisory body to him by the decree on 30 June 1998. The purposes of FIC are;

- To propose the ways of improvement on legislation concerning investments,
- To ask questions in relation to the implementation of large investment programs and projects,
- To make recommendations on general improvement of the investment climate, and on the strategy for attracting foreign investors,
- To make proposals concerning the adaptation of the Kazakhstan economy to the world system.

The Board of FIC consists of; the Prime Minister, the Chairman of the Agency on Investment, senior Ministers, senior executives from foreign companies and international finance organization, including the first Vice-President of the European Bank for Reconstruction and Development (EBRD)⁵.

FIC organizes four (4) specific working groups; legal, taxation, operation and image enhancement. Members of each working group are reportedly meet weekly or biweekly and discuss the improvements in investment climates, and report to the President through the secretariat of FIC.

(2) Agency of the Republic of Kazakhstan on Investments (Agency on Investment)

Agency on Investment has sole authority on the implementation of direct investment stimulation policy. The agency offers "the one-stop environment" for foreign investors; for example it is the only window for approaching incentives. Since its establishment in January 1999, the agency has been in charge of;

- Organizing operations in relation to direct investment attraction,
- Coordinating activities of state bodies concerning investment projects,
- Providing all permissions, licenses, entry visas, and other documents that are necessary for the implementation of each investment project,
- Assisting investors in searching for qualified employees, goods and services,

⁵ According to a member of FIC, it consists of ABN AMRO Bank, British Gas International, Chevron, Deutsche Bank, KPMG, Mitsubishi Corporation, Samsung, ISPAT Karmet, Total, Koch Holding, Baker & McKenzie, Tractebel and EBRD as of May 2000.

- Monitoring the implementation of investment projects, and supervising investors' commitments.

The Agency was dissolved in December 2000 and transferred its authorities and functions to the Ministry of Foreign Affairs.

(3) The Investment Promotion Center of Kazakhstan (Kazinvest)

The Investment Promotion Center of Kazakhstan (*Kazinvest*) is a stock company with all shares held by the central government, and is the working body of the Agency on Investment. Basic function of Kazinvest is foreign investment promotion.

Kazinvest also can work as an agent for foreign private investors. It introduces development projects as investment opportunities to investors. Kazinvest carries out analysis of investment programs and projects, proposes schemes for financing, and takes measures to implement them as the agent.

M.4.2 Basic Law and Regulation concerned with Investment

The Government of RK has made substantial effort to improve investment climate by enacting laws, regulations and presidential decree that has an authority equivalent to laws. Main laws and regulations are as follows.

Name of laws/regulations		Purpose and Main Contents
On Foreign Investment	L	<ul style="list-style-type: none"> • Guarantee the right of foreign investors • Determine the organizational forms for the effectuation of foreign investments • Determine the procedure for the settlement of disputes with the participation of foreign investors
On the State Support of Direct Investments	L	<ul style="list-style-type: none"> • Regulate relations arising during the process of state support for direct investments
On Taxes and Other Mandatory Payments to the Revenue	PD	<ul style="list-style-type: none"> • Legally-binding decrees that regulate tax • It regulates "Tax and Customs Code"
Concerning Privatization	PD	<ul style="list-style-type: none"> • Regulate the sales of the state property to the national people, national/ foreign legal entities
Concerning the Subsurface and its Utilization	L	<ul style="list-style-type: none"> • Regulate the development of natural resources and environmental issues related to the development
On Joint Stock Companies	L	<ul style="list-style-type: none"> • Define the legal position, procedure for creation, capitalization, reorganization and liquidation of joint stock companies • Define the rights, obligations and conditions for the protection of rights and interests of shareholders and third parties
On Labor	L	<ul style="list-style-type: none"> • Define the basic rights and liabilities of employers and employees • Establish the minimum conditions applicable to labor relations

Note: PD: Presidential Decree, L: law

M.4.3 Possible Constraints in Investment Climate

(1) Frequency in Changing Laws/Regulations

According to interview researches to representatives of several foreign companies, it was found out that the problem was not an absence of laws/regulations, but the frequent changes of them.

The Kazakhstan government has already noticed the problem. Prime Minister Mr. Tokayev once said, "*Kazakhstan's frequently changing legislation is "one of the major problems" for foreign investors*"⁶ in February 2000.

