

# **Request for Expressions of Interest Kazakhstan Independent Branch Campus Briefing Note June 21<sup>st</sup> 2018**

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## **Proposed Activities**

The proposition is that a UK University establishes an independent (ultimately, full-service) campus in Shymkent, the 'third city' of Kazakhstan, close to its Southern border with Uzbekistan.

Subject to further market analysis the launch programme offer is likely to include Bachelor's programmes in the areas of:

- Business and Finance
- Law
- Informatics and Computer Science

A broader portfolio would be developed post-launch, including other subject areas (including STEM and medicine) as well as Master's programmes. All undergraduate programmes would be 4 years in duration, including a Foundation Year.

Research-related activities will be launched as the campus matures and as the academic faculty broadens, but the main focus in the early years will be on teaching. The exception is computer science and informatics since the Government wishes to establish a research centre (which could be fully funded) covering cybersecurity, artificial intelligence, machine learning and big data.

## **Key Points**

- A surplus-generating project
- A unique opportunity to diversify student population, reduce reliance on China and create competitive advantage in the large Central Asian region that has a population of 80 m people
- Opportunity to attract more students to UK as 2+2, or postgraduate.
- Geopolitically important region, also in terms of supporting fight against Muslim extremism – an opportunity for UK education to make a difference
- Economically important region – sandwiched between Russia and China and part of the Chinese Belt and Road Initiative
- English to be the third compulsory language taught in schools (with Kazakh and Russian)
- Excellent pool of students in both science and social science e.g. Kazakhstan is often one of the leading countries in the International Mathematical Olympiad for high-school students
- Economic development both of the Southern region and the country e.g. talent provision for the Astana International Finance Centre which is using English law.

## **Political Context and Support**

Discussions with the South Kazakhstan Regional Government officials confirmed strong support for the development of an 'international' university as part of its Higher Education reform strategy, with the expectation and requirement that this would serve both Kazakh students and students from the broader Central Asian region and extending to India, Pakistan, China, and beyond. The campus would be based in Shymkent, which is earmarked for significant redevelopment to give it equal status with Astana and Almaty.

Key commitments in writing from the Kazakh government include:

- Free of charge high value land and utility connections within the 'Shymkent City' economic development zone. 25 ha. of prime real estate at the edge of an existing city park have been allocated for a campus in a prime location, as part of Shymkent's redevelopment and positioning as a strategic 'gateway' staging-post within the East-West 'Silk Road' (Belt and Road) initiative
- Provision of scholarships – the project is based on the pre-requisite of 500 full undergraduate scholarships per year by the government for the first five years of operation to provide a baseload in the start-up phase. This has been discussed with the Ministry of Education and the Regional governor, who have agreed in writing to the principle of scholarships. However, the details have yet to be finalised at a national level (Prime Minister)
- There is a commitment to providing research funding specifically for computer science and informatics.
- The Government will provide fast and flexible options to provide visas and work permits for non-KZ visiting staff, and there is a direct subsidy available for key international senior appointments

Letters of support from the South Kazakhstan Regional Government and the Ministry of Education have been provided.

### **Proposed Business Model**

The campus development, based in Shymkent, will be funded by a consortium of investors within a company subsidiary. They have expertise in infrastructure development and construction. Preliminary negotiations have been concluded, establishing some of the key parameters of a deal from both party's perspective:

- Including infrastructure development, which will be phased, a final project value of US\$65 million is estimated
- We will seek to minimise any cash investment from a UK University and endeavour that a significant part of its investment will be 'in kind', in the form of brand and IP and that beneficial terms are available for any capital investment
- Substantial and ongoing Government support, as scholarships, will be sought as a pre-condition of investment by the Kazakh consortium (500 full-fee scholarships per annum for the first five years)
- Annual fees at launch likely to be set at around US\$8,000 (UG), subject to further benchmarking (and noting that some specialised degrees in e.g. computer science and business can command fees of over US\$12,000)
- The campus will be based in an economic development zone, which is likely to attract tax and other incentives
- The infrastructure will be funded by a combination of loan, e.g. from EBRD, IFC or other international bank, and equity investment. Initial discussions with EBRD and IFC indicate confidence in the project
- Shymkent government will cover the cost of connecting utility provision
- A population of 5000 students is projected at steady state in 10 years' time

Further negotiation and more detailed advice on tax and deal structure will be required before a final financial model can be developed, but preliminary profit and loss, cash flow and balance sheet forecasts are available.

### **Regulatory Issues**

To establish a campus independently in Kazakhstan requires:

- 1) The overseas university to complete various approval and licensing procedures (the process is known and understood, and experience of a successful project is available)
- 2) A law needs to be introduced by the Minister of Education, considered on a case-by-case basis. To date, such legislation has been approved for the Kazakh-German University in Almaty and the Kazakh British Technical University in

Almaty only. We have been advised verbally that such legislation would be a formality and 'no problem'. President Nazarbayev is reported to be keen on attracting an international university to Kazakhstan.

No academic partner is required under Kazakh regulations (although there is no precedent) and none has been identified or offered.

## **Key Questions**

### *'Why Kazakhstan?'*

The distance from the UK is reasonable and the time difference 5 hours. The region is of interest to tourists which makes it easier to attract faculty and students. It is situated in a key geo-political location, sandwiched between Russia and China and is an important link in the Chinese Belt and Road Initiative.

### *'Why these investors?'*

The investor panel has a track record of completing large investment projects in Kazakhstan and overseas. They are one of the few in Kazakhstan who have access to capital from international development financial institutions such as the European Bank for Reconstruction and Development (EBRD), headquartered in London and owned mainly by European Ministries of Finance, and the International Finance Corporate (IFC), owned by the World Bank. This signifies that both that they have enough equity and that they are not affiliated to any Politically Exposed Person (PEP). Furthermore, they are passionate about improving the educational system in Kazakhstan and supporting economic development in the Southern region.

### *'Why Shymkent, rather than Almaty or Astana?'*

There is strong local support from government officials in Shymkent and South Kazakhstan. The focus of the national government on the economic development of Shymkent as the third city is also a positive influence. There is a significant segment of the local population that is quite affluent. There are large international schools in Shymkent charging high fees. Shymkent and the Southern region of Kazakhstan have the largest population and the largest population growth in Kazakhstan and locals are considered more entrepreneurial than the rest of the country. The need to develop the economy and employment requires the development of local talents such as offered by a UK university. The climate in Shymkent is pleasant and living costs are low.

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