

**SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY**

Country:	Republic of Kazakhstan	Project Title:	Countercyclical Support
Lending/Financing Modality:	Countercyclical Support Facility Lending	Department/Division:	Central and West Asia Department Public Management, Financial Sector, and Trade Division

<p><b>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</b></p> <p>Poverty targeting: General Intervention</p> <p><b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b></p> <p>The Asian Development Bank (ADB) country partnership strategy (CPS) (2012–2016) for Kazakhstan supports two key areas for diversification and industrial development: (i) modernizing infrastructure and utilities, while seeking innovative and flexible solutions to narrow investment and viability gaps; and (ii) improving access to finance for small and medium-sized enterprises (SMEs), trade, and investment in infrastructure through public-private partnerships.<sup>a</sup> Governance and institutional reforms, private sector development, regional cooperation, knowledge exchange, climate change and environmental sustainability, and gender equity are the main drivers of the CPS. The government long-term development strategy, Kazakhstan 2050, the <i>Nurly Zhol</i> development program, the Employment Roadmap 2020, and sector-specific development plans such as the state Roadmap for Business–2020 and the Accelerated Industrial-Innovative Development of Kazakhstan 2010–2015 provide the policy framework to promote inclusive economic growth and economic diversification. The emphasis is on productive employment creation and value addition within the country.<sup>b</sup></p> <p>In 2014, Kazakhstan’s economy was impacted by two external factors. The first was the spillover effects from the economic slowdown of the Russian Federation, which triggered a downward adjustment in the tenge exchange rate equivalent to 16.2%, or a 19.4% rise in tenge per dollar. The second was the steep fall in oil prices, which dropped over 50% from the end of 2013 to late 2014. Kazakhstan’s economy is highly dependent on the oil sector, which accounts for about 20.0% of gross domestic product, 50.0% of revenues, and 76.0% of exports. These two factors significantly affected Kazakhstan’s economic growth, revenue performance and non-oil development. In March 2015, the budget was revised, with revenues reduced by 12.9% and expenditures by 4.8%. Expenditures were increased to support financing for agriculture, industry, and employment generation. At the same time, the government committed to using the resources of the National Fund of the Republic of Kazakhstan to mitigate the effects of the crisis. Countercyclical measures introduced by the government, include measures to deliver conditions for sustainable long-term inclusive economic growth. Strategic priorities include (i) innovative industrialization; (ii) an efficient agro-industrial sector; (iii) improved potential for science; (iv) urban and infrastructure development; (v) development of microenterprises and SMEs; (vi) an active, educated, and healthy population; and (vii) efficient public institutions. The proposed loan will help the government mitigate the sudden and significant negative economic impact caused by the steep fall in oil prices and the economic slowdown in the Russian Federation.</p> <p><b>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</b></p> <p>1. Key poverty and social issues. Kazakhstan has made good progress in poverty reduction. Poverty incidence—measured as the proportion of the population living below a stipulated minimum resource requirement—has reduced from 6.6% in 2009, to 2.8% in 2014.<sup>c</sup> Kazakhstan’s targeted social assistance provides minimum welfare support to individuals defined as ultra-poor, with an income equivalent to 40% of the subsistence minimum or less. In 2009, the ultra-poor threshold was T5,487 (\$36.40) per month or just over \$1 per person per day. In 2005, 516,876 individuals applied for targeted support under the social assistance program. This dropped to 196,266 in 2010, and further to 56,108 in 2014, suggesting that people have benefited from the government’s employment generation program (footnote c).</p> <p>2. Beneficiaries. The proposed program allows the government to maintain social programs, and may provide for an increased number of participants in social transfer programs if needed. The participants in these programs are predominately households in small cities or large towns (not including Almaty and Astana) and un- or underemployed citizens.<sup>e</sup> The <i>Nurly Zhol</i> program expects to employ around 395,000 people through different investment projects within the next 3 years. The Employment Roadmap 2020 target population groups include unemployed, part-time, low-income, and self-employed population, including youth, women disabled. Self-employed people are less likely to be covered by social protection and support. Microcredits will be provided in support of private entrepreneurial initiatives in villages with medium and high development potential. In 2014, social government programs had 774,149 recipients (footnote c).</p> <p>3. Impact channels. The program provides budget support that allows the government to continue and extend employment creation programs, reducing the economic cost of increasing unemployment while supporting</p>