One of the international law firms, "LeBoeuf, Lamb, Greene & MacRae, LLP" (hereafter LeBoeuf) provided several documents indicating this problem. According to LeBoeuf, there have been amendments seven (7) times on the "Law No.266-XIII 25th December 1994 of the Republic of Kazakhstan Concerning Foreign Investments" for example. The amendments were made on 5 October 1995 (effective as of the 1st of July 1995), 15 July 1996, 2nd June 1997, 11th July, 1997, 16 July 1997 (published on 18 July 1997), 22 April 1998 and 2nd August 1999. The text encircled by single line on the next page is a part of LeBoeuf's documents. Underlines for new amendments and Erase lines for invalid parts of law were drawn by LeBoeuf.

The provided documents might point two issues.

First, it might be needed to reconsider the procedure of amendants. The amendment on 5 October 1995 was effective as of the 1st of July 1995. The amendment on 16 July 1997 was published on 18 July 1997. These backdated applications of laws might cause confusions for investors.

Second, amendments in basic definitions of law, as shown in the document of LeBoeuf, would certainly influence large related parts of relevant laws/regulations.

⁶ Quoted from a document of The Business Information Service for the Newly Independent States, the Department of Commerce, United States of America

Chapter I. General Provisions

Article 1. The Basic Terms and Concepts

amended by: 5) Law No. 165 of 16th July 1997 of the Republic of Kazakhstan. Concerning the Introduction of Amendments and Additions to the Law of the Republic of Kazakhstan «Concerning Foreign Investments»; and

7) Law No. 466 of 2nd August 1999 of the Republic of Kazakhstan. Concerning the Introduction of Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan Concerning Issues of Investments.

In this Law:

«Investments» all types of property assets and the rights to them, and also the rights to intellectual property which are invested by the investors into items of entrepreneurial activities for the purpose of extracting profits (income).

all types of properties and intellectual valuables which are invested into items of entrepreneurial activity for the purposes of earning income, in particular:

- movable assets, real estate, property rights, holdings and other rights, except for goods which are imported and intended for marketing without processing;

- shares and other forms of participation in commercial organisations;

- debentures and other debt obligations;

- claims of funds, goods, services and any other execution under agreements associated with investments;

- the right to results of intellectual activity including authorship rights, patents, trade marks, commercial samples, technological processes, know-how, regulatory and technical, architectural, design and technological project documentation;

- any right to perform activities on the basis of a licence or in any other form granted by a state body;

- ~~profits received and re-invested in the territory of the Republic of Kazakhstan~~ [replaced by 5]
[excluded by 7]

«Activities associated with investments»:

- ~~creation, supervision, functioning, maintenance and liquidation of joint and foreign enterprises, and also affiliates of foreign legal entities;~~

(2) Consistency

The Case of the new Labor Law

A new major law concerning the labor, "Concerning Labor in the Republic of Kazakhstan" (hereinafter "Labor Law"), was signed by the President on 10 December 1999 and became effective on 1 January 2000.

Denton Wilde Sapte (hereinafter Denton), another international law firm, pointed out several flaws in the Labor Law⁷. Denton said that: "After the Labor Law goes into effect, there will be no governing law which covers contracts concluded before January 2000".

It was also pointed out by Denton that: "Labor Law specifically applies to all foreign individuals carrying out "labor activities" in the territory of the Republic of Kazakhstan." It thus, "appears contradictory to the Foreign Investment Law which specifies that contracts with foreign employees may be regulated under the law of the country that governs the employment relations."

These examples call for review of the necessity of effective mechanism on checking consistency between old and new laws, and among related laws. Once a law becomes effective without being sufficiently checked, it would require amendments in related laws.

The Case of Astana Special Economic Zone (Astana SEZ)

The text below is the quotation from the brochure of the Astana SEZ⁸ prepared by Astana Finance that was originally established as the sole financial operator of Astana SEZ.

- The income tax to be levied on legal entities registered on the territory of the Astana SEZ is 20%⁹.

