Kazakhstan Country Program Evaluation, FY04–13

An Independent Evaluation

1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

Rights and Permissions

Contents

BOXES

FIGURES

TABLES

APPENDIXES

The Management Response, Management Action Record, and Chairperson's Summary from the discussion of the Committee on Development Effectiveness for all four country program evaluations that are part of the clustered country program evaluation for resource-rich developing countries are found in the synthesis report.

Abbreviations

AAA	Analytic and advisory activities
ADB	Asian Development Bank
CAREC	Central Asia Regional Economic Cooperation
CO_2	carbon dioxide
CPE	Country Program Evaluation
CPI	Corruption Perception Index
CPS	Country Partnership Strategy
CSO	civil society organization
DPL	Development Policy Loan
EBRD	European Bank for Reconstruction and Development
EC	European Community
EITI	Extractive Industries Transparency Initiative
ERR	economic rate of return
ESW	economic and sector work
EU	European Union
FDI	foreign direct investment
GDP	gross domestic product
GGFRP	Global Gas Flaring Reduction Partnership
GIZ	German Agency for International Cooperation
GNI	gross national income
IBRD	International Bank for Reconstruction and Development
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
IsDB	Islamic Development Bank
ISR	Implementation Status and Results Report
JERP	Joint Economic Research Program
KEGOC	Kazakhstan Electricity Grid Operating Company
M&E	monitoring and evaluation
MIGA	Multilateral Investment Guarantee Agency
MDG	Millennium Development Goal
NBK	National Bank of Kazakhstan
NFRK	National Fund of the Republic of Kazakhstan
NLTA	nonlending technical assistance
NPL	nonperforming loan
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability

PEIR	Public Expenditure and Institutional Review
PER	Public Expenditure Review
PFA	Partnership Framework Agreement
PFM	public financial management
PISA	Programme for International Student Assessment
PPP	public-private partnership
PSD	private sector development
RBB	results-based budgeting
SIGI	Social Institutions and Gender Index
SME	Small and medium-size enterprises
TVEM	Technical and Vocational Education Modernization
TVET	technical and vocational education and training
UNDP	United Nations Development Programme
UNICEF	United Nations United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization

All dollar amounts are in U.S. dollars unless otherwise indicated.

Acknowledgments

This evaluation of the World Bank Group's program in Kazakhstan is a part of the Independent Evaluation Group (IEG) Clustered Country Program Evaluation for Resource-Rich Developing Countries: The Cases of the Plurinational State of Bolivia, Kazakhstan, Mongolia, and Zambia."

This evaluation was prepared by an IEG team led by Konstantin Atanesyan, and was conducted under the guidance and supervision of Geeta Batra (Manager) and Nick York (Director) and the overall direction of Caroline Heider (Director-General, Evaluation). Members of the evaluation team included Dinara Akhmetova, Lev Freinkman, Andres Liebenthal, George Polenakis, Inder Sud, Kendra White, and Disha Zaidi. Barbara Balaj and Barbara Rice edited the report; Corky de Asis and Yasmin Angeles provided administrative support. The report also benefitted from comments provided by peer reviewers William Ascher (Claremont McKenna College), Alan Gelb (Center for Global Development); and Andrew Warner (International Monetary Fund).

IEG is grateful to the numerous representatives of the government, private sector entities, and nongovernmental organizations who provided valuable insights into the World Bank Group's program in Kazakhstan. The team is also thankful to the World Bank Group management and country team members, including both previous and current staff working on Kazakhstan, who provided valuable time, information, and feedback to the evaluation team.

Overview

Highlights

Kazakhstan made steady progress on poverty reduction and social development during the review period, driven by impressive economic growth and rising hydrocarbon prices. Yet, the country continues to grapple with a number of systemic challenges, including: a lack of progress on economic diversification and anticorruption; a dominant role of the state in the economy; a lack of skills in the labor force; and a legacy of environmental problems inherited from the Soviet era.

The quality of the Bank Group dialogue with the government was exceptionally high throughout the evaluation period. The Bank Group has established itself as a trusted adviser to the government, with a proven track record of timely delivery of high-quality technical and policy advice, including cabinet-level "brainstorming sessions" and the client-funded Joint Economic Research Program (JERP). Implementation of the JERP suggests that it could become a powerful tool for strengthening the partnership, advancing the reform agenda, and gradually building up the lending program. At the same time, the fully demand-driven nature of the program imposed limitations on the Bank in defining strategic priorities in its advisory work, disseminating findings, and engaging local partners. Overall, this evaluation concludes that:

- The effectiveness of Bank assistance was uneven across the engagement areas. It was more effective in the macroeconomic and fiscal areas, in particular, in helping turn the National Oil Fund into a reliable national savings mechanism and an effective instrument of countercyclical fiscal policy. The Extractive Industries Transparency Initiative (EITI) was a useful and effective instrument for promoting transparency and accountability. However, corruption remains a persistent problem. The strategy to promote economic diversification through sector interventions was relevant, but the effectiveness of its separate elements varied and the impact was not evident. The Bank Group effectively supported the remediation of legacy environmental issues in Kazakhstan and provided generally successful strategic policy advice in education and pensions.
- Looking forward, the Bank Group will need to (i) link the JERP with concrete sector investments and advance monitoring and evaluation (M&E) tools to track its effectiveness; (ii) disclose the main policy recommendations; (iii) engage local partners and civil society to advance transparency and accountability and build capacity; (iv) select and prepare of a set of analytical products independently and in line with the World Bank Group's global development mandate; and (v) be more selective and strategic in sector engagement.

Bank Group Strategy and Dialogue

Kazakhstan's impressive economic performance during the review period was accompanied by steady progress on poverty reduction and social development**.** Thanks to the oil-fueled economic growth and prudent macroeconomic management and fiscal policy, Kazakhstan was able to "monetize" its hydrocarbon wealth and accumulate large resources in its oil fund (National Fund of Republic of Kazakhstan, NFRK). The government's most recent strategy set an ambitious target of joining the 30 most prosperous countries in the world by 2050.

Despite this quantum leap, the country continues to grapple with a number of systemic challenges, including lack of progress on economic diversification away from the extractives sector; persistent governance problems characterized by centralization of authority, a lack of accountability and transparency, and high perceptions of corruption; an outsized state presence in the economy and a weak private sector; high income inequality and poor economic and social conditions in underdeveloped regions; lack of requisite skills in the labor force; and a legacy of environmental problems inherited from the Soviet era.

The government of Kazakhstan has been consistently strategic in its vision for development and equally prolific in producing strategic documents, visions, and plans. Following the global financial and economic crises of 2008–09, the government shifted the emphasis in its development strategy toward growth from non-oil sources; strengthening governance and the business environment; improving the quality of public services; and addressing shortages in its skilled workforce.

The World Bank Group cooperation with Kazakhstan followed a somewhat unique trajectory. The Bank Group was an important donor and partner in the 1990s, providing lending and analytical products. After relatively fast recovery from the Russian financial crisis in the late 1990s to the early 2000s, Kazakhstan repaid its loans to the World Bank and the International Monetary Fund. The authorities decided not to borrow from international financial institutions, limiting cooperation to the format of an ongoing dialogue—being officially open to continue to receive analytical products, but shutting the door for further lending. Despite a number of ongoing "legacy" projects, the absence of new lending was making the Bank's presence in the country and continuing dialogue increasingly unsustainable.

The situation changed drastically after 2004, when the decision not to borrow was reversed following rounds of consultations with the Bank Group, as well as growing demand for high-level policy advice in various areas of economic development. As a result, several unique mechanisms for policy dialogue between the Bank Group and the Kazakh authorities have emerged: (i) regular rounds of Cabinet-level "brainstorming sessions" prepared and led by the Bank Group and chaired by the Prime Minister and (ii) the Joint Economic Research Program (JERP), a demand-driven, cofunded program of analytical studies and policy notes on specific sector topics. Both activities are recognized as major success stories and continue to be very popular within both the government and the Bank. The share of JERP financing has steadily moved toward the government side, and the program is now fully government financed (since July 2014).

This restart of intensive high-level policy dialogue was followed by the resumption of large-scale borrowing from the International Bank for Reconstruction and Development (IBRD), exemplified by two flagship transport sector loans totaling $3.2 billion. This made Kazakhstan one of the largest clients of the Bank (in volume) in the Europe and Central Asia Region. In addition, a new broad Partnership Framework Agreement, signed in May 2014, potentially opens a new page in the history of the Bank's partnership with the government of Kazakhstan. The overall three-year program ($5 billion financing from the NFRK) is expected to be cofinanced by a group of international partners and will include specific action-oriented nationwide development programs. The Bank Group is expected to play a leading role.

The Bank Group Country Partnership Strategies (CPS) in Kazakhstan (the 2004 and 2012 CPS) were fully aligned with the government strategies at the time, and reflected their main priorities. Flexibility of the "open-ended" 2004 strategy allowed for mid-course correction at the time of economic and financial crises. However, the absence of a set of concrete measurable performance indicators limited the ability to measure actual progress and achievements in policy dialogue. The Bank Group program concentrated on areas covering a coherent critical mass of reforms yet could have benefited from a stronger strategic focus, most notably on governance and economic diversification.

Over the entire period under review, the quality of Bank-government dialogue has been exceptionally high. It can be considered as best practice, especially in the context of common challenges the Bank has been facing in resource-rich, upper-middle-income countries. The Bank has established itself as a trusted adviser to the government, with a proven track record of timely delivery of high-quality technical and policy advice covering a critical mass of reforms. The Bank effectively used its favorable position in Kazakhstan to promote policy dialogue on various critical reforms. The high quality and flexibility of the Bank's analytical support was appreciated across the government.

The fully demand-driven nature of the Bank Group's program in Kazakhstan imposed some limitations on the Bank Group in defining priorities in its advisory work program. The program coverage remained insufficiently coherent, reflecting the lack of governmental interest in the analysis of several "sensitive" policy issues. The most important gaps in the program related to poverty analysis, governance and anticorruption, and the role of the state-owned enterprises sector in the economy.

This tension between the Bank Group's mandate and the government's preferences with regard to the Bank's assistance program is a common characteristic for a number of resource-rich countries, in which the clients did not need the Bank's financial support and thus could afford to be selective. Reflecting on this constraint, the Bank broadened the policy reform agenda by strategically and consistently engaging with the government at the most senior level, notably through the "brainstorming sessions." This helped build consensus on several critical issues, including elaboration of the anticrisis package and pension reform priorities.

At the same time, the government used the Bank's policy advice quite selectively, and often requested the Bank's analytical inputs "for information only"—without a clear intention to follow up with a policy change. The government's interest in acting on the Bank's advice was sometimes difficult to assess ex ante, and the ownership of reforms varied considerably across counterpart agencies.

The Bank's analytical work funded under the JERP did not have an explicit results framework. Thus, there is no detailed evidence on how much and what kind of Bank policy recommendations resulted in policy changes. The Bank did not undertake to monitor the follow-up on its recommendations, and the government's own monitoring was shared with the Bank inconsistently. The lack of regular monitoring diluted the program's focus on the development outcomes. In several cases, the effectiveness of analytical support under the JERP could have been increased if it had been backed up by more traditional implementation (project) support that would have given the government access to specialized consulting services on a more continuous basis.

The effectiveness of the Bank's program in Kazakhstan in general was reduced by the lack of attention (with the exception of the EITI process) to the demand side component. The Bank's policy dialogue focused exclusively on the government, at the cost of communicating with other local stakeholders. The depth and coverage of the Bank's analysis was not used to inform the public or to generate more support for necessary reforms. Local capacity building was another dimension that did not live up to its potential. The JERP very rarely (if at all) engaged local partners in program delivery. Thus, it contributed surprisingly little to the build-up of local analytical capacity.

Wider disclosure of the JERP products could have had a positive impact on the program's overall effectiveness, reform ownership and sustainability, as well as better utilization of the Bank's analytical insights. In many instances, the government explicitly objected to moving the reports into the public domain, and the Bank did not insist on a more open disclosure policy. This resulted in limited knowledge about what the Bank has been advocating even within the government (outside of the very narrow group of direct beneficiaries for each particular JERP project).

Such restricted disclosure has been detrimental in several ways. It limited understanding of policy priorities and challenges within the government. In an environment of high government staff turnover, the limited availability of policy analysis hampered continuity and undermined reform ownership. Most important, limited disclosure kept important policy recommendations out of reach of the public, thus constraining demand for reforms. This is a major issue for the political economy of governance reforms in Kazakhstan.

Bank Group Program Results

MACROECONOMIC MANAGEMENT AND GOVERNANCE

The Bank's program on macroeconomic management and governance has been highly relevant: its priorities were fully aligned with the government's program. The Bank was effective in using the window of opportunity during the crisis of 2009 to accelerate reforms that promoted fiscal sustainability. It achieved impressive results in the critical areas of macroeconomic and oil revenue management, tax policy, and tax and customs administration. The Bank made a strong and consistent effort to emphasize support for policies and institutions promoting macroeconomic stability and fiscal sustainability, which has been at the center of Kazakhstan's development challenges.

The most visible progress was achieved in the area of strengthening the rules governing the utilization of oil earnings. The Bank's contribution to results in this area was significant. Bank products were instrumental in fundamentally strengthening the framework for oil revenue management and in securing its robustness against external shocks—which has been a critical macroeconomic challenge for Kazakhstan. Establishing the set of rather conservative fiscal rules to govern the annual oil revenue transfer from the NFRK to the budget represented a major achievement. After the crisis, the Bank helped the government further fine-tune the functioning institutional mechanisms through its analytical work and policy advice, mainly within the framework of JERP. The Bank assistance put special emphasis on turning the NFRK into a reliable national savings mechanism and an effective instrument of countercyclical fiscal policy. The government now has an established track record in this area, as evidenced by its effective and smooth handling of the impact of global crises on the Kazakh economy that supported a subsequent rapid recovery in 2010–11.

Progress on institutional reforms generally lagged behind macroeconomic stabilization and core policy reforms. The program relevance was somewhat undermined by a few gaps related to insufficient attention to the anti-corruption agenda and public expenditure rationalization. In several instances, the progress on the legislative and regulatory side has been stronger than actual policy adjustments. These weaknesses mainly reflect the lack of the government's interest in the respective policy areas.

The Bank Group's main instrument for assisting the government in improving governance and institutions in the extractives sector over the past decade has been its support for the implementation of EITI. The initiative, originated in 2003 and mainly driven by civil society organizations (CSOs), had struggled to get under way in Kazakhstan, that is, until the Bank provided technical assistance for capacity building and lent its name to add credibility to mobilize the unprecedented multi-stakeholder (government, industry, CSOs and parliament) process.