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<p>domestic aggregate demand.</p> <p>4. Other social and poverty issues. Unemployment has dropped steadily to 5.1% in 2014, from 13.5% in 1999. Large sections of the rural population are classified as employed (self-employed) because they have access to land. However, according to survey results, while 32.0% of the self-employed had access to land, 80.0% used their plots only to produce food for own consumption.<sup>9</sup> A significant proportion of the self-employed (amounting to 28.0% of the employed) are not covered by social protection and support.</p> <p>5. Design features. The proposed loan for countercyclical support will support government programs aimed at generating employment, sustaining social expenditures, and promoting inclusive private sector development. It is expected to (i) increase employment in the SME sector to at least 3.1 million people in 2016; (ii) decrease the number of self-employed population in percent of economically active population to at least 27.1% in 2016; (iii) reduce women unemployment to at least 5.5% by 2016; and (iv) create at least 100,000 jobs under Nurlı Zhol by 2016. In addition, budget expenditures for social expenditures in percent of total expenditures are expected to be maintained or increased.</p>
<p><b>II. PARTICIPATION AND EMPOWERING THE POOR</b></p>
<p>1. Participatory approaches and project activities. Consultations were held with relevant ministries and the National Bank of Kazakhstan. The consultations helped better relate the program design to the local context; harmonize assistance with other development partners; and reflect a broad range of information and perspectives. Consultations added value to program design and targeting, increased ownership and sustainability, and offered potential benefits to poverty reduction and to sustained pro-poor economic growth.</p> <p>2. Civil society organizations. The program does not anticipate the participation of civil society organizations in program implementation.</p> <p>3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):</p> <p><input type="checkbox"/> Information gathering and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>4. Participation plan. <input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No. A project-level participation plan will not be prepared under the program to strengthen participation of civil society. The executing agency of the program is the Ministry of Finance and the implementing agencies will be the Ministry of Finance and the Ministry of National Economy, with whom the project team will consult with during program implementation. Information generation and sharing will be disclosed in accordance with ADB's 2011 Public Communications Policy.<sup>h</sup></p>
<p><b>III. GENDER AND DEVELOPMENT</b></p>
<p>Gender mainstreaming category: Some Gender Elements</p>
<p><b>A. Key issues.</b> The Organisation for Economic Co-operation and Development (OECD) Social Institutions and Gender Index ranks Kazakhstan 45th among 91 ranked countries in 2014.<sup>i</sup> Kazakhstan established the National Commission on Family Affairs and Gender Policy to address gender issues. In 2003, the Concept on Gender Policy was approved, followed by the adoption of the Strategy for Gender Equality for 2006–2016. Women constitute 53% of Kazakhstan's population and 66.7% are economically active (as are 76.1% of men). The high participation rates include high levels of education for women. However, women are more likely to be unemployed; the unemployment rate for women was 5.7% in 2014, and the total unemployment rate (men and women) was 5.0%. Women are more likely to work in lower-paid sectors at lower salaries (69.6% of men's wages, on average). A comprehensive survey of gender issues in the SME sector indicated that women entrepreneurs are more frequently engaged in trade (41.0% vs. 26.0% for men), the services sector (accommodation, food and tourism—8.0% vs. 5.0% for men), and other services (17.0% vs. 15.0% for men).<sup>j</sup> Focus group discussion data suggests a range of issues. Besides problems that are typical for small businesses—including access to finance, information, and highly skilled personnel—there are other gender-specific problems related to: (i) the need to balance work with family and child care; (ii) limited ability to manage and control own time and travel; (iii) huge physical exertion, hard work and long working hours leading to health problems; (iv) absence of family support; and (v) social stereotypes and traditions requiring a woman to maintain a more passive role. Self-employment may not offer women a reasonable return on their labor, especially in rural areas. Women in Kazakhstan more often start a business out of necessity and the lack of alternative employment options, whereas men are more likely to be motivated by a desire to take advantage of a perceived opportunity. Female entrepreneurs tend to operate micro and small businesses, and in rural regions often engage in home-based production or other entrepreneurial activities that are compatible with household duties. A critical issue is their limited access to finance, especially loans from commercial banks. Women who do use financial services generally rely on microcredit, often through specific programs targeting female borrowers. Such obstacles limit the extent to which women can build profitable businesses and provide employment for other women.<sup>k</sup> The Employment Roadmap 2020 targets the share of women covered by activities to increase from 44.6% in 2015 to at least 48.0% in 2018, and the share of youth up to the age of 29 to be 43.5%.<sup>l</sup></p>
<p><b>B. Key actions.</b> <input type="checkbox"/> Gender action plan <input checked="" type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p> <p>The Employment Roadmap 2020 includes (i) women living in rural areas as a priority group, and (ii) a target for the women's unemployment rate to not exceed 5.5%.</p>