- Investors shall get grants in kind for a period of up to five (5) years from the time a contract is made and the rates of income tax, land tax and property tax shall be exempted down to around 100%, and to around 50% of the standard rate for the next five years.*
- Goods of foreign origin delivered to the territory of Astana SEZ are exempt from customs duty, VAT and excise duties, as well as goods completely*

⁷ "Summary and Contents on the New Labor Law in Kazakhstan", Denton Wilde Sapte

⁸ "Astana is a City of Investment Potentialities", Astana Finance, 1999

⁹ Normal rate on outside special economic zones is 30%

consumed during the production process and goods intended for processing (except alcohol) in accordance with the processing requirements defined in custom's enactment of the Republic of Kazakhstan.

- Goods manufactures wholly on the territory of the Astana SEZ, or subject to considerable processing in accordance with the criteria set by the customs legislation of the Republic of Kazakhstan shall be exempted from custom duties and from any measures of economic policy if such goods are exported or when they are imported onto the remaining customs territory of the Republic of Kazakhstan.
- If goods are produced in one of the countries of the Customs Union and imported from Astana SEZ to the rest part of Kazakhstan then these goods are exempt from customs duties provided there is a goods' origin certificate.
- Investors shall be given the right to continue operating in the Astana SEZ on the preferential terms that existed as at the time they made their investments, irrespective of changes in the legal status of the Astana SEZ. The state guarantees to protect direct investments, income (profits), dividends, and the legal rights of investors in the Republic of Kazakhstan.

There is another document on the incentives of the Astana SEZ. The table below shows the possible tax reduction rates for investors to the Astana SEZ prepared by Agency on Investment.

Total volume of Investments (million US\$)	Period and Rate of Exemption		
	Income Tax (Years)	Property Tax (years)	Land Tax (years)
Up to 2 inclusive	2	2	2
From 2 to 4 incl.	4	5	3
From 4 to 6 incl.	5+1[up to 50%]	5+2[up to 50%]	5
From 6 to 8 incl.	5+3[up to 50%]	5+3[up to 50%]	5+1[up to 50%]
From 8 to 10 incl.	5+5[up to 50%]	5+5[up to 50%]	5+5[up to 50%]

Source: "Investor's Guide 1999-2000", Agency of the Republic of Kazakhstan on Investment

As this information showed, the tax reduction rates were in different figures depending on different documents, although both of them were prepared by state organizations (and an agent of state organization) at the same period. Lack of consistency as in this case might confuse investors. It could be pointed out that there is a room for negotiations on the condition of incentive arrangements too.

(3) On going projects for Institutional Development

World Bank Projects

The World Bank is implementing several projects that would potentially improve the investment climates¹⁰.

Project Name	Objectives	Scale
Finance and Enterprise Development Project (FEDP)	<ul style="list-style-type: none"> • To facilitate the enterprise sector reform • To improve banking service • To strengthen the regulatory framework and institutional capabilities of the Borrower's financial system 	Amount: US\$ 62 million Closing Date: 30 Sep. 2001
Tax Modernization (a component of the FEDP)	To create <ul style="list-style-type: none"> • a tax administration system that fosters voluntary compliance and reduces evasion • a tax administration that efficiently, equitably and honestly administers the laws relating taxes, customs and social insurance contributions • a tax administration system organized and equipped with business process, skills, management system and operational tools appropriate for a contemporary, compliance-based tax administration system 	Amount: US\$ 17.3 million Closing Date: 31 Mar. 2001
Real Estate Registration Pilot Project	<ul style="list-style-type: none"> • To finance a pilot project that will design and test models for the implementation of a modern real estate registration system 	Amount: US\$ 10 million Closing Date: 31 Dec. 2000
Legal Reform Project	<ul style="list-style-type: none"> • To strengthen the legal and regulatory systems and institutions in areas key to the functioning of a market economy • It consists of legal drafting and institutional strengthening, juridical strengthening, legal information and public awareness programs 	Amount: US\$ 16.5 million Closing Date: 1 st Oct. 2003

IFC Projects

International Finance Corporation (IFC) approved loan agreement to Bank TuranAlem in financial year 1999. The loan is used for improving the bank's balance sheet and increasing liquidity¹¹. The loan might partially contribute to increased stability in private banking sector.

¹⁰ Homepages of the World Bank Almaty Office

¹¹ Homepages of the World Bank Almaty Office