The experience with EITI in Kazakhstan confirms its usefulness as an effective instrument for promoting transparency and accountability beyond the extractives sector. Although the government's initial motivation for joining EITI may have been to make the country more attractive to foreign private investors, the associated commitment to implement a multi-stakeholder process created a platform for CSOs to discuss and demand transparency and accountability from the government and industry officials in an unprecedented manner. The process is reported to have encouraged the Ministry of Finance to enhance the disclosure of budget information. These are important achievements in a country where strengthening governance remains a major challenge, and points to the desirability of the Bank's continued support of implementation of such multistakeholder processes in the future.

Overall, despite the tangible success of the EITI process and the tax and customs administration reform—and their contribution to the anticorruption agenda, broader efforts to fight corruption were only partially successful. Kazakhstan continues to score very low (compared to its income levels) on corruption perception indices, and improvements since 2004 have been limited. Despite stated objectives, there is no evidence that a comprehensive government anticorruption program has ever been introduced. With time, specific targeted reforms (for example, accounting and audit) are likely to bring tangible anticorruption benefits. However, these types of project-level interventions are usually not a sufficient substitute for a more comprehensive anticorruption effort, which is based on the longer-term government strategy, strong political ownership at the top, and broad participation of civil society.

Some trends in the overall results in the public financial management (PFM) area indicate a shift in the Bank-supported interventions from policy reforms to regulatory changes and capacity building. As a result, in some cases, considerable improvements in government capacity did not result in adequate policy changes. Those include, among other things: (i) strengthening debt management systems without improving oversight of state-owned enterprise debt; (ii) strengthening capacity in the Accounting Committee that is not yet matched by a needed extension in its powers and independence; and (iii) improvements in public accounting without much progress on budget consolidation.

The sustainability of results achieved in Kazakhstan on governance in general continues to face several risks, including incompleteness of a number of core reforms and weakness of the civil society—and hence limited public demand for strengthening transparency and accountability.

Diversification and Private Sector Development

Despite the continuous prominence given to economic diversification in all of the government and World Bank Group strategies, the economy of Kazakhstan today is more concentrated in one sector than it was at the start of the review period. Indeed, it continues to be dominated by state-owned interests that control more than 60 percent of the economy, either directly or indirectly through the National Welfare Fund. The government continues to pursue active industrial policy initiatives, but the results are not yet evident, and the Bank Group is generally not involved in them. Bank Group strategies and analytical products acknowledged the importance of economic diversification away from the extractives, but struggled to define diversification as a specific objective. Diversification was usually described in rather general terms, and Bank strategy did not specify any outcome measures/indicators for it in the results frameworks. This meant that the impact of various elements of World Bank Group support remain unknown, with no effort to identify mid-course alterations in strategy or changes in emphasis, if these were warranted.

The Bank Group strategy to promote economic diversification through specific sector interventions (infrastructure, non-oil sector growth, and private sector development) remains relevant in the country context. The areas selected for Bank intervention are all pertinent for diversification. However, the effectiveness of the separate elements of the Bank Group program in these areas was highly uneven. In addition, the impact of these interventions in terms of achieving diversification was not evident.

Agriculture is an important sector in Kazakhstan because of its potential role in economic growth and job creation. However, the Bank Group's contribution to agriculture development in Kazakhstan has been limited. Its program has been dispersed around a number of different areas but lacked a sustained involvement in any of them. Bank efforts have been marginal to the government's sector program, and there is little justification for continued ad hoc projects. Unless there is a strategic convergence between the government and Bank strategy, the Bank might consider exiting this sector completely—with the possible exception of the irrigation subsector, in case there is an agreement on longer-term Bank support around the newly formulated irrigation strategy.

The Bank's continued presence in the transport (highways) sector means that it can play an important role in the efficient implementation of an ambitious public investment program. The large Bank roads projects could be an effective instrument to help with further institutional development of the agencies involved in planning, construction, maintenance, and operations of highways, as well as in strengthening the logistics around the movement of goods in the Central Asia Regional Economic Cooperation (CAREC) corridors. There could also be potentially a role for the International Finance Corporation (IFC) in case the government proceeds with its planned public-private partnership (PPP) initiative. However, the feasibility of PPP for highways remains to be established.

In the power sector, after years of successful and fruitful cooperation (mainly on updating the transmission capacity), the Bank's future engagement is less evident. The challenge now is to upgrade the distribution and generation systems, which are largely in private hands. This is a factor that limits Bank involvement, although there are still a number of policy and regulatory issues, including tariff policies that need to be addressed. There may be room for possible IFC-Bank collaboration. However, the Bank would need to deepen its sector knowledge through analytical work, possibly funded through JERP, to define its strategy in the sector.

Bank Group cooperation on private sector development (PSD) aimed to provide assistance to the government to improve the business climate, enhance innovation, reinvigorate the financial sector, provide better access to finance, and advance World Trade Organization accession. The most successful contribution was the World Bank Group work (from 2009 onwards) on the improvement of "Doing Business" rankings indicators (for example, with respect to access to financing, construction permits, and cross-border procedures). Kazakhstan is currently considered the least regulated economy in the region (Central Asia and Russia), with a steadily improving "Doing Business" ranking. Other areas of Bank Group PSD work were less successful**:** the banks are still burdened with a large share of nonperforming loans (NPLs) and foreign debt; the technology commercialization project did not generate any business deals; and World Trade Organization accession has been delayed, with the prospects for membership remaining unclear.

IFC investments concentrated mainly in the banking sector (credit lines for small and medium-size enterprise [SME] financing), where its support was relevant and timely as the banking sector was struggling to cope with the high level of NPLs and foreign debt. IFC engagement in the real sector was small, as it proved to be challenging to identify suitable clients in an economy dominated by state interests.

INVESTING IN HUMAN CAPITAL AND A CLEAN ENVIRONMENT

The Bank Group strategies in Kazakhstan cover the areas of environmental protection, education, health, and social protection as part of its strategy to improve human capital and spread the benefits of the country's natural resource wealth.

Environmental Management

Kazakhstan inherited significant environmental liabilities related to past military, industrial and mining activities, including land degradation and desertification and water scarcity. Over the past decade, Kazakhstan has substantially modernized its institutional and regulatory framework for environmental management. However, progress with environmental policies and institutions has not yet been reflected as improved results in terms of the key Millennium Development Goal indicators referenced in the Bank Group strategy.

The Bank Group was able to contribute to the strengthening of Kazakhstan's environmental management through a wide variety of interventions, from project safeguards to technical assistance and policy studies. The Bank Group has been most effective in supporting the remediation of legacy environmental issues, whereas its contribution in climate change and municipal water services has been less evident. The partial restoration of the Northern Aral Sea transformed a region that had become uninhabitable into one where people are returning and restoring their livelihoods. The cleanup of the Nura River and the reduction in forest fires are also major achievements. The impact of these projects has also extended to the strengthening and modernization of key environmental agencies.

The most successful Bank intervention—the restoration of the Aral Sea—fully achieved its goals after revising the original objectives and scaling down the magnitude of activities. The initial project was launched with considerable international and expert support, as a regional program involving five countries. But as each country had different interests and capabilities, the results were unsatisfactory and the Aral Sea continued to shrink. Having tested the limits and highlighted the challenges facing a multicountry solution, the subsequent project focused on a partial solution that could be fully implemented within Kazakhstan's control. The outcome has been an iconic project whose tangible success can be expected to encourage an expansion of this approach to the regional level in the future.

The long-term sustainability of these activities appears to be on solid footing. The responsible agencies are competent, committed, and adequately funded to continue supporting project contributions. What cannot be taken for granted is the replication and expansion of this achievement to other issue areas, that is, the achievement of the full impact of the know-how and technologies whose feasibility was piloted and demonstrated through the projects. This would require an expanded level of support from the government, which remains to be seen.

Education

The main challenges facing the education sector in Kazakhstan today are to upgrade the quality of basic education and to increase the supply of workers with vocational and higher education. Enterprise surveys point to an inadequately educated labor force as a significant drawback for doing business, and especially to a lack of "higher-order" skills. The government accords high priority to improving quality and access to all levels of education as a necessary basis for its objective of developing a knowledge-based economy. Higher education and more recently technical and vocational education and training have received particular attention in various government plans.

Bank Group support for education has been rather limited and largely confined to policy advice and technical support through the JERP. However, the Bank's strategic advice on higher education was not in sync with the government's strategic vision. The Bank advocated broad-based reforms in the governance of higher education institutions, whereas the government prioritized the key role of the newly established Nazarbayev University as a model center of academic excellence however, this could be replicated in other public and private universities.

At the same time, the Bank made a tangible impact in basic education, where it focused on supporting the government's efforts to improve quality. One task for which the Bank is widely credited by the interlocutors is the introduction of universal pre-school education. JERP-funded tasks on basic education addressed very practical issues that the Ministry of Education and Science faces in its day-to-day functioning, not comprehensive "policy studies." They have been much more focused on "how to" do something rather than on "what to do." This is consistent with the government's expectations from JERP in education and more generally.

Health

Kazakhstan has seen improvements in the health sector over the last decade. However, health outcomes still lag behind rapidly increasing income levels. There is scope for Bank engagement, especially on institutional reform aspects. The Bank has supported government health sector reform efforts through analytical work and lending. Achievements so far include the introduction of per capita financing and a health information system, harmonization of legislation of food safety with European Union standards, and the setting of cost ceilings for pharmaceutical drugs. Looking forward, continued reforms are required for better health outcomes, including shifting a larger share of public funding to primary health services, and the financing of "lifestyle" health services.

Social Protection

The Bank has been the primary source of policy advice on pension reforms in Kazakhstan. Analytical products on pension reforms in Kazakhstan were demand driven and aligned with country priorities. The Bank achieved a high level of trust with the government and used it to advocate policy priorities related to the sustainability of the pension system and reduction in poverty among the old-age population. The policy advice and nonlending support were of high technical quality and were delivered in a timely manner.

Recommendations

Recommendation 1: The Bank needs to strengthen the enabling environment for implementing its policy advice by linking key JERP outputs with concrete large-scale sector investments envisaged under the Partnership Framework Agreement. The Bank Group program in Kazakhstan had been mainly driven by advisory (JERP) activities. Bank lending was rather sporadic and not always preceded or complemented by JERP studies. This is not unusual in the context of a demand-driven partnership with an upper-middle-income client like Kazakhstan. Most of the high-achievement segments of the Bank program were combinations of JERP analytics and lending, such as the tax and customs administration, environmental protection, macroeconomic management, and roads. The emerging modality of partnership, based on a multibillion-dollar government commitment for nationwide investments jointly with international development partners opens new opportunities in this regard.

Recommendation 2: The Bank needs to advance its monitoring and evaluation tools to track the effectiveness of its program and JERP in particular, covering the degree of the government's follow-up on the Bank's policy advice and better integrating them into the core country monitoring systems. Implementation of the JERP suggests that a large analytic and advisory activities program that is fully owned by the client government and effectively delivered by the Bank could become a powerful instrument for strengthening the country-level partnership, advancing the policy reform agenda, and the gradual build-up of the lending program. At the same time, a country program dominated by nonlending services still needs to have a monitoring and evaluation framework capable of reflecting the effectiveness of delivered advisory services.

Recommendation 3: The Bank should use disclosure of main policy recommendations as a tool to broaden public understanding of the policies promoted by the Bank and strengthen reform ownership within the government and broader civil society. The Bank's program in Kazakhstan generally lacked attention to its demand-side component (with the exception of the EITI program). The depth and coverage of the Bank's analysis was not used to inform the public or to generate more support for necessary reforms. The wider disclosure of JERP products could have had a positive impact on the program's overall effectiveness, reform ownership and sustainability, as well as better utilization of the Bank's analytical insights.

Recommendation 4. The Bank should be more proactive in engaging local partners (think tanks and consulting firms) and make their participation an integral part and a good-practice feature of joint preparation of agreed analytical products. Almost a decade of JERP implementation has seen surprisingly little participation of local institutional partners in program delivery. Hence, the JERP contribution to the build-up of local analytical capacity was minimal.

Recommendation 5: The Bank needs to apply the experience of engaging with civil society partners within the framework of the EITI to other areas as well, thereby advancing transparency and accountability. EITI implementation in Kazakhstan confirmed its usefulness as an effective instrument for promoting transparency and accountability beyond the extractives sector. The commitment to implement a multistakeholder process created a platform for civil society to discuss and demand transparency and accountability from government and industry officials in an unprecedented manner. These are important achievements in a country where strengthening governance remains a major challenge.

Recommendation 6: The Bank should consider (re-) introducing standard regular pieces of country diagnostics, such as Public Expenditure Reviews, and poverty assessments. The demand-driven nature of the Bank's program in Kazakhstan imposed limitations on the Bank in defining priorities in its advisory work program, reflecting the lack of government interest in the analysis of several "sensitive" policy issues. The most important gaps in the program relate to poverty analysis, governance and anticorruption, and the role of the state-owned enterprise sector in the economy. In an environment where the country partnership is defined by the client-driven analytical and advisory activities program, the Bank needs to maintain space and capacity for its own selection and preparation of specific analytical products in line with its global development mandate.

Recommendation 7: The Bank Group needs to be more selective and strategic in its efforts to promote economic diversification. Bank Group interventions should be designed around specific goals and targets for diversification that are underpinned by relevant analytical work and jointly monitored with the government. Bank Group strategies and analytical products acknowledged the importance of economic diversification away from extractives. However, it struggled to define diversification as a specific objective and to specify any outcome indicators for it in the results framework.

Recommendation 8: The Bank should consider being more selective in sector engagement, based on its comparative advantages in relation to other stakeholders and the private sector participants, and depth of dialogue and strategic convergence with the government. The selection of specific sector interventions by the World Bank Group was generally relevant to the country context. However, the effectiveness of separate elements of the Bank Group program in these areas was highly uneven. Agriculture is a potentially high-impact sector for diversification in Kazakhstan. However, the Bank program was a combination of unrelated ad hoc projects that were not expanded even when they had a positive impact. In the energy sector, the Bank needs to reinvent its role after a decade of fruitful cooperation. At the same time, there is high potential for successful scaling-up in the transport and environment sectors, including the possibility of positive spill-over effects on relevant sector institutions.

1. Evaluation Objectives and Report Structure

This Country Program Evaluation (CPE) evaluates World Bank Group (International Bank for Reconstruction and Development [IBRD], or the Bank, the International Finance Corporation [IFC], and Multilateral Investment Guarantee Agency [MIGA]) programs in Kazakhstan from FY04 through FY14. The period reviewed was covered by two country strategies: the 2004 Country Partnership Strategy (CPS) and the ongoing CPS for FY12–17.

This report is part of the clustered CPE for natural resource-rich developing countries that covers four countries: Bolivia, Mongolia, and Zambia, in addition to Kazakhstan. The clustered CPE exploits the learning potential of looking across countries and regions. In addition to each country CPE, the clustered CPE also includes an overarching report that summarizes the experiences and draws broader conclusions and lessons across countries.

To maintain consistency across the analyses, each CPE follows a similar organizing framework based on challenges that arise from high dependency on natural resources and adjusted to particular features of the Bank Group program in each country. These areas are broadly consistent with Kazakhstan's core development challenges and include:

- Macroeconomic stability and institutions for the effective use of resources
- Economic diversification and growth
- Human capital development and the environment.

This report has seven chapters, including this introductory chapter. Chapters 2 and 3 summarize the country background and Bank Group strategies and examine the trends and patterns of its operations in Kazakhstan during the evaluation period. Chapters 4–6 assess the relevance and effectiveness of these operations on the three themes described above. The concluding chapter draws lessons and recommendations for the Bank Group's future engagement in Kazakhstan.

2. Country Background

Kazakhstan is located in central Asia and is bordered by the Russian Federation to the north, China to the east, Kyrgyzstan and Uzbekistan to the south, and the Caspian Sea and Turkmenistan to the west. The country's territory is 2,727,300 km^2 (1,053,000 square miles, about the size of Western Europe) with 17 million people (2013 estimate). It is the ninth largest country in the world and the largest landlocked country (by land area). The disadvantages of being landlocked are offset by an abundance of natural resources, including petroleum, natural gas, and minerals.

Kazakhstan was historically inhabited by nomadic tribes. By the 16th century, the Kazakhs emerged as a distinct group, but by the mid-19th century, all of Kazakhstan was part of the Russian Empire. The territory of Kazakhstan was reorganized several times before becoming the Kazakh Soviet Socialist Republic in 1936, a part of the Soviet Union. Following the dissolution of the Soviet Union, Kazakhstan declared its independence in 1991.

Box 2.1. Milestones in Kazakhstan's Political and Economic Setting, 1991–2014

- 1991: Nursultan Nazarbayev elected the nation's first president.
- 1992: Kazakhstan becomes a member of the United Nations and joins IBRD.
- 1993: Kazakhstan joins IFC and MIGA; IBRD's first loan (technical assistance) approved.
- 1995: Adoption of First Constitution; first elections to the Parliament and local government bodies (Maslikhats) are held.
- 1997: The national strategy Kazakhstan 2030 is adopted; the national capital moved from Almaty to Astana, placing it at the geographical center of the country, rather than in its largest city.
- 2000: Kazakhstan becomes the first former Soviet republic to repay all of its debt to the International Monetary Fund (IMF), seven years ahead of schedule.
- 2005: Nursultan Nazarbayev re-elected president.
- 2007: Constitutional changes remove term limits for the president. Karim Masimov appointed Prime Minister.
- 2010: Kazakhstan becomes the first former Soviet state to chair the Organization for Security and Co-operation in Europe; Astana hosts its first summit in 11 years; Customs Union between Russia, Belarus and Kazakhstan comes into force.
- 2014: Karim Massimov reappointed Prime Minister; the Eurasian Economic Union is formed between Belarus, Kazakhstan, and Russia.

Source: Economic Intelligence Unit, United Nations, and the World Bank Group.

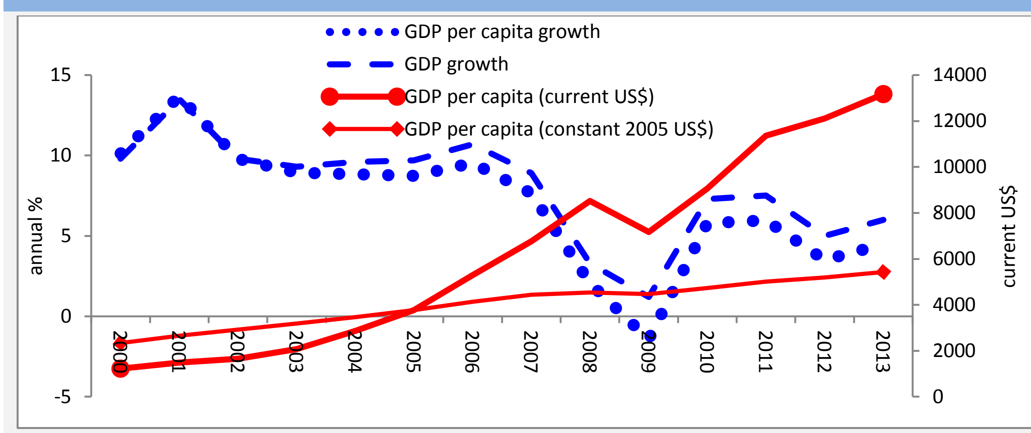
The political system was broadly stable over the evaluation period (see box 2.1). Kazakhstan is a presidential republic with the power heavily concentrated in the presidency and the presidential administration. The Prime Minister chairs the Cabinet of Ministers and serves as Kazakhstan's head of government. In 2007, changes to the Constitution removed the limits on the number of terms to be served by the first President.

Economic Development (2004–13)

Kazakhstan's economy has expanded almost tenfold since 2002, from a gross domestic product (GDP) of $24.6 billion in 2002 to $231.9 in 2013. Growth catapulted Kazakhstan to upper-middle-income country status with a gross national income (GNI) per capita of $11,550[1] in 2013, very close to the current high-income country classification threshold of $12,745. With an average economic growth of 7–8 percent over the past decade supported by rising oil output and prices, Kazakhstan has solidified its position as a regional economic power. Economic growth reached an all-time high of 10.7 percent in 2006. The economy emerged from the global financial crisis in the beginning of 2010 with a GDP growth rate of 7.3 percent (see figures 2.1 and 2.2, and table 2.1).

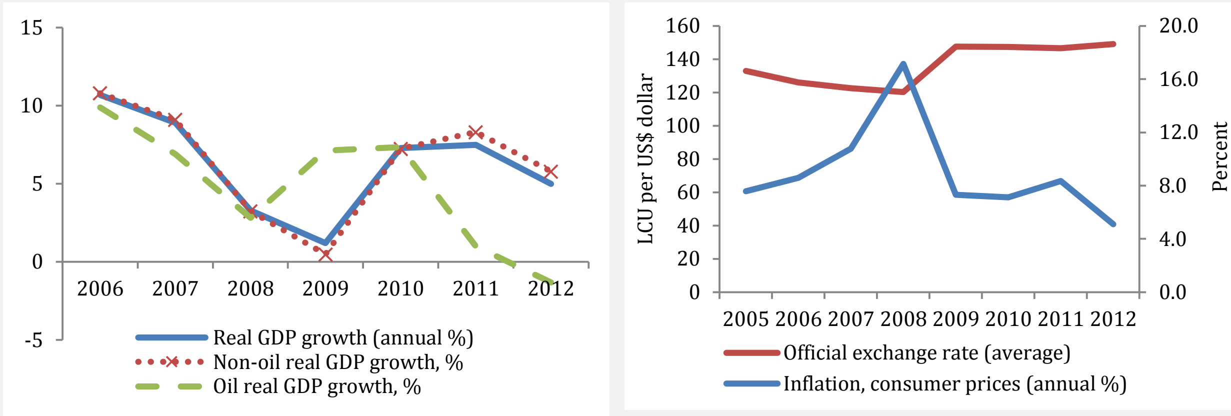
Kazakhstan was able to weather the global financial and economic crises relatively well, thanks to large foreign exchange reserves, active interventions of the National Bank of Kazakhstan (NBK), and relatively modest exposure to international financial markets. However, the construction and real estate bubble that preceded the crisis left the Kazakh banking sector heavily burdened by nonperforming loans (NPLs). According to the most conservative estimates, NPLs amount to 30–35 percent of loans, thus making Kazakhstan the global "leader" in this respect. The issue continues to linger, despite the government's clear understanding that it is serious hindrance to its private sector development agenda.

Figure 2.1. Kazakhstan's Gross Domestic Product (GDP): 2000–13



Source: World Development Indicators.

Figure 2.2. Kazakhstan's GDP Growth, Exchange Rate and Inflation



Source: World Development Indicators.
Note: GDP = gross domestic product; LCU = local currency unit.

Table 2.1. Select Macroeconomic Indicators

	1992	2002	2013
Population, mid-year (millions)	16.4	14.9	17.0
GDP (US$ billions)	24.9	24.6	231.9
Exports of goods and services/GDP	74.0	47.0	39.5
Current account balance/GDP	0.5	-4.2	-0.1
Total debt/GDP	0.1	74.8	66.3
(average annual growth)	2002–12	2012	2012–16 (projected)
GDP	7.0	5.0	5.8
GDP per capita	5.7	3.5	5.3

Source: OECD.
Note: GDP = gross domestic product.

Natural resources have been the cornerstone of the country's push to prosperity. Kazakhstan has many petroleum and mineral resources. It is also one of the world's top 20 oil producers, with estimated reserves of 40 billion barrels, or about a 2 percent share of global oil production. The hydrocarbon industry is estimated to account for roughly 50 percent of the government's revenues[2]. Current oil production, approximately 1.8 million barrels per day, is dominated by two giant fields: Tengiz and Karachaganak, which produce about half of Kazakhstan's total output. The offshore Kashagan field—estimated to contain 9 billion barrels of oil—began production in 2013. It discontinued pumping oil shortly after but is expected to resume commercial production in 2017. Proven natural gas reserves are estimated at 54 trillion cubic feet (British Petroleum 2014).

Kazakhstan is the world's largest uranium producer and has extensive mineral resources (including chromium, coal, copper, gold, iron, lead, manganese, and zinc). The development of petroleum, natural gas, and mineral extraction has attracted most of the over $40 billion in foreign investment in Kazakhstan since 1993. It accounts for some 57 percent of the nation's industrial output (or approximately 13 percent of its GDP).[3]

Human Development and Poverty (2004–12)

Kazakhstan has made steady progress over the last decade on poverty and social development, although some indicators still lag behind countries at similar income levels. High income inequality, large numbers of disadvantaged and vulnerable groups, and poor economic and social conditions in underdeveloped regions, small towns, and rural areas remain major challenges (see table 2.2).

Table 2.2. Select Human Development Indicators

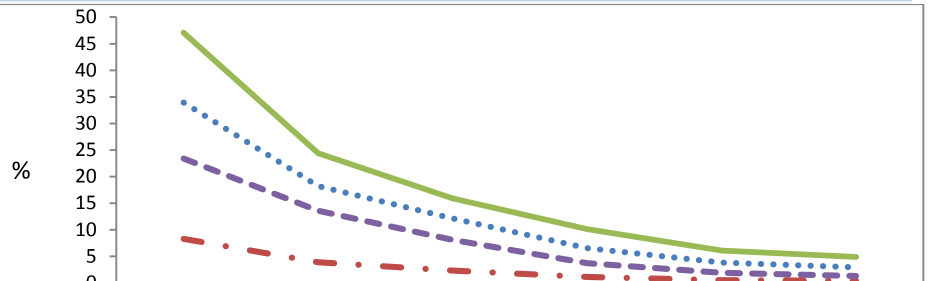
	Kazakhstan	Chile	Latvia	High income: Non- OECD (average)	Upper-Middle Income (average)
GNI per capita (Atlas method, US$)	11,550	15,230	15,280	20,611	7,539
Most recent estimate (latest year available)					
GINI Coefficient	29	52	35	..	..
Poverty headcount ratio at national poverty line (% of population)	2.9	14.4	19.4	..	..
Urban population (% of total)	53	89	67	77	62
Life expectancy at birth (years)	70	80	74	73	74
Infant mortality (per 1,000 live births)	15	7	7	10	16
Child malnutrition	4	..	..	..	3
Access to an improved water source (% of population)	93	99	98	97	93
Literacy (% of population age 15+)	100	99	100	101	94

	Kazakhstan	Chile	Latvia	High income: Non- OECD (average)	Upper-Middle Income (average)
Primary school enrollment (% gross)	106	101	103	101	117

Source: World Development Indicators.
Note: GNI = gross national income; OECD = Organisation for Economic Co-operation and Development.

Although Kazakhstan's oil-fueled economic growth during the evaluation period had an overall positive impact on poverty indicators (poverty officially declined from 33.9 percent in 2004 to 2.9 percent in 2013), the gap between urban and rural living standards persists (see figure 2.3). The poverty headcount ratio[4] in the countryside remains higher, at 4.9 percent compared to 1.3 percent in urban areas (although the poverty line currently set at $2.25 per day is considered low for an upper-middle income country).

Figure 2.3. Select Poverty Indicators



	2004	2006	2008	2010	2012	2013
Poverty headcount ratio at national poverty line (% of population)	33.9	18.2	12.1	6.5	3.8	2.9
Poverty gap at national poverty line (%)	8.3	3.9	2.3	1.1	0.5	0.4
Poverty headcount ratio at rural poverty line (% of rural population)	47.1	24.4	15.9	10.1	6.1	4.9
Poverty headcount ratio at urban poverty line (% of urban population)	23.4	13.6	8.1	3.7	1.9	1.3
GINI	32.25		30.76	30.88	29.33	29.04

Source: World Development Indicators.

The outcomes in the education and health sectors during the evaluation period have been positive overall. In 2009, Kazakhstan ranked first on the United Nations Educational Scientific and Cultural Organization Education for All Development Index by achieving near-universal levels of primary education, adult literacy, and gender parity; the Program for Student Assessment (PISA) test results showed improvements from 2009 to 2012 in reading, math, and science (though significantly lower than scores obtained by Russia and Organisation for Economic Co-operation and Development

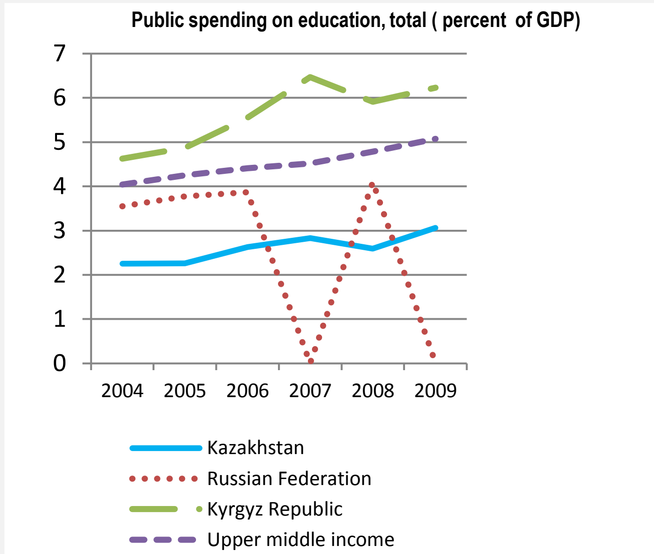
[OECD] countries). Public expenditure on education over the period 2004–09 increased from 2.3 percent to 3.1 percent (see figure 2.4).

At the same time, the country continues to face a number of health-related challenges, with the health outcomes lagging behind its rapidly increasing income. Mortality and life expectancy rates are similar to those of other upper-middle-income countries (average), but the incidence of tuberculosis is still high. Other health-related problems the country faces are cardiovascular disease and tobacco- and alcohol-related diseases. Kazakhstan is also still spending less on health and education (as a share of the overall budget) than neighboring Russia and the Kyrgyz Republic, as well as when compared to other upper-middle- income countries (see figure 2.5).

Figure 2.4. Select Education Indicators

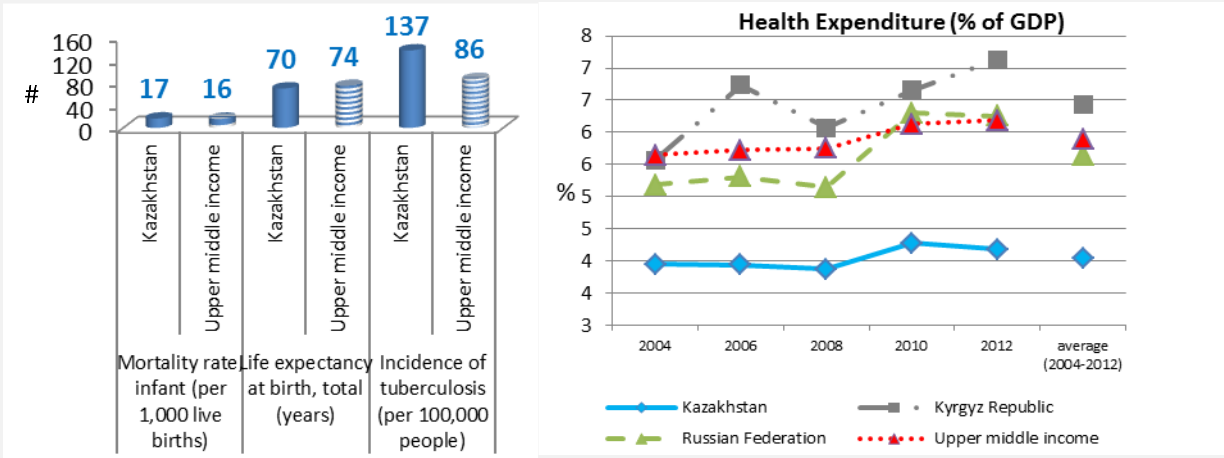
2009 and 2012 Mean PISA Scores

		2009	2012
Reading	KAZ	390	393
	RUS	459	475
	OECD	493	496
Math	KAZ	405	432
	RUS	468	482
	OECD	496	494
Science	KAZ	400	425
	RUS	478	486
	OECD	501	501



Source: World Development Indicators, OECDUNICEF.
Note: GDP = gross domestic product; KAZ = Kazakhstan; OECD = Organisation for Economic Co-operation and Development; PISA = Programme for Student Assessment; RUS = Russia.

Figure 2.5. Select Health Indicators (latest year available)



Source: World Development Indicators.
Note: GDP = gross domestic product.

Governance

Kazakhstan faces a number of governance challenges, including the centralization of authority, a lack of accountability and transparency, and corruption. Although the Heritage Foundation's 2014 Index of Economic Freedom calls Kazakhstan "moderately free" and places it ahead of most of its neighbors and a number of European countries (for example, France, Italy, and Portugal), Transparency International's 2013 Corruption Perceptions Index ranks Kazakhstan 140th in the world, alongside Honduras, Lao PDR, and Uganda (see table 2.3).

Table 2.3. Select Governance Indicators

Governance Indicator (source, year)	Past Scores	Latest Score
Democracy Index (EIU)	127 of 167 (2008)	143 of 167 (2012)
Economic Freedom (Heritage)	61.1 (2008)	63.7 (2014)
Doing Business Rank	71 of 178 (2008)	50 of 189 (2013)
Transparency International Corruption Perceptions Index	145 of 180 (2008)	140 of 177 (2013)
Global Competitiveness Index (WEF)	66 of 134 (2008–09)	50 of 148 (2013–14)
Voice and Accountability (WGI)	18.3 of 100 (2008)	15.6 of 100 (2012)
Rule of Law (WGI)	24.5 of 100 (2008)	30.8 of 100 (2012)
Government Effectiveness (WGI)	40.8 of 100 (2008)	39.7 of 100 (2012)
Regulatory Quality (WGI)	44.7 of 100 (2008)	37.8 of 100 (2012)
Control of Corruption (WGI)	18.0 of 100 (2008)	20.6 of 100 (2012)
Open Budget Index	35 of 100 (2008)	48 of 100 (2012)

Note: EIU = Economist Intelligence Unit; WEF = World Economic Forum; WGI =World Governance Indicators.

Gender

Kazakhstan ranks 31st in the world with regard to gender equality (WEF 2012). The country has experienced a drastic change in gender dynamics over time. The Soviet era broke many traditional barriers to women's participation in economic and social life, when programs on childcare, education, and medical care were established. After the fall of the Soviet Union, the government supported several legislative efforts addressing gender equality in Kazakhstan's constitution, government policy, and its legal structure.

Despite challenges in legal implementation, Kazakhstan has performed well overall regarding gender issues, as reflected in some gender-related Millennium Development Goals (MDGs) and measures such as the OECD's Social Institutions and Gender Index (SIGI).[5] The SIGI ranks Kazakhstan as 14 out of 86 for the year 2012. Kazakhstan's performance on gender-related MDGs has been steadily improving since independence. However, it was mixed compared to other upper-middle-income countries (UMICs), performing better on some goals (for example, health and employment) and worse on others (for example, political participation) (see appendix A).

Environment

Kazakhstan inherited significant environmental issues from the Soviet era related to military nuclear testing programs, industrial and mining activities, and land degradation, desertification, and water scarcity. The Aral Sea had long been degraded by unsustainable agricultural practices in the Syr Darya and Amu Darya river watersheds: between 1960 and 2007, the water surface was reduced by 90 percent as a result of increasing water withdrawals for irrigation and other needs. Desertification and the shrinking of the Aral Sea have increased the health risks for the population.

Another area of environmental distress includes the former Soviet nuclear testing site of Semipalatinsk and other former military and industrial complexes in the northeast of the country. These are all characterized by a high level of complex air, water, and soil contamination.

With respect to climate change, Kazakhstan ranks among the top 10 most energy-intensive economies in the world. Mirroring the high energy intensity, the country is the fourth most greenhouse gas-intensive economy in the world.

Key Government Policies and Strategies

The government of Kazakhstan has been consistently strategic in its vision for the country's development and prolific in producing strategic documents, visions, and plans. The *Kazakhstan 2030*[6] strategy for development (presented in 1997) outlined a long-term approach for development. It included, among other things, the following priority areas: economic growth based on an open market economy with a high level of foreign investments and internal savings; better health, education and well-being for Kazakhstani citizens; development of power resources; improvement of infrastructure (particularly, transport and communication); and a professional state.

In 2003, Kazakhstan adopted its *National Strategy for Industrial Innovation Development for 2003–2015* (World Bank 2008), in keeping with the implementation of the long-term strategy envisioned in *Kazakhstan 2030*. It aimed to establish the legislative and institutional foundations for economic diversification. The government also created new public institutions to play a leading role in the implementation of *Kazakhstan 2030:* the Development Bank of Kazakhstan, the Investment Fund of Kazakhstan, and the National Innovation Fund.

In 2009–10, the government modified implementation of the *Strategy of Industrial Innovation Development* for 2003–15 by launching its *Accelerated Industrial–Innovative Development of the Republic of Kazakhstan, 2010–2014.*[7] This five-year plan highlighted seven sectors: (i) agriculture; (ii) construction and construction materials; (iii) oil and gas products and infrastructure; (iv) metallurgy and metal products; (v) chemicals and pharmaceuticals; (vi) energy; and (vii) transport and telecommunications infrastructure.

Following the financial crisis of 2008, the government shifted the emphasis in its development strategy in 2010–11 toward growth from non-oil sources through diversification, innovation, investment in human capital, and international trade integration for job creation. Increased emphasis was placed on strengthening governance, the business enabling environment, and private enterprise, as well as on improving the quality of public services and taking measures to address workforce skill shortages. The government's *Strategic Plan for Development 2020*[8] outlined a set of priorities for achieving a competitive, diversified economy with macroeconomic stability. These key policy initiatives, reinforced by the president after the January 2012 parliamentary elections, focused on five themes:

- Consolidating progress toward economic recovery from the global crisis through business environment reforms, and improving legal and financial systems
- Diversifying the economy through industrialization, with an emphasis on enterprise modernization, and agro-industrial complex and infrastructure

development led by a combination of state-led investments and foreign direct investment (FDI)

- Sustaining growth through the building of the human resource base by increasing the quality of human resources
- Ensuring that people have access to basic social, housing and utility services, with an emphasis on creating employment opportunities for youth, as well as on modernization of municipal housing and the water supply network
- Advancing public sector reforms to increase efficiency, transparency and accountability by streamlining government agencies, establishing the basis for a performance-based public management system, accelerating civil service reforms, and increasing the quality of government services.

In December 2012 during his annual state of the nation address, the president announced the *Kazakhstan Strategy 2050,* a new policy that calls for widespread economic, social, and political reforms to position Kazakhstan as one of the world's top 30 developed states by 2050. The three key aims of the policy are to define new markets where Kazakhstan can form productive partnerships and create new sources of economic growth; create a favorable investment climate; and develop an effective private sector and public-private partnerships (PPPs).[9]

---

[1] Atlas method, in current dollar terms.

[2] British Petroleum Statistical Review of World Energy 2011, http://eiti.org/Kazakhstan.

[3] National Bank of Kazakhstan data.

[4] Share of population living below the official poverty line.

[5] SIGI is an innovative measure of underlying drivers of gender inequality for over 100 countries. It captures discriminatory social institutions, such as early marriage, discriminatory inheritance practices, violence against women, preferences for sons, restricted access to public space and restricted access to land and credit.

[6] http://prokuror.gov.kz/eng/state/acts-president/strategy-kazakhstan-2030

[7] http://www.mfa.kz/images/docy-eng/GPFIIPPeng.pdf

[8] http://prokuror.gov.kz/eng/state/acts-president/strategy-kazakhstan-2030

[9] http://strategy2050.kz/en/

3. World Bank Group Strategies and Program, 2004–13

World Bank Group assistance during the review period was guided by the 2004 and 2012 CPSs (covering 2012–17). These strategy documents outlined the direction of the Bank Group's program of lending, grants, analytic and advisory activities (AAA) and guarantee operations. The World Bank has provided 41 loans to Kazakhstan for a total of more than $6.8 billion. This evaluation covers the 2004 CPS fully and reflects mainly on the relevance aspect of the 2012 strategy, covering effectiveness to the extent possible (from FY12 to FY14).

World Bank Group cooperation with Kazakhstan followed a somewhat unique trajectory. The Bank Group was an important donor and partner in the 1990s, supplying Kazakhstan with both financial (loans) and intellectual (analytical work) assistance. After a relatively fast recovery from the Russian financial crisis in the late 1990s/early 2000s, and spearheaded by growing hydrocarbon prices, Kazakhstan was able to pay off its loans to the Bank and International Monetary Fund. The top leadership of the country made a political decision not to borrow from the international financial institutions (IFIs).Cooperation was then limited to the format of an ongoing dialogue, being officially open to continue receiving analytical products, but shutting the door for further lending. Despite a number of ongoing "legacy" projects, the absence of new lending was making the Bank's presence in the country and continuing dialogue increasingly unsustainable.

The situation changed drastically around 2003–04, when the decision not to borrow from the Bank was reversed, following rounds of consultations with the Bank and the growing demand for high-level policy advice in various areas of economic development. As a result, at least two interesting mechanisms for policy dialogue between the Bank and Kazakh authorities have emerged: (i) regular rounds of high-level (Prime Minister and Cabinet members) "brainstorming sessions" (see box 3.1) that included top levels of the political leadership and technical staff from relevant ministries, that were prepared and led by the Bank; and (ii) the Joint Economic Research Program (JERP), a demand-driven program of analytical studies and policy notes on specific sector topics.

The JERP has been very popular both within the government and with the Bank. The share of JERP financing has been steadily moving so the government finances more. It started as a 50–50 endeavor, and the current ratio is 80 percent government and 20 percent World Bank; it is expected to be 100 percent government in the near future. This restart of an intensive high-level policy dialogue was followed by the resumption of borrowing from IBRD (according to the ex-ante implicit understanding to that account), including two large transport sector loans (for the East-West and South-West Road Projects, 2009 and 2012 respectively, totaling $3.2 billion). These made Kazakhstan one of the largest clients of the Bank (in terms of volume) in the Europe and Central Asia Region.

Box 3.1. Brainstorming Sessions

In Kazakhstan, the Bank is in a unique position to deliver AAA through a series of brainstorming sessions requested and cochaired by the Prime Minister. These sessions have provided the government with a forum for debating important policy issues, thinking through problems, and developing strategies, with analytical support from the Bank.

The first such brainstorming session was held in February 2004 in Geneva during the World Trade Organization (WTO) meetings to discuss the new World Bank Group CPS with Kazakhstan. Since then, approximately 16 brainstorming sessions have been held to discuss key development issues—both topical and long term—such as the financial crisis, competitiveness, foreign investment, economic diversification, public administration reforms, food prices and agricultural policy, and human development.

These sessions appear to have been optimized by strong ownership on the part of the Kazakh Prime Minister, who has a keen interest in these topics, and ensures that the right officials and high-level experts are present. The impact of these brainstorming sessions is evident in several areas: resuming preschool education services, providing input for the elaboration of the anticrisis package, establishing per capita financing in the health system, and pension reform. However, IEG's 2013 knowledge-based country programs (KBCP) evaluation reported that because most of the brainstorming sessions were confidential (the Independent Evaluation Group team had a difficult time finding public minutes or notes of the results of a number of sessions), the lessons learned were not being disseminated to a wider audience of critical stakeholders.

Source: IEG 2013.

In May 2014, at the initiative of the government, Bank Group senior leadership signed a broad Partnership Framework Agreement (PFA) with the government in Astana—an agreement that potentially opens a completely new page in the Bank-Kazakh government partnership history. The overall program is expected to be co-funded by the government (1 trillion KZ Tenge = $5 billion from the National Oil Fund) and a group of donors, including the Bank Group. It includes seven thematic areas: (i) financial sector development; (ii) an increasing the role for the private sector, including small and medium-size enterprise (SME) development and improvement of the business climate; (iii) innovation; (iv) addressing skill gaps; (v) attracting investments and strengthening PPPs; (vi) sustainable and greener regional development; and (vii) institutional reform. The Bank and other major donors—including the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), and the Islamic Development Bank (IsDB)—will provide assistance through the provision of analytical services, project lending, and implementation support. It is expected that the amount of Bank financing will match that of the government. Specific action-oriented, nationwide development programs for each of these areas are being developed by the government in partnership with the Bank.

Country Partnership Strategies

2004–12

The 2004–12 CPS implementation took much longer than a standard CPS (three to four years). According to Bank management, the 2004 Kazakhstan CPS was "open-ended" by design, developed in response to the need for flexibility in swiftly addressing evolving client demands. It was expected to remain in force as long as it remained relevant to the client, provided added value to the country's development process, and addressed the challenges of the policy environment. It would also include regular progress reports assessing CPS relevance against these criteria.

The 2004 CPS adopted the four pillars of the government strategy at the time: (i) managing the oil windfall and improving public institutions and policies; (ii) developing an appropriate role for the government to foster competitiveness and facilitate business; (iii) investing in human capital and infrastructure; and (iv) safeguarding the environment. The partnership, anchored on knowledge products (JERP, see box 3.2), contained a large program of co-financed advisory work, with selective lending aimed at introducing new ideas and building capacity. A CPS Progress Report (World Bank 2008) recommended maintaining this approach.

Box 3.2. Joint Economic Research Program

The JERP, initiated in 2004, is the main instrument of the World Bank's CPS in Kazakhstan.

The JERP works on the basis of a cost-sharing arrangement between the Bank and the government and serves to frame the Bank Group's contributions to the country through AAA. Under this framework, the annual AAA program is defined and based primarily on Kazakhstan's demand for services; the Bank team provides its own suggestions on the program composition. Since the 2012 CPS, there has been a shift toward a more programmatic JERP, allowing for a multi-year focus on specific priority tasks.

The JERP analytical work and policy dialogue focuses on the areas of: public resource management, public administration, education, health, agriculture, PSD, and pension and social protection.

The JERP has been growing over time, from $1.3 million in 2004 (of which 40 percent was government financed) to $4.3 million in 2012 (of which 85 percent was government financed).

IEG's 2011 Performance Assessment Report for Kazakhstan (in the context of the Evaluation of World Bank Support for Revenue Policy Reform in Eastern Europe and Central Asia) highlighted that the JERP seems to be a model that other upper-middle-income countries might consider adopting.

IEG's KBCP evaluation (IEG 2013) found that the JERP is anchored in policy analysis, good practice options notes, and brainstorming sessions with high-level officials on a variety of topics where the government needs to form a view. The evaluation also concluded that JERP-induced brainstorming sessions have become a critical platform to share opinions and help the authorities systematically think through issues with substantial analytical support from the Bank. At the same time, the fully demand-driven nature of the Bank's program in Kazakhstan imposed some limitations on the Bank in defining priorities in its advisory work program.

Source: World Bank Group 2012; IEG 2013.

2012–17

In line with key government priorities, the 2012–17 CPS focuses on three elements: competitiveness and jobs; strengthened governance in public administration and service delivery; and safeguarding the environment and gender (see table 3.1). The CPS presents a results framework, including major milestones and outputs, expected outcomes for each priority area in the government's strategy supported by the Bank program and a list of proposed activities in support of each of these outcomes. Although it retains the tradition of a flexible architecture, the current CPS envisions a programmatic approach (in contrast to the previous CPS) aimed at strengthening the strategic focus of the JERP. This would be done through improving task sequencing, emphasizing interconnected tasks to better address policy linkages, and better tracking impact. Greater attention is devoted to results, including a stronger focus on monitoring and evaluation, than in the previous CPS.

The new Partnership Agreement (2014–17) is anchored in the framework of the current CPS and strengthens cooperation aimed at supporting sustainable development in Kazakhstan. The government has allocated 1 trillion KZ Tenge (approximately $5 billion) to this partnership for investment lending and other nonlending activities.

Table 3.1. Pillars and Main Objectives of the Kazakhstan Country Partnership Strategies

Period	FY05–11	FY12–17
Pillars	1.Reducing losses in competitiveness through prudent management of the oil windfalls and increased public sector efficiency: Management of the oil windfalls (including transparency in oil revenues); Management of the government's Medium-Term Fiscal Framework; Local and central governments capacity to absorb public spending; Addressing various levels of corruption.	1.Improving Competitiveness and Fostering Job Creation through: Strengthening of fiscal discipline and trade openness; Expanding non-oil sector exports and employment; Re-invigorating the financial sector; Building skills for employment; Strengthening knowledge for sustained growth in agriculture; Improving energy transmission to poor areas; Building transport connectivity, and lowering costs
	2.Promoting competitiveness by strengthening the government's capacity to identify and reduce barriers to business and private investors through: WTO accession and bilateral trade agreements; Technology transfer and commercialization of research and development; SME development and linkages; Agricultural support policies (including quality and safety standards).	2.Strengthening Governance and Improving Efficiency in Public Services Delivery through: Improving governance; Strengthening budget and accounting institutions; Reforming the social protection system; Sharpening the strategic approach to health reforms; Raising energy efficiency.
	3.Building the foundation for future competitiveness by investing in human capital and basic infrastructure through: Health (including HIV/AIDS); Education; Basic services (water, heat, and power); Transport (including roads and railway modernization).	3.Ensuring Development is Environmentally Sustainable through: Safeguarding the environment; Raising energy efficiency.
	4.Ensuring future growth will not harm the environment and past liabilities are mitigated: Consequences of growth on the environment; Regional environmental issues.	
Cross-Cutting Theme		4.Gender

Source: Country Partnerships Strategy, World Bank 2004 and 2012.
Note: AIDS =acquired immune deficiency syndrome; CPS = Country Partnership Strategy; HIV = Human immunodeficiency virus; SME = small and medium-size enterprise; WTO = World Trade Organization.

IEG EVALUATIONS

The last Country Program Evaluation (CPE) in Kazakhstan (IEG 2001) assessed Bank assistance to Kazakhstan from 1991 to 2000. IEG found IBRD's adjustment lending instrumental in stabilizing the economy, strengthening the financial sector, liberalizing prices and trade, establishing a legal framework, and privatizing enterprises. The goal of the IBRD strategy to develop competitive markets was slowed by non-transparent privatization procedures, and the lack of enforcement of laws and regulations. Moreover, insufficient resources were devoted to economic and sector work (ESW). IEG proposed that the overall relevance of the strategy would have been far greater if it had addressed—explicitly and forcefully and earlier in the transition – *agricultural development, issues of transparency,* and *judicial reform* with its development assistance partners and the civil society. IBRD lacked a comprehensive, long-term approach to capacity building and was overly optimistic about growth recovery and poverty reduction. As a result, its early operations neglected environmental sustainability and targeted assistance to the poor.

IFC was found to be well known and valued as an "honest broker" in the country, providing (i) high-quality and timely project support to relevant operations in a particularly difficult enabling environment; (ii) assistance in the financial sector of critical value after the 1996 banking crisis and the Russian and Asian crises; and (iii) well-targeted engineering and environmental advice to private companies and their financing partners. MIGA's involvement in Kazakhstan was found to be modest, and its potential had not yet been fully realized. The evaluation called for World Bank Group support to improving the enabling environment for the development of the private sector, in particular with regard to clarity in the legal and regulatory framework, judicial reform, transparency in privatization, and a reduction in the arbitrary enforcement of tax laws.

IEG recommended that the Bank apply a "donor"-coordinated approach in dealing with the corruption-related constraints. In addition, it recommended that the new CAS spell out how it would use the full menu of instruments available to the World Bank Group to promote PSD. The evaluation rated the *outcome of the IBRD program as Partially Satisfactory; its contribution to institutional development was rated as Modest and its sustainability Uncertain*.

In 2011, IEG conducted a review of the 2004 CPS Completion Report (CPSCR Review) for Kazakhstan. IEG rated the overall outcome of the Bank Group's strategy as *Moderately Unsatisfactory* (see table 3.2). IEG stressed five findings:

- Full country ownership of an advisory agenda does not guarantee its effectiveness
- A flexible approach of the JERP calls for effective and regular monitoring of the value added and the progress made in the policy framework
- A flexible approach needs to be coupled with a results frameworks that allows for valuable and operative monitoring and evaluation of the strategy and its implementation

- The strategy could have been seen in a better light under a more realistic set of objectives if revised at the Country Partnership Strategy Progress Report stage Careful, constant monitoring of the macroeconomic conditions, including the financial sector, and a persuasive policy dialogue with the government about them would allow the Bank Group to be a more effective and opportune development partner.

Table 3.2. Achievement of CPS Objectives, FY05–11

Objectives	IEG Rating
Pillar I: Reducing losses in competitiveness through prudent management of the oil windfalls and increased public sector efficiency.	Moderately unsatisfactory
Pillar II: Promoting competitiveness by strengthening capacity to identify and reduce barriers to businesses and private investors.	Unsatisfactory
Pillar III: Building the foundation for future competitiveness by investing in human capital and basic infrastructure.	Moderately satisfactory
Pillar IV: Ensuring future growth will not harm the environment and past liabilities are mitigated.	Moderately unsatisfactory
Overall Rating	Moderately unsatisfactory

Source: IEG 2012.
Note: IEG = Independent Evaluation Group; CPS = Country Partnership Strategy.

Kazakhstan was one of the case studies under the IEG knowledge-based country programs evaluation (IEG 2013) (see box 3.2). IEG found that the Bank concentrated on areas covering a coherent critical mass of reforms (for example, public finances and the public sector). Knowledge activities in the private sector focused on diversification, deregulation, and competitiveness, which reflect the Bank's strategy for Kazakhstan's private sector. The flexibility of this program allowed it to adapt to changing government priorities/country context and has contributed to its growth since 2004.

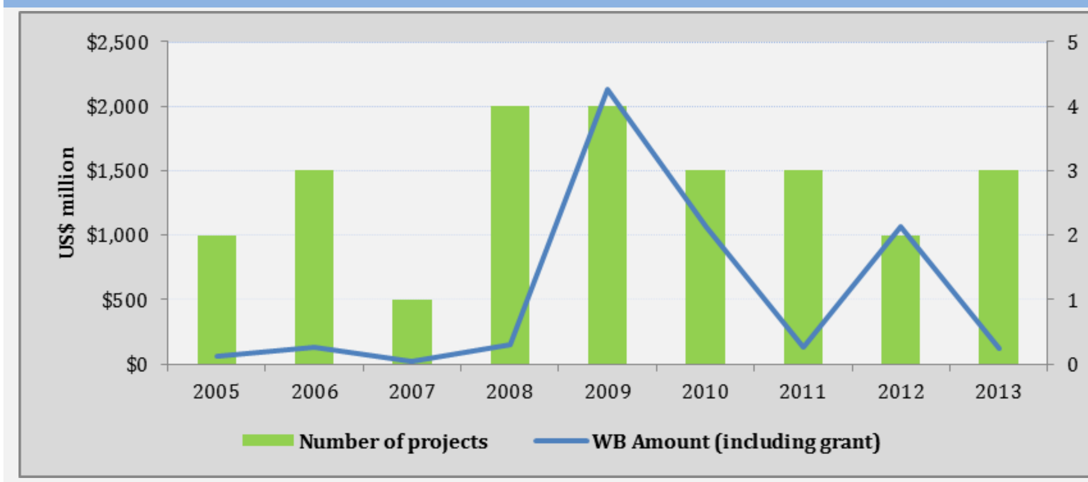
The Bank program in the public sector had mixed results. There were areas where the program could have benefitted from a stronger strategic focus, notably on governance. More positive and diverse results were achieved in the financial sector; the quality of the work delivered by the Bank on financial systems enhancement was good and was adopted by related agencies.

Program Performance

IBRD LENDING AND ANALYTIC AND ADVISORY ACTIVITY

Over the FY04–13 period, the Bank approved 25 new projects in the amount of $4.9 billion. Although the flow of project approvals was relatively steady (at two to four projects approved per year), the main variability was related to the size of the investments. In FY09, the size of the portfolio was almost 15 times larger than the FY08 portfolio (figure 3.1)—thanks to the South-West Road Project alone. The portfolio is dominated (about 86 percent) by only three loans: two transport investments (the South-West and East-West Roads) and a Development Policy Loan (DPL). Five percent of the portfolio is covered by two projects in the health and irrigation sectors (over $100 million each). The rest of the portfolio includes several projects in different sectors, focusing on institution building in the areas of education, innovation, environment, and the revenue administration agenda (with an average size of investment of $25 million) (see figure 3.2).

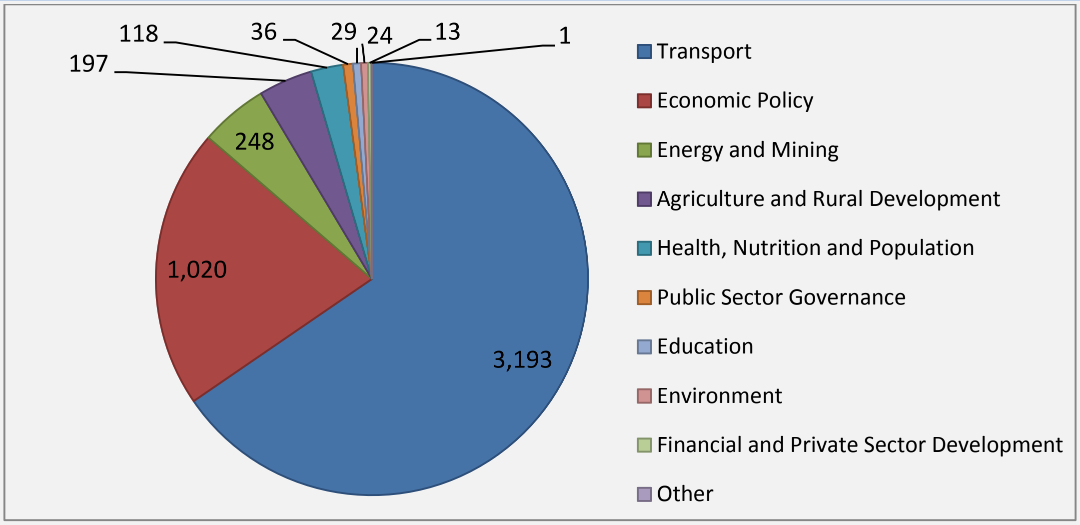
Figure 3.1. Volume and Number of the World Bank Commitments to Kazakhstan, Approval FY04–13



Source: Work Bank Business Information Warehouse.
Note: FY = fiscal year; WB = World Bank.

IEG's evaluations of completed Bank Group operations in Kazakhstan are generally favorable. Twelve Bank projects exited the portfolio between FY04 and FY12, out of which only one received a negative rating[1] (of Moderately Unsatisfactory). The riskiness of the Bank's portfolio under implementation did not show significant variation between 2004 and 2013.

Figure 3.2. Sector Allocations of World Bank Commitments to Kazakhstan (US$ millions)



Source: World Bank Business Information Warehouse.
Note: "Other" sector group includes less than $1 million investments.

Overall, the World Bank's Kazakhstan portfolio appears to be highly efficient, with few exceptions. There are several projects where the economic rate of return (ERR) estimate or calculation was either absent at the appraisal stage or at the closing; only one project did not provide an ERR—at either the appraisal or the closing stage. Otherwise actual ERRs exceed the appraised rate or the rate of economic viability.

AAA products constituted an important part of the World Bank Group program in Kazakhstan, anchored in the JERP. During the review period, 46 ESW and 164 nonlending technical assistance projects were initiated. Support to the development of the financial and private sectors, governance, economic policies and social protection account for more than half of the ESW and technical assistance (55–58 percent by project count). A significant share of the Bank's analytical work was reviewed by the knowledge-based country programs evaluation, with generally positive conclusions related to the overall relevance of the work and the high degree of government ownership, albeit with certain reservations about the actual impact.

THE IFC AND MIGA PORTFOLIO

During the CPS 2005–11 period, Kazakhstan represented IFC's sixth largest exposure in the Europe and Central Asia Region, with an outstanding portfolio of $382 million as of the end of 2011. This constitutes a threefold increase in the size of portfolio during the CPS period. Total investments in Kazakhstan during the period amounted to more than $1 billion in 27 projects, of which $950 million was for IFC's own account, and $110 million was raised through syndication.

Prior to the crisis, IFC focused on SME development, investments in sectors of comparative advantage for Kazakhstan (such as agribusiness, oil-gas, general manufacturing, infrastructure, and services) and developing leasing and mortgage finance. During the 2008–09 global financial crisis, IFC rapidly expanded its engagement, mainly to support stabilization in the financial sector and increased access to finance in the priority sectors in the economy. Over the four-year period (FY10–13), IFC focused its investment operations on supporting the banking sector ($617 million of net commitment) through equity, quasi-equity, senior debt, and trade finance guarantees to several private sector banks in Kazakhstan. At the end of the 2005–11 CPS period, IFC's loan investment portfolio in Kazakhstan was performing well (with no loan arrears at the end of FY11). In addition, IFC has been providing advisory assistance in the areas of corporate governance and business transparency to address the key constraints to the expansion of private sector investments in Kazakhstan.

In the 2012–17 CPS, IFC plans to promote the development of the private sector through investment and advisory services in support of economic diversification**.** The focus is on the non-extractive industries (for example, access to infrastructure, strengthening the financial sector, and supporting diversification and competitiveness). In the short term, IFC plans to focus on strengthening the financial sector, with medium-term efforts targeting infrastructure. Other objectives include promoting SME development in agribusiness, manufacturing, and services. IFC is also supporting the energy efficiency agenda as a cross-cutting theme in its activities.

MIGA supported financial and manufacturing sectors; its portfolio in Kazakhstan consists of five projects. The combined gross exposure from these investments (as of the end of October 2014) is $512.7 million.

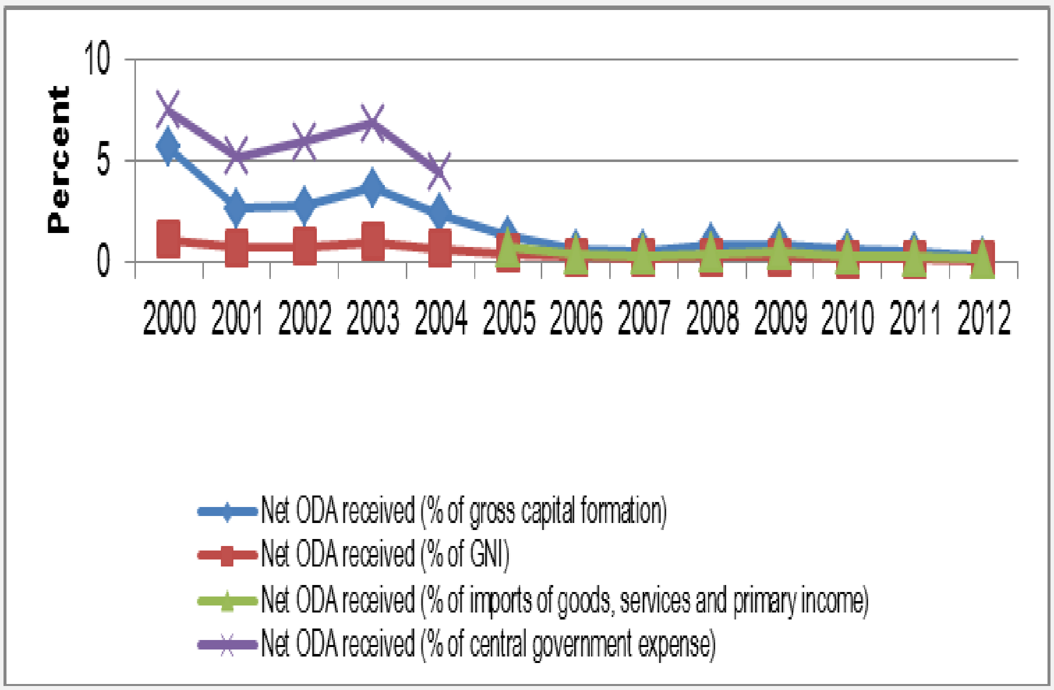
PARTNERSHIPS

The World Bank Group works in close collaboration with other multilateral institutions and development partners. In the absence of a joint assistance strategy, there is a loose division of labor among development partners.

According to the latest 2012–17 CPS, in the area of improving competitiveness and fostering job creation, partners provide support on expanding the role of the private sector and trade integration (European Community [EC], United States Agency for International Development [USAID]), financial sector reforms (IMF), building skills (EC, German Agency for International Cooperation [GIZ]), agriculture (GIZ), SME development (ADB), electricity markets and investments (EBRD, USAID), and roads (ADB, EBRD). Regarding the broad governance agenda, partners provide advice on local public administration reform, public sector implementation capacity (EC), civil service reform (EC, United Nations Development Programme [UNDP]), customs reforms (USAID), judicial sector reforms (EC, GIZ, USAID), social protection (EC, UNICEF), and health (EC, USAID). In the area of environment, partner focus is on sustainability (EC, GIZ, and UNDP) and energy efficiency (EBRD).

The share of the official development assistance decreased significantly since 2000, although it was never above 8 percent of central government expenses or gross capital formation. Its share in imports and as a percent of gross national income (GNI) was even less—about 1 percent in 2000, and one-fifth of a percentage point by 2012 (see figure 3.3).

Figure 3.3. Official Development Assistance Flows to Kazakhstan



Source: World Development Indicators.
Note: GNI = gross national income; ODA =Official Development Assistance.

[1] P049721, Agricultural Competitiveness Project.

4. Pillars 1–2: Macroeconomic Management and Governance

This chapter combines an assessment of two standard pillars identified as common to the resource-rich countries included in this cluster of CPEs: (i) the *management of resources*, covering activities related to addressing risks to *macroeconomic and fiscal sustainability*; and (ii) *improving governance and institutions for the effective use of resources*.

In Kazakhstan, the policy developments under these two pillars and respective Bank Group support were highly interrelated, which justifies a combined review of the pillars in this chapter. Moreover, in Kazakhstan, the Bank's role in the first pillar was less prominent during the review period, as the respective agenda was significantly advanced in the earlier period. The country had already set up effectively functioning institutional mechanisms, helped by generally prudent and conservative macroeconomic policies, including an established oil fund, the National Fund of the Republic of Kazakhstan (NFRK), and so on. The Bank helped the government further fine-tune these institutional arrangements through its analytical work and policy advice, mainly within the framework of the JERP. These will be reviewed in conjunction with the second pillar assessment.

Therefore, the bulk of the analysis in this chapter covers issues pertaining to Bank engagement in the second pillar (*improving governance and institutions for effective use of resources)*, and in particular PFM from the standpoint of the efficient and effective use of the resources generated both from mineral taxation and other sources. Specific questions covered in this section include (i) the efficiency of the country's PFM institutions and arrangements and (ii) strengthening accountability of the public sector in the midst of an increased flow of income from natural resources.

Context

By the time of the Board approval of the 2004 CPS, Kazakhstan had an established record of being among the leading reformers in the Commonwealth of Independent States. The economy had recovered strongly after the Russian financial crisis of 1998–99. It was driven by higher oil prices and supported by conservative macroeconomic policies. The overall budget deficit has been under control since 2000, with the non-oil budget balance being less than 5 percent of non-oil GDP. In 2000, the authorities established the NFRK, which accumulated about $4 billion in oil revenue savings in the first three years of its operations. The fund has been a promising first step towards a countercyclical fiscal policy. As such, it sent a strong positive signal to the markets.

Nevertheless, Kazakhstan's economy remained vulnerable to external shocks, primarily because of its dependence on oil exports and exposure to the global financial markets. The volatility of government revenue was high and unpredictable, which undermined budget credibility. The total country's external debt (including private debts) remained in excess of 50 percent of GDP in 2003.

Institutional reforms continued, but their progress generally lagged behind macroeconomic stabilization and core policy reforms. In the budgetary sphere, various PFM reforms were initiated, facilitated by the 1999 Budget System Law. However, the pace of reforms was uneven. Some progress was made with respect to budget formulation and consolidation, as well as with budget reporting. The Treasury was significantly strengthened, including through the earlier Bank-financed Treasury Modernization Project (closed in 2002). Starting with the 2000 budget, the government has based its fiscal plans within the Medium-Term Expenditure Framework. However, the linkage between planning (government programs) and budgeting (resource allocation) remained insufficiently effective.[1] Similarly, budget consolidation was incomplete, as evidenced by the broad use of the off-budget mechanisms used for financing the construction of the new capital city of Astana.

Despite general progress and commitment to reforms, several core PFM components continued to underperform. These included mechanisms for commitment control (which prevented full elimination of budget arrears), monitoring and evaluation, and arrangements for independent budget audit and oversight. A basic framework governing public procurement in Kazakhstan was established and included the law on state procurement and the State Procurement Agency. However, effective implementation of the national procurement regime required further strengthening[2], including through the increased transparency of public procurement.

On the *revenue side*, both tax policy and administration were affected by the proliferation of special taxation regimes, which brought about large volumes of tax discounts and exemptions to specific industries. Meanwhile, the government has introduced steps to reduce the tax burden for nonextractive industries, especially with respect to labor taxes.[3] Progress toward *expenditure rationalization* remained insufficient, although the government has admitted that its key spending policies (including in infrastructure and social sectors) need to be improved.[4]

With respect to *intergovernmental fiscal arrangements*, the country's system for allocating resources across regional governments was largely based on historical expenditure patterns. This has given rise to substantial disparities in per capita public spending among the *oblasts* (regions), which were directly related to regional disparities in social outcomes.

Perceptions of *corruption* remained high in Kazakhstan. According to the Corruption Perception Index (CPI) by Transparency International, Kazakhstan did not make any progress in the anticorruption area between 1999 and 2004, with its CPI rankings consistently staying in the bottom 15 percent of the index.

World Bank Group Program

The 2004 CPS was effectively aligned with the government's long-term strategy as outlined in the speech by President Nazarbayev in March 2004. Within Pillar 1 of the 2004 CPS ("Preventing loss of competitiveness through appropriate macro and fiscal management"), the Bank intended to focus its support in the following areas: (i) management of the oil windfalls (including transparency of oil revenues); (ii) the government's medium-term fiscal framework (MTFF); (iii) local and central governments' capacity to absorb public spending; and (iv) the addressing of corruption. The CPS did not contain a specific Results Framework, but rather an explicit commitment (CPS Annex 1) for a direct contribution to the *management of oil revenues, prioritization and rationalization of public spending, intergovernmental finance reforms, and capacity building of core government institutions, including local governments*.

The 2012 CPS followed the same approach of emphasizing Bank Group support for the government's own policy priorities. The latest government program, as outlined in the Strategic Plan for Development 2020, aimed at achieving a *competitive, diversified economy with macroeconomic stability*. There has been a lot of continuity in the government development program over the last decade, which is naturally reflected in the CPS set of ongoing priorities.

The Bank's program priorities in the governance area were grouped under two separate country development goals—*achieving competitiveness gains through macro-stability and international integration; and improving public financial management and fighting corruption)*—and three related CPS outcomes: *(i) strengthening fiscal discipline and trade openness; (ii) improving governance; and (iii) strengthening budget and accounting institutions)*. The 2012 CPS also identified the Extractive Industries Transparency Initiative (EITI) as one of the activities it would support.

As opposed to the previous strategy, the 2012 CPS contained a specific results framework to monitor development progress over the period of 2012–17, albeit with a limited set of specific governance indicators related to the use of oil revenue, customs and procurement reforms, and actions in the area of expenditure rationalization. At the same time, the 2012 CPS contained a broader list of governance policy priorities (World Bank 2012) to be advanced over a medium term. These can be grouped along the following four core policy reform directions:

- **Improvements in revenue management,** including strengthening the rules governing the utilization of oil earnings
- **Progress toward a more accountable and transparent government** supported by the development of a comprehensive anticorruption program, attaining compliance with EITI norms, strengthening external audit and parliamentary oversight, and advancing the transition to international accounting standards
- **More effective budget management systems,** including through implementation progress with results-based budget management, the upgrading of public debt management, and oversight of state-owned enterprise (SOE) borrowing
- **Improvements in intergovernmental financial management** (with an initial focus on the system of targeted development transfers).

Given the lack of an explicit Results Framework in the 2004 CPS, as well as a significant degree of continuity between the 2004 and 2012 CPS documents, IEG uses the above list of policy priorities as a (substitute) monitoring framework to measure progress achieved under the Bank program since 2004 in the governance area.

The World Bank Group supported PFM reforms in Kazakhstan through several lending operations and a large number of nonlending activities (mostly funded by JERP). Many of the nonlending activities, undertaken before 2013, were reviewed and evaluated under the earlier IEG assessment (IEG 2013). The following section highlights the main outcomes in the PFM area and Bank Group's contribution to their achievement. It also summarizes relevant evaluation findings on the governance-related activities that were identified under IEG's earlier evaluation.

SECTOR OUTCOMES AND BANK GROUP CONTRIBUTION

Overall reform progress within Pillars 1 and 2 has been rather uneven: in several instances, there is still a considerable gap relative to the targets. Generally, progress on the legislative and regulatory side has been stronger than actual policy adjustments. The area of revenue management, including tax and customs administration, experienced the most significant advancement. However, there was no systematic follow-up on such core Bank policy diagnostic tools as the Public Expenditure and Financial Accountability (PEFA)[5] and sectoral Public Expenditure and Institutional Reviews (PEIRs). In this context, the government was reluctant to undertake a standard budget wide Public Expenditure Review.[6] The government made a fresh commitment to advance broad PFM reforms under its Concept on a new budget policy for Kazakhstan (2013), approved following the President's Address to the Nation in December 2012. The Concept covers the period 2014–20 and envisions PFM reforms across many functions and objectives, many of which reflect the Bank's earlier recommendations. However, the formulation of several objectives under the Concept serves as an indirect recognition of very limited progress made during the review period in areas such as result-based budgeting, intergovernmental fiscal transfers, and budget consolidation.

IMPROVEMENTS IN REVENUE MANAGEMENT

The government's reform effort resulted in the most tangible progress in the area of strengthening the rules governing the utilization of oil earnings. Establishing the set of conservative fiscal rules to govern the annual oil revenue transfer from the NFRK to the budget was a major achievement. The government now has an established track record of maintaining a counter-cyclical policy. It ran budget surpluses in all years over the period of 2002–08, averaging 2.5 percent of GDP. During the 2008–09 crises, the government used oil savings to finance a stimulus program with the total value estimated at $17 billion. This helped to smooth the overall effect of the global crisis on the Kazakh economy and supported rapid recovery in 2010–11. The budget support was duly downsized as soon as the worst of the economic crisis was over.

The Bank's contribution to results in governance and PFM reforms was quite significant. The largest project intervention to support governance and PFM reforms in Kazakhstan was a DPL ($1 billion; 2010–11) that focused on improving PRM and addressing financial sector vulnerabilities. Reforms supported by the DPL aimed at increasing market confidence in Kazakhstan following the global financial crisis. It did so by signaling that the government was willing and indeed capable of maintaining macroeconomic stability against domestic and external pressures.

The emphasis of the DPL program was on strengthening the National Fund's governance to transform it into a reliable national savings mechanism and an instrument of countercyclical fiscal policy. The DPL program also supported significant fiscal adjustment and expenditure rationalization, including cuts in transfers to state enterprises, while at the same time protecting social expenditures.

One particularly important achievement was related to the strengthening of NFRK management: the government capped annual transfers from the fund to less than $8 billion. As a result, the NFRK balance rose from $24.4 billion in 2009 to about $43.6 billion at the end of 2011. Overall, the existing oil rules are effective and practical, although there is still room for fine-tuning, including making NFRK more transparent and better integrated into the overall macroeconomic framework.[7]

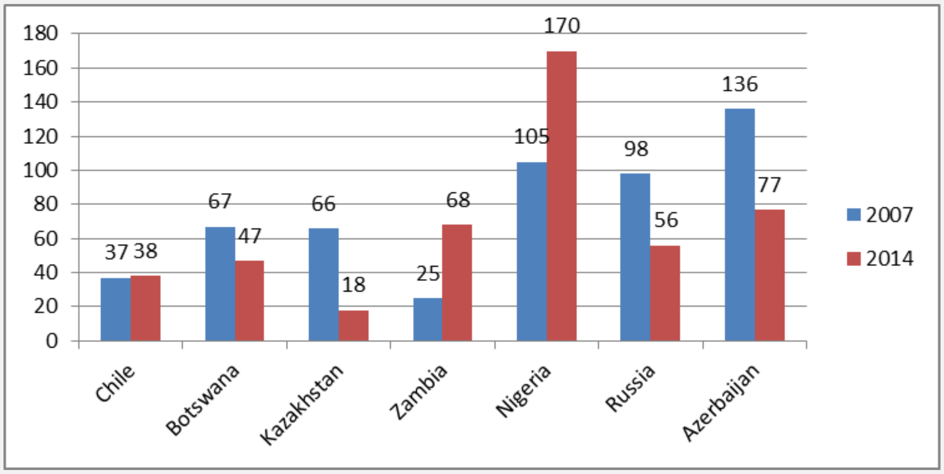
In addition to the DPL, the Bank provided considerable analytical and advisory support to the government in the area of macroeconomic management with a special emphasis on strengthening national arrangements for oil revenue management. The report "Oil Rules. Kazakhstan's Policy Options in a Downturn" (World Bank 2013) assessed Kazakhstan's current oil rules against possible alternatives (as informed by best international practices), modeling of various crisis scenarios. It concluded that Kazakhstan's fiscal rules performed well under different types of external shocks: they are simple and practical, and a switch to a more sophisticated alternative would not be desirable at this stage. The primary recommendation of the report was to develop stabilizers for the country's monetary and fiscal policies that would make countercyclical policy changes as automatic as possible.

Significant progress and improvements were made in revenue management. Boosted by higher oil revenues, the revenue performance became much stronger with an increase in total government revenues from 24 percent of GDP on average in 2000–04 to 28.2 percent in 2005–08.[8] The new Tax Code (2008) adopted flat tax rates for both personal and corporate income taxes, and introduced a special tax regime that lowered the tax burden on SMEs.

Reforms in revenue administration were supported by the Bank's Tax and Customs Administration Projects[9] and a few important studies that became a blueprint for subsequent government reforms.[10] Bank support was aimed at strengthening revenue administration to improve the level of voluntary compliance, enhancing effectiveness to fight tax evasion and smuggling, increasing administrative efficiency, and reducing the potential for corruption. Both projects were ongoing at the time of review. However, progress indicators were quite clear, such as: (i) a reduction in the stock of tax arrears; (ii) introduction of the new e-tax system; (iii) improvement in taxpayers' perception of revenue management institutions (reflected in enterprise surveys); and (iv) a reduction in average time and the number of documents required for customs clearance. The government cofinancing of the Customs Project (70 percent of the total) indicates strong ownership of the reform process.

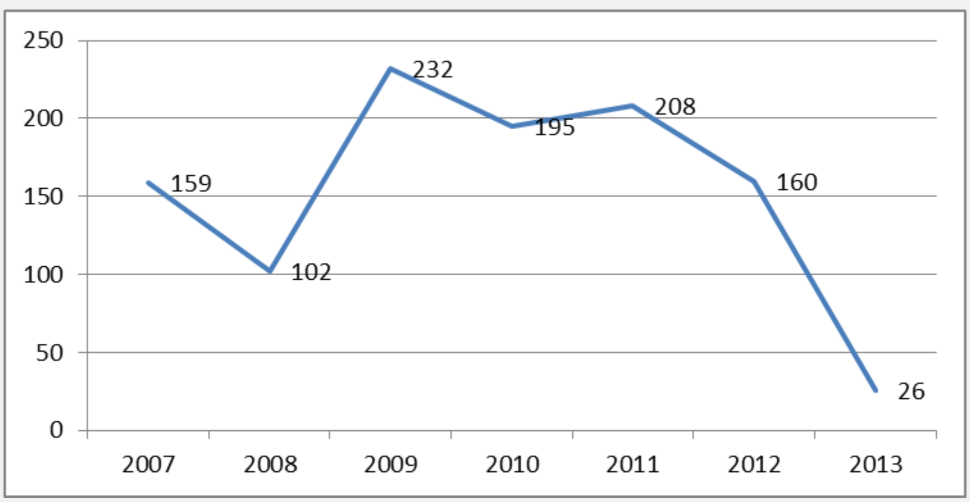
The government added most of the tax policy changes recommended by the Bank in 2007–09. These made a critical contribution to the development of a new Tax Code. The Tax Policy Committee benefited significantly from the interactions with the Bank, and the tax policy unit at the Ministry of Economy and Budget Planning was strengthened. The 2014 Doing Business report rated Kazakhstan 18th out of 189 countries in terms of the ease of paying taxes, which makes it the top-ranked country in the Europe and Central Asia Region (figure 4.1), showing significant improvement compared to 2007 (66th position). Overall, the current tax policy and administrative environment in Kazakhstan—with its combination of low tax rates on labor and capital and improved tax administration—represent a strong positive contribution to improving the country's investment climate (see figures 4.1 and 4.2).

Figure 4.1. Doing Business—Ease of Paying Taxes, Global Ranks for Selected Resource-Rich Countries



Source: Doing Business Index, World Bank Group.

Figure 4.2. Time Spent to Produce Tax Reports, Annual Averages, Man-Hours, 2007–13



Source: Taxpayer Association of Kazakhstan 2013.

MORE ACCOUNTABLE AND TRANSPARENT GOVERNMENT

Kazakhstan's exceptional endowment of natural resources (petroleum and mineral) was and continues to be the main source of fiscal revenue and economic growth. As noted, prudent macroeconomic management combined with the institutional and fiscal framework led to an accumulation of significant resources that could be reinvested or distributed at the government's discretion. In this context, accountability and transparency become exceptionally important to avoid waste and curb the possibilities for corruption. At the 2004 CPS stakeholder consultations, participants specifically supported the Bank's efforts to help the government manage extractive revenues in a more transparent manner, as well as to use excess revenues for social and environmental purposes in a sustainable manner. They also encouraged the Bank to make improving public access to information and legal rights a central part of its activities.

Following the consultations, the 2004 CPS identified management of oil windfalls, including transparency in oil revenues, as a focus area. However, it did not propose any specific extractive sector activity in support of this outcome, or any indicator to monitor the results. The 2012 CPS cited strengthening governance as one of the main development challenges and an area of engagement. It identified EITI as one of the activities it would continue to support. However, there was no reference to any specific outcome indicators in the Results Framework.

The EITI has been the Bank Group's main instrument for assisting the government in improving its governance and institutions in the extractives sector over the past decade. This follows the completion of two EI-related projects in the early 2000s,[11] and is in line with the strategic priorities of the 2004 CPS.[12] Kazakhstan participated in the 2003 conference that launched the EITI but did not immediately follow up on it. The 2005 Country Economic Memorandum noted that Kazakhstan could benefit significantly from the three main requirements of the EITI: (i) the Treasury's disclosure of oil revenues received, (ii) the oil companies' disclosure of payments to the government, and (iii) the NFRK disclosure of its financial statements. These measures were expected to result in significant positive reputational effects (both domestically and abroad) and, more importantly, enhance the accountability framework for oil revenues.

After a slow start, Kazakhstan joined the EITI in 2005; it was mainly motivated by the expectation that it would make the country more attractive to foreign private investors. It achieved candidate status in 2007. Its first EITI Validation Report was submitted in 2010, which led to the country being designated as "Close to Compliant." Having completed some remedial actions, Kazakhstan submitted a second Validation Report in 2013, which led the EITI Board to declare it EITI Compliant. This achievement was underpinned by a 2010 amendment to the Law on Subsoil and Subsoil Use that requires all companies to submit data confirmed by an audit report in compliance with EITI requirements. The extent to which the number of reporting sectors and companies has increased is indicated in table 4.1, as is the extent to which the time lag for the publication of the EITI reports has been shortened over the years. With Kazakhstan having achieved compliance, the EITI National Stakeholder Council is now in the process of identifying new activities and priorities required to meet the revised and expanded standards established by the global EITI Board in 2013.

Table 4.1. Kazakhstan Selected EITI Report Indicators (2005–11)

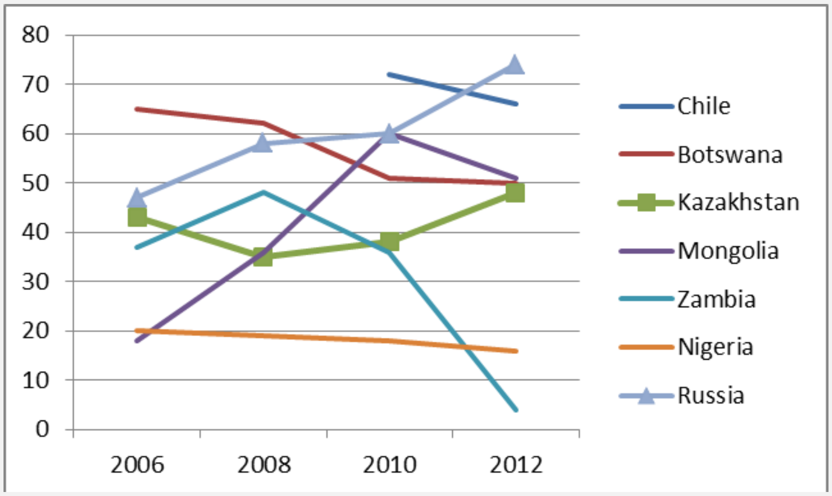
Period Covered	2005	2006	2007	2008	2009	2010	2011
Publication Date	2007	2008	2010	2010	2011	2012	2012
Sectors covered	Oil	Oil, Gas, Mining	Oil, Gas, Mining	Oil, Gas, Mining	Oil, Gas, Mining	Oil, Gas, Mining	Oil, Gas, Mining
No. of reporting companies	38	103	108	109	123	164	170

Source: EITI.

An important result of the EITI was the inclusion of civil society organizations (CSOs) as equal players in the National Stakeholder Council process to discuss and demand transparency and accountability from the government and the enterprises in the sector, a process that has begun to broaden citizen participation in governance issues at both the national and local levels. According to IEG mission interviews, the EITI process is also reported to have encouraged the Ministry of Finance to enhance the disclosure and accessibility of budget information. In this context, the Kazakhstan's Open Budget Index has improved from 35 (below average) in 2008 to 48 in 2012 (figure 4.3), which is higher than the average for all 100 countries surveyed (albeit lower than Georgia, Mongolia, and Russia) (International Budget Partnership 2013). An independent implementation review conducted in 2013 with funding by UKAid (IIED 2013) found that even prior to Kazakhstan's achievement of EITI compliance; the EITI process itself had already enabled more concrete and practical debates among CSOs, the government and industry around hot topics in the extractive sectors. IEG confirmed these findings during interviews with various stakeholders.

The Bank Group provided essential support to the implementation of the EITI in Kazakhstan. The initiative originated in 2003 and was mainly driven by CSOs; the EITI had struggled to get under way until the Bank provided technical assistance for the capacity building and credibility needed to mobilize the unprecedented multistakeholder (government, industry, CSOs and parliament) process. The active involvement of the Bank Group was also helpful in familiarizing participants with the requirements of the EITI—a study tour to Norway was reported to have been especially helpful—and in resolving tensions between and within major stakeholder groups.

Figure 4.3. Open Budget Index Scores for Selected Resource-Rich Countries, 2006–12



Source: Open Budget country data.
Note: Measurement is a number on a 100–point scale.

Since 2006, the Bank Group has supported the EITI-Kazakhstan through technical assistance for implementing the required multi-stakeholder consultation process and preparing the necessary validation reports. Following Kazakhstan's achievement of EITI compliance in 2013, the Bank Group has supported EITI-Kazakhstan's communication, outreach and capacity building efforts at the local levels, with a focus on the main oil-producing regions.

Overall, the Bank Group's assistance for EITI implementation was highly relevant and fully aligned with the government's commitment to improve transparency and accountability, as broadly expressed through the *Kazakhstan 2030 Strategy's* goal of achieving a "professional government"—and for which combatting corruption and abuse of power by civil servants is listed as a priority action. The mining-related JERP studies are also relevant for economic growth based on an open market with a high level of foreign investment, absolute supremacy of the law, and a minimum of administrative interference. At the same time, although JERP studies have been appreciated as inputs in support for key policy reforms, their actual impact on respective policy changes (for example, in the area of mine licensing) remains to be seen.

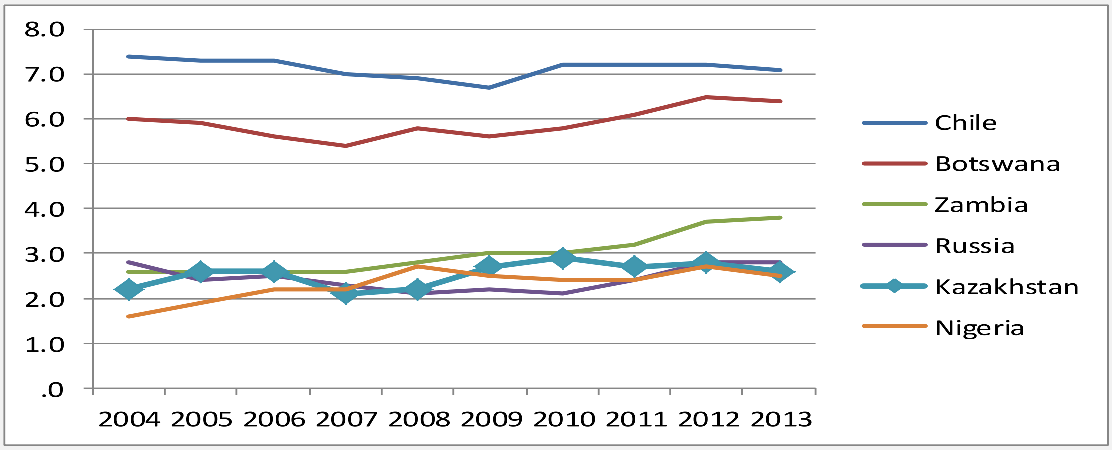
In addition to the EITI and the Tax and Customs Administration Projects, the Bank pursued anticorruption objectives through capacity building in core PFM agencies (funded from various grant facilities).[13] The Bank helped improve the capacity of the Ministry of Finance to implement accounting and reporting reforms in the public sector through an international audit of the national regulatory framework, a large retraining program for public sector accountants, and the establishment of a new system for their certification. As a result, the entire public sector (including regional level public entities) completed the transition to the International Public Sector Accounting Standards by January 2013, which is a significant achievement.

Progress toward meeting international standards on external audit and parliamentary budget oversight was robust. However, it has been slow and remains incomplete. The Bank program to build capacity at the National Accounts Committee (the Supreme Audit institution in Kazakhstan) and upgrade the legal framework for external audit in line with the standards of the International Organization of Supreme Audit Institutions proceeded slowly, primarily because the concept of a fully independent supreme audit institution did not have broad support in Kazakhstan. Several project outputs, including the initial draft of a new Public Audit Law, could not be delivered on time, affecting the volume and quality of training. The current draft Law[14] represents a policy compromise: it grants additional powers to the Accounts Committee, but does not expand the body's financial independence. The draft Law also envisions a relatively long transition period during which the Committee will continue to share its audit responsibilities with the Department for Financial Control under the Ministry of Finance.

Overall, despite the tangible success of the EITI process and the contribution of two ongoing successful projects (Tax and Customs Administration) to the anticorruption agenda, the government's broader efforts to fight corruption were only partially successful. The latest CPI score by Transparency International (2013) is low (2.6)—worse than in Zambia (3.8) and just marginally better than in Nigeria (2.5). The improvements in CPI scores since 2004 (2.2) have been limited. Moreover, some earlier progress has eroded since the CPI reached its peak of 2.9 in 2009 (see figure 4.4). The broader indicators for government accountability remain rather weak, for example, the World Governance Indicator for Voice and Accountability places Kazakhstan in the bottom quintile worldwide and has not shown any improvement since 2004 (see figures 4.5 and 4.6).

There is no evidence that a comprehensive governmental anti-corruption program has ever been introduced during the period under review.[15] With time, the accounting and audit reforms described above are likely to bring tangible anti-corruption benefits. However, these types of specific project-level interventions are usually not a sufficient substitute for a more comprehensive anticorruption effort that is based on a longer-term governmental strategy, strong political ownership at the top, and the broad participation of civil society.

Figure 4.4. Transparency International Corruption Perception Index Scores for Selected Resource-Rich Countries, 2004–13



Source: Transparency International.
Note: Measurement is a number between 0 and 10. Range: 10—highly clean and 0—highly corrupt.

The 2014 World Bank Group Country Survey for Kazakhstan (see box 4.1) identified public sector governance/reform as a top development priority, and corruption as the issue of greatest concern. Moreover, it is one of the key obstacles to economic growth. It is also noteworthy that although anticorruption was rated as the most important area for World Bank involvement (8.3 on a 10–point scale), the effectiveness ratings for the Bank's work in this area were the lowest (4.6).

Box 4.1. Summary of the 2014 World Bank Group Country Survey for Kazakhstan

Methodology

The survey was designed to address general issues facing Kazakhstan; overall attitudes toward the World Bank Group; the World Bank Group's effectiveness and results; the Bank Group's knowledge work and activities; working with the Bank Group; the World Bank Group's future role in Kazakhstan; and the Bank Group's communication and information sharing in Kazakhstan.

Participants in the survey were drawn from: the offices of the President and Prime Minister; other ministers and parliamentarians; ministerial departments and implementation agencies; consultants working on World Bank Group-supported projects and programs; project management units; local government officials; bilateral and multilateral agencies; private sector organizations; private foundations; the financial sector/private banks; nongovernmental organizations; community-based organizations; the media; trade unions; faith-based groups; academia; and other organizations.

Main Findings

Overall, the FY14 Kazakhstan Country Survey findings demonstrate that the World Bank Group is well regarded in the country, with positive ratings related to many aspects of its work. The

Bank is viewed as relevant, effective, and a reliable development partner in Kazakhstan. The survey data suggest room for improvement in areas related to disclosure, level of collaboration with stakeholders, and overall accountability and citizen engagement. More specifically:

Stakeholders' views of how the Bank operates on the ground are very positive. The Bank receives high ratings on being "a long-term partner," collaborating with the government and donors, and being accessible and open. Areas of concern (some of the survey's lower ratings) relate to flexibility, responsiveness, inclusiveness, and collaboration with groups outside of government.

Stakeholders believe the Bank should focus primarily on rural/territorial development (specifically related to poverty reduction in the country), public sector governance, and education and skills.

Capacity development emerges to a degree as an important area for the Bank: a quarter of respondents, primarily from nongovernment groups, believe that the Bank should be involved in increasing the level of capacity development in the country (particularly in the area of citizen engagement).

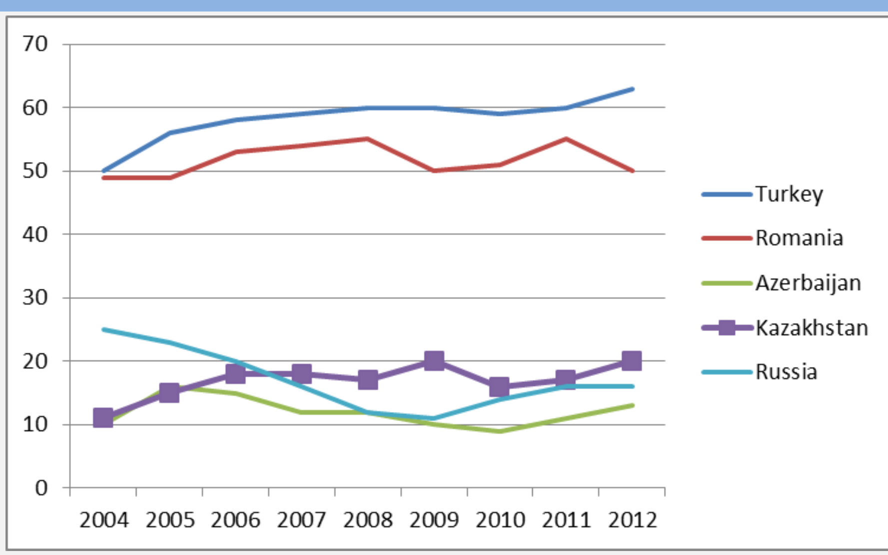
Corruption emerges as the issue of greatest concern among opinion leaders in Kazakhstan. A majority of respondents identified it as the top development priority, considering it one of the key obstacles to economic growth. It assigned the Bank negative ratings in terms of its effectiveness in this area.

Stakeholders indicate that the Bank lacks sensitivity to political and social realities on the ground, and maintains insufficient levels of collaboration with non-state actors. In this context, targeted outreach to selected stakeholder groups might be worth consideration.

Three of ten respondents (a plurality) reported that the Bank's greatest weakness is in the areas of communication and openness (specifically in terms of the inadequate public disclosure of its work).

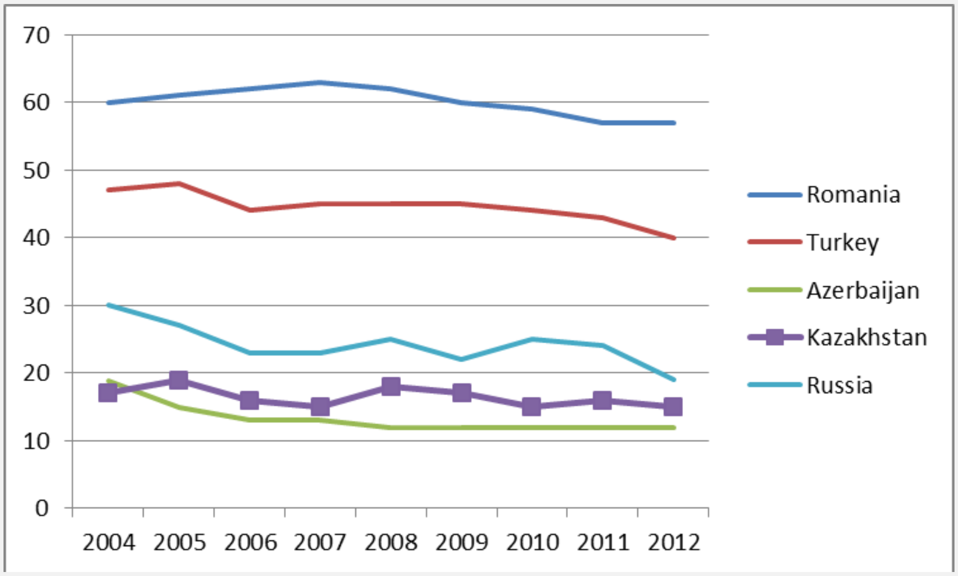
Source: Kazakhstan, The World Bank Group Country Survey FY 2014, Report of Findings, April 2014.

Figure 4.5. WGI: Control of Corruption Ranking of Selected Countries in Europe and Central Asia, 2004–12, Percentile Rank



Source: Worldwide Governance Indicators database.
Note: Measurement is a ranking (number) number on a scale of 0 to 100. WGI = World Governance Indicators.

Figure 4.6. WGI Voice and Accountability Ranking for Selected Countries in Europe and Central Asia, 2004–12, Percentile Rank



Source: Worldwide Governance Indicators database.
Note: Measurement is a ranking (number) on a scale of 0 to 100. WGI = World Governance Indicators.

RAISING THE EFFECTIVENESS OF BUDGET MANAGEMENT SYSTEMS

Progress with the implementation of results-based budget (RBB) management and the government's Medium-Term Fiscal Framework has been insufficient. Despite various improvements in the legal framework for RBB, the government planning system remains overly complex, with too many simultaneous plans required at each level. The proliferation of plans and indicators has overburdened decision makers and the overall system. This became a constraint on the effective use of data and prioritization. The latest Bank report (World Bank 2014)[16] recommended revisions to the legislative framework (including the Budget Code), in particular to introduce a process for setting indicative expenditure ceilings and requirements for the evaluation of the effectiveness of budget programs. As recognized in IEG's evaluation on knowledge-based country programs, effective implementation of RBB in Kazakhstan remains a longer-term objective, in part because of serious capacity constraints within the line ministries.

The linkages between plans and resource allocation remain weak. Although the government made a new commitment to advance RBB management reforms under the Concept on the new budget policy, another round of amendments to the Budget Code is needed to facilitate making the RBB arrangements more effective. Implementation of medium-term budgeting needs further strengthening, as its effectiveness as a managerial tool is undermined by a number of institutional and capacity constraints. The credibility of the government's macro/fiscal projections is explicitly questioned by the IMF (IMF 2013).

Following implementation of Bank advice, the government's capacity for public debt management was visibly upgraded, including the development of the Government Debt Management Strategy. Bank support included standard diagnostics[17] that revealed significant institutional and regulatory gaps. The most pressing need related to the development of a medium-term debt management strategy that would provide longer-term guidance for the government's borrowing, as well as for market development. Other major weaknesses included weak overall borrowing planning, an inadequate regulatory framework for borrowing procedures, and weak reporting of public sector debt data.

At the same time, progress on strengthening the oversight of state-owned enterprise debt has been lagging. The availability of information on the consolidated debt profile of such enterprises is still limited, despite recent improvements in the capacity of the National Bank of Kazakhstan (NBK) to monitor and consolidate this information. In light of the size/importance of the state-owned enterprise sector in Kazakhstan, the IMF (2013) listed a need for enhanced transparency of financial operations of these businesses among the key fiscal policy priorities. Whereas the government debt remains low (less than 13 percent of GDP in 2013), the overall stock of quasifiscal debt owned by state-owned enterprises is estimated to be close to 20 percent of GDP.

There has been much less government interest in follow-up regarding Bank advice on expenditure management and rationalization[18]—in contrast to some other policy advice (for example, on oil revenue management and tax policy). In particular, the PEFA report was not used by the government to design a coherent framework to address PFM weaknesses in areas such as accountability and oversight. In part, this may be influenced by the shifts in responsibility for the PFM agenda between the Ministry of Economy and Budget Planning and the Ministry of Finance.

The two sector PEIRs identified distortions in the structure of public spending in the health and agriculture sectors and recommended a major expenditure restructuring to be complemented by structural reforms. In the agriculture sector, the efficiency of government spending was undermined by an excessive emphasis on subsidies at the cost of financing public services. The share of subsidies in the agricultural budget was about 40 percent in 2009. The most damaging aspect of these programs was that they were delaying the structural adjustment of the sector. The Bank report recommended re-examining the rationale for each of the subsidy programs.

The government's expenditure policy adjustment in the health sector (including expansion in the share of primary health funding) has been much more pronounced than in agriculture. In the health sector, the Bