



Kazakhstan: COVID-19 Solidarity Fund for Kazakhstan

Project Name	COVID-19 Solidarity Fund for Kazakhstan				
Project Number	54265-001				
Country	Kazakhstan				
Project Status	Proposed				
Project Type / Modality of Assistance	Technical Assistance				
Source of Funding / Amount	<table border="1"> <tr> <td>TA: COVID-19 Rapid Response, Solidarity Fund for Kazakhstan</td> <td></td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 1.00 million</td> </tr> </table>	TA: COVID-19 Rapid Response, Solidarity Fund for Kazakhstan		Technical Assistance Special Fund	US\$ 1.00 million
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Technical Assistance Special Fund	US\$ 1.00 million				
Strategic Agendas	Inclusive economic growth				
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development				
Sector / Subsector	Education - Education sector development - social protection initiatives - Technical and vocational education and training Industry and trade - Small and medium enterprise development				
Gender Equity and Mainstreaming	Some gender elements				
Description	<p>1. Kazakhstan is facing tremendous challenges created by the COVID-19 pandemic and the concurrent plummeting in oil prices started in early 2020, which have jointly contributed to creating an economic and social crisis of unprecedented dimensions. Despite the adoption of government programs aimed at diversifying the economy, Kazakhstan remains heavily dependent on extractive industries as more than 70% of export revenues derived from basic commodities, especially oil and gas. Such production structure, which is typical of countries affected by the so-called "Dutch disease", creates pronounced economic vulnerabilities amplifying the impact of the ongoing crisis.</p> <p>2. At the end of March 2020, the government of the Republic of Kazakhstan requested the Asian Development Bank (ADB) to provide support in the establishment of a COVID-19 Solidarity Fund for Kazakhstan to complement the government's efforts made in fighting the COVID-19 pandemic. The authorities' request has been motivated by the need to mitigate the impact of the ongoing health and economic crisis on the most vulnerable part of the population and preparing for the post-crisis socio-economic development. In such context, the Ministry of National Economy (MNE) and the Ministry of Labor and Social Protection of the Population (MLSP) requested the ADB to partner with the United Nations Development Programme (UNDP) and the World Bank (WB) in the creation and management of the Solidarity Fund (SF).</p> <p>3. Based on the MNE's proposal, which was further elaborated through a series of informal meetings among prospective partners, and the subsequent support provided to Kazakhstan during March-August 2020 by ADB, UNDP, WB, and other development partners, the SF will focus on delivering training programs to assist workers who lost their jobs due to the pandemic finding new jobs in the post-COVID-19 economy. Initially, the SF was supposed to also assist with the provision of material relief to the population (i.e. food, medicines) and the creation of an online platform for the provision of public services to small and medium-sized enterprises (SMEs). However, these initiatives were covered by Asia Pacific Disaster Response (APDRF) and other government programs which was not anticipated at the time of initial negotiations. The updated request from the government is for the SF to focus on retraining and upgrading of skills for developing capabilities and expertise in industries and sectors expected to provide opportunities for business development in a post-COVID-19 environment. Joint financing and management of TA activities by ADB, UNDP, and the WB in collaboration with the government is expected to produce relevant synergies and complementarities between ADB operations and government development needs.</p>				
Project Rationale and Linkage to Country/Regional Strategy	<p>4. The ongoing economic crisis in Kazakhstan takes its toll on business activities, especially those of micro and SMEs, with the services sector contracting by 5.6% in the first half of 2020. While the full impact on employment is yet to be assessed, but pandemic-induced quarantine measures caused 45.7% of the labor force to be temporarily suspended or laid off in March and April, according to MLSP. Also, a survey conducted by the local entrepreneurs' association (Atameken) suggests that local firms will likely dismiss more than 50 percent of their employees as a result of the COVID-19 pandemic. Assessments prepared on the impact of the crisis on local employment vary, but based on recent announcements made by government agencies, on a broader scale, out of 8.5 million employed people, over 2 million are expected to temporarily or permanently lose their jobs. Besides, over 3.7 million people are expected to end up with reduced or no income in the coming months and will receive social payments from the government.</p> <p>5. With an increasing amount of the work force being laid off from work, social unrest and fragmentation are expected to increase, as the most vulnerable part of the population will feel the negative economic impact of the prolonged containment measures.</p> <p>6. The social distancing and quarantine measures introducing by the government are also imposing substantial transformation to the labor market. Several professions are struggling from the reduced demand of traditional skills and the ongoing significant transformation in working arrangements, with the largely increased use of the remote modality, leading to a surge in unemployment. Services and manufacturing production have taken a hit, resulting in massive layoffs. The tourism industry has been heavily affected as countries closed borders and blocked movements of people to contain the spread of COVID-19. Increasing displacements in the labor market and low capacity of the labor force to adapt to new job opportunities will likely lead to a deep social and economic impact pushing more people into poverty.</p> <p>7. Through the training programs and subsequent increase of labor force capacity in the country, the TA will assist Government to achieve targets set in President Tokayev's state of the nation address of 1 September 2020, such as (i) increase SMEs contribution to GDP to 35% by 2025 and the number of people employed to 4 million.</p>				
Impact	Supporting measures and new economic strategy introduced by the Government to respond to COVID-19 challenges.				
Outcome	Government provides timely anti-crisis support measures to the labor market caused by COVID-19 pandemic.				
Outputs	Report on emerging professions for Kazakhstan prepared Training programs for skills development delivered (September 2020-June 2021) Training programs for SMEs to enter emerging industries delivered . October 2020-June 2022				
Geographical Location	Nation-wide				
Summary of Environmental and Social Aspects					
Environmental Aspects					

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer	Galiyev, Arystan
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Kazakhstan Resident Mission
Executing Agencies	Ministry of National Economy Orynbor str., 8, House of Ministries, entr.7,010000 Astana, Kazakhstan

Timetable

Concept Clearance	-
Fact Finding	15 May 2020 to 15 May 2020
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	16 Nov 2020

Project Page	https://www.adb.org/projects/54265-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=54265-001
Date Generated	18 November 2020

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