

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Focus and Key Activities

1. The multilateral development banks (MDBs) that are assisting Kazakhstan to implement its development agenda include the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IsDB), and the World Bank. The World Bank is the largest MDB lender in the country, with over \$6.8 billion in commitments provided to Kazakhstan since the country joined the World Bank in 1992. Their investments have focused on public sector reforms, the financial sector, social protection, agriculture and irrigation, technical and vocational education, transport, energy, and health care. EBRD has been active in assisting Kazakhstan in diversifying its economy, and assisting in non-resource growth through support for the private sector. In the past 20 years, EBRD has invested over \$6.5 billion in the energy, agriculture, water, waste management, transport, and banking and non-banking sectors, with over half this amount provided directly to private sector projects. Since 1995, the IsDB provided \$446.7 million for 24 ordinary operations (sovereign loans amounted to \$222 million) in the areas of transport, small and medium-sized enterprise (SME) and financial sector development, as well as information and communication technology, education and agriculture. Lines of financing and Istisna'a comprise about 88 of the IsDB operations. Table 1 shows development partners' projects by sector.

2. The World Bank assists in public financial management reforms through a range of activities, including the ongoing Customs Modernization Project and Tax Administration Reform Project; the recently launched Statistical Capacity Building Project; and the Institutional Development Fund (IDF) grant for capacity development in the supreme audit institution. Additional work is done under the Joint Economic Research Program (JERP), which involves technical assistance (TA) to improve results-based budgeting and reform of selected tax areas, strengthen the public debt management system, improve the insolvency system, modernize the civil service, and facilitate the Extractive Industries Transparency Initiative (EITI). The World Bank supports the education sector in Kazakhstan through TA implemented under the JERP and an investment project supporting the modernization of technical and vocational education. It supports health care system reform through a comprehensive Health Sector Technology Transfer and Institutional Reform Project. A World Bank project is supporting the competitiveness of SMEs and their ability to create more jobs, and helping reduce extreme poverty.

3. EBRD supports the improvement of the business environment; modernization of agribusiness sector; and growth of SMEs, renewables, and municipal services. EBRD is the most active partner in urban transport in Almaty city, for which it provided three loans totaling \$83 million to upgrade the bus and trolleybus fleets. The EBRD's SME support program has provided consulting support to over a thousand enterprises, and it is working now to expanding its program of SME financing through local partner banks.

4. IsDB's recent road project for the Central Asia Regional Economic Corridor 1 in Zhambyl oblast, approved in 2009 for \$170 million, was co-financed with ADB. IsDB was considering a second phase project for the same road corridor. However, due to the IsDB's revised (upward) lending rates and conditions, its financing was withdrawn by the government as not competitive with other development partners involved in the investment program. The activities of other IsDB Group entities are mostly at pre-approval stage, including the International Islamic Trade Finance Corporation (trade financing program) approval of \$175 million for Kazakh commercial

banks, a pre-export financing facility to KazAgro, and the Islamic corporation for private sector development approval for SME support for \$8 million.

5. The United States Agency for International Development has been working with the government to support SMEs, streamline the legal and regulatory conditions for trade, expand access to business information, strengthen public sector budget and audit processes, increase banking sector oversight, and support Kazakhstan's efforts to join the World Trade Organization. It has also assisted Kazakhstan in making its health system financially viable and capable of providing quality care.

6. ADB's lending program is focused on modernization of transport infrastructure, improving energy efficiency, improving access to finance for SMEs, deepening the finance sector, and enhancing information and communication technology. ADB is providing tenge-denominated public sector lending through banks to SMEs under its SME Investment Program. Improved access to finance will help drive investment, increase employment, and generate income for SMEs, particularly those located in regional areas and/or operated by women entrepreneurs. Under the Knowledge and Experience Exchange Program, ADB evaluated the economic costs of road traffic accidents, assessed market concentrations and competition, and analyzed the services sector as a source of diversified economic growth.

**Table 1: Major Development Partners**

<b>Development Partner</b>	<b>Project Name</b>	<b>Duration</b>	<b>Amount (\$ million)</b>
<b>Public Sector Management</b>			
World Bank	Customs Development Project	2007–2015	62.0
	KAZSTAT: Strengthening the National Statistical System of Kazakhstan	2011–2017	22.8
	Tax Administration Reform Project	2010–2016	56.7
	Extractive Industries Transparency Initiative	2007–N/A	0.1
	Justice Sector Institutional Strengthening Project	2014–2018	60.0
	Joint Economic Research Program	2002–2015	
USAID	Macroeconomic Project	2011–2016	10.9
ADB	Knowledge and Experience Exchange Program-Phase 1	2013–2015	0.5
<b>Health</b>			
World Bank	Health Sector Technology Transfer and Institutional Reform	2008–2015	296.7
USAID	Quality Health Care	2010–2015	10.6
	Dialogue on HIV and TB	2009–2015	3.6
	Tuberculosis Control Program	2014–2019	24.3
<b>Education</b>			
World Bank	Technical and Vocational Education Modernization	2010–2015	33.2
<b>Industry and Trade</b>			
World Bank	SME Competitiveness Project	2015–2020	46.0
USAID	Business Connections	2011–2014	5.0
<b>Finance</b>			
ADB	SME Investment Program	2010–2015	500.0

ADB = Asian Development Bank, N/A = not applicable, SME = small and medium-sized enterprises, USAID = United States Agency for International Development

Source: Asian Development Bank.

## **B. Institutional Arrangements and Processes for Development Coordination**

7. The government signed partnership framework arrangements (PFAs) with ADB, EBRD, IsDB and the World Bank in May 2014, which will support the government's development strategies over the next decade. The PFAs will help accelerate the diversification of the economy, increase export competitiveness, and improve Kazakhstan's ability to achieve sustainable and inclusive growth. The government established six technical working groups, consisting of the representatives of MDBs and relevant government agencies, which focus on (i) development of the financial sector; (ii) strengthening the role of the private sector in the economy, SME development, improvement of business climate, and sustainable regional development; (iii) attraction of investments into the economy and development of public-private partnerships; (iv) sustainable ecological development, development of the green economy, and increased energy efficiency; (v) support for dialogue on and implementation of institutional reforms; and (vi) regional cooperation and integration. These working groups conduct regular meetings to discuss the government's priorities and planned projects, support implementation, and avoid duplication. The Coordination Council, composed of 15 senior government officials and 6 representatives of the 4 MDBs, conducts meetings on a quarterly basis chaired by the Prime Minister to provide strategic guidance and overall coordination.

8. The policy advice and capacity building activities under ADB's KEEP complement the knowledge activities of other development partners, including the World Bank's JERP, the EBRD's TA program financed under the Joint Technical Cooperation Fund, and others. While these programs operate in a relatively similar way, the focus of each program differs depending on each MDB's involvement across different sectors and regions. The Ministry of National Economy coordinates MDB knowledge activities to avoid duplication.

9. In implementing development programs referred to in the PFA, ADB will continue regular consultations with the World Bank, EBRD, USAID and other development partners to ensure achievement of development objectives.

## **C. Achievements and Issues**

10. In his annual address to the nation and other speeches, President Nazarbayev has highlighted the importance of cooperation with MDBs for effective implementation of the *Nurly Zhol* (Path to the Future) program. The government's plans for MDB assistance have become more clear and predictable following signing of the PFAs. With the establishment of the Coordination Council and working groups, development partners' activities have become better coordinated by the government, with strong ownership in place. Regular meetings have become a good platform for exchanging views and discussing the project pipelines, activities, results, and knowledge work.

## **D. Summary and Recommendations**

11. Given the uncertain external environment, the government of Kazakhstan has entered into the PFAs with MDBs to tackle structural reforms that can boost economic growth and shared prosperity. The government is committed to accelerating progress to restore macroeconomic stability, highlighting the importance of MDB co-financing to their development efforts. Through the established institutional arrangements and processes for development coordination, ADB's proposed intervention will be well coordinated with other MDB activities, ensuring synergy and complementarities, while avoiding overlaps and filling gaps in Kazakhstan's needs.