<b>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</b>	
<b>A. Involuntary Resettlement</b> 1. Key impacts. The program is categorized as FI considered as 'C', with no impacts on involuntary resettlement. 2. Strategy to address the impacts. No action required. 3. Plan or other Actions. <input checked="" type="checkbox"/> No action	<b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<b>B. Indigenous Peoples</b> 1. Key impacts. The program is categorized as FI considered as 'C', with no impacts on indigenous people. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 2. Strategy to address the impacts. NA 3. Plan or other actions. <input checked="" type="checkbox"/> No action	<b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<b>V. ADDRESSING OTHER SOCIAL RISKS</b>	
<b>A. Risks in the Labor Market</b> 1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input checked="" type="checkbox"/> H <input type="checkbox"/> M <input type="checkbox"/> L <input type="checkbox"/> Unemployment <input checked="" type="checkbox"/> Underemployment <input type="checkbox"/> Retrenchment <input type="checkbox"/> Core labor standards 2. Labor market impact. Relevance of the program for the country's labor market is high, as employment creation programs will be supported through the budget. Citizens will benefit from income-generating opportunities through the government's implementation of the long-term development strategy, Kazakhstan 2050; the Employment Roadmap 2020; the <i>Nurly Zhol</i> development program; existing policy documents supported by the <i>Nurly Zhol</i> , including medium-term action plans to be implemented under the Partnership Framework Arrangement; and the Plan for the Nation: 100 Concrete Steps for Implementation of Institutional Reforms. Kazakhstan is a member of the International Labour Organization and adopted a comprehensive Labour Code in May 2007. It is expected that the government will ensure that core labor standards and applicable laws and regulations of the government, including workplace occupational safety norms, are complied with during program implementation.	
<b>B. Affordability</b> Affordability issues are not expected to be significant as the countercyclical support facility supports activities aimed at job generation and maintaining social expenditures.	
<b>C. Communicable Diseases and Other Social Risks</b> 1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> NA Communicable diseases <input checked="" type="checkbox"/> NA Human trafficking <input checked="" type="checkbox"/> NA Others (please specify) _____ 2. Risks to people in project area. NA	
<b>VI. MONITORING AND EVALUATION</b>	
1. Targets and indicators. Performance targets that address poverty reduction and inclusive social development include employment in the MSME to increase to at least 3.1 million people, number of self-employed population to decrease to at least 27.1% of the economically active population, women's unemployment not higher than 5.5%, at least 100,000 jobs created; budget expenditures for social expenditures are maintained at least at 37.5% of total expenditures. <sup>m</sup> 2. Required human resources. Regular review missions will monitor the poverty and social impact of the program. 3. Information in the project administration manual. NA 4. Monitoring tools. Regular review missions will assess implementation of countercyclical programs, and evaluate performance against targets in the project design and monitoring framework. The government will report annually on progress and targets in the loan for countercyclical support.	

<sup>a</sup> ADB. 2012. *Country Partnership Strategy: Kazakhstan, 2012–2016*. Manila.

<sup>b</sup> Government of Kazakhstan. 2010. *Business Roadmap 2010*. Astana; Government of Kazakhstan. 2010. *The Accelerated Industrial-Innovative Development (AIID) of Kazakhstan 2010–2015*. Astana.

<sup>c</sup> Government of Kazakhstan, State Statistics Agency. 2014. *Annual Statistics*. Astana.

<sup>d</sup> Government of Kazakhstan, State Statistics Agency. 2014. *Annual Statistics*. Astana.

<sup>e</sup> United Nations Children's Fund. 2015. *Analysis of Social Transfers for Children and their families in Kazakhstan*. Kazakhstan.

<sup>f</sup> Government of Kazakhstan, State Statistics Agency, <http://www.stat.gov.kz>

<sup>g</sup> ADB and United Nations Development Programme. 2012. *An Assessment of Poverty in Kazakhstan*. Manila.

<sup>h</sup> ADB. 2011. *Public Communications Policy 2011: Disclosure and Exchange of Information*. Manila.

<sup>i</sup> OECD. 2014. *Social Institutions & Gender Index 2014: Synthesis Report*. Paris.

<sup>j</sup> Sange Research Center. 2013. *Kazakhstan: Improving Capacity to Support SME Development*. Astana.

<sup>k</sup> ADB. 2014. *Kazakhstan Country Gender Assessment*. Manila.

<sup>l</sup> Government of Kazakhstan. 2015. *Employment Roadmap 2020*. Astana.

<sup>m</sup> Social expenditures include education; healthcare; and social assistance and provision for social security and social aid; and culture, sport, tourism and information.

Source: Asian Development Bank estimates and as indicated.