

18. PUBLIC-PRIVATE PARTNERSHIP

Public-private partnership (PPP) is a form of long-term and mutually beneficial cooperation between government and business to solve socially meaningful tasks. It is used by government to enter into a long-term contract with a private partner for the planning/(re)construction and/or operation of infrastructural facilities such as roads and railways, hospitals, schools, kindergartens, water and heat supply networks, etc., in which they share or reallocate risks, costs, benefits, resources, and responsibilities. As a result, government can solve infrastructure problems by attracting private investment and business can earn money by providing infrastructure operator services.

Over a period of 29 years since gaining independence, the Kyrgyz Republic has been facing financial and economic constraints preventing the construction, financing and operation of infrastructural facilities and adversely affecting the living standards of the people. Taking these circumstances into account, the Government has been undertaking active efforts over the past few years to introduce and promote PPPs in the country. Thus, it has developed the PPP policy, legal and institutional frameworks and identified potential PPP projects.

Public Policy and Support for PPP

In 2016, as part of its efforts to create favourable conditions for practical implementation of PPP mechanisms in the Kyrgyz Republic, the Kyrgyz Government approved the PPP Development Program 2016-2021 designed to improve and enhance public administration, human potential, and public confidence and awareness regarding PPP.

On July 22, 2019, a new PPP Law was adopted, which entered into force on October 27, 2019. It eliminated a number of inconsistencies in the previous PPP Law 2012 and simplified procedures for preparing PPP projects and

holding the tender.

The PPP Law sets forth general requirements for preparation and implementation of PPP projects, powers and functions of PPP regulators, rights and obligations of public and private partners, state financial and economic support, private investment guarantees, PPP project stages and procedures, conditions precedent and mandatory provisions of the PPP agreement, financial close, dispute resolution and other provisions.

In 2014, as part of its efforts to support public partners (ministries, state committees, administrative departments, state-owned enterprises, etc.) involved in the preparation of PPP projects, the Government established the PPP Promotion Trust Fund to provide financing for consultancy services related to conducting of feasibility studies, drafting of tender documents and PPP agreements, evaluation of tenders and selection of preferred bidders.

Legal and regulatory framework for PPP

For private investors, a clear and predictable legal and regulatory framework is a critical factor for determination of investment decisions. The new PPP Law eliminated many inconsistencies in the previous PPP Law 2012. The PPP secondary legislation is currently being developed.

Institutional Framework for PPP

Effective and efficient institutional framework is the precondition for the successful implementation of PPP projects. Currently, an institutional framework for PPP is made up of the following public agencies:

- Ministry of Economy, a public agency responsible for implementing the state policy and development programs on PPPs, ensuring prior coordination (before approval by the public partner) of tender documentation (RfQ, RfP, and PPPA) for PPP projects to be financed by public funding;
- Ministry of Finance, a public agency for risk management responsible for prior

coordination of tender documentation for PPP projects to be financed by public funding in terms of a risk to public funds;

- PPP Unit of the Ministry of Economy of the KR, a public agency established by the Government and responsible for the promotion, implementation and support of PPP projects, as well as assisting the government and local authorities to prepare and implement the PPP projects.

PPP Projects

The Ministry of Economy has determined the projects that are most suitable to be developed as PPPs in transport, healthcare, education, sport, culture, or energy sectors, for instance, municipal roadside parking, , computed tomography scanners installation in health organizations and other projects¹⁷⁷. Currently, these projects are in preparation.

The PPP hemodialysis services in Bishkek, Osh and Jalal-Abad Project is the first PPP project implemented in the Kyrgyz Republic and the first PPP healthcare project undertaken in Central Asia.¹⁷⁸ On August 15, 2017, the country's first PPP agreement was signed between the Ministry of Healthcare, as a public partner, and Fresenius Medical Care Deutschland GmbH (Germany), as a private partner. Moreover, this project has been named among the five best healthcare projects (along with UK and Turkey) by the Partnerships Awards 2018.¹⁷⁹

At the moment, a number of PPP projects in public transport and culture sectors are being implemented.

177 <http://ppp.gov.kg/ru/proekty2/>.

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179 <http://partnershipsawards.partnershipsevents.com/shortlist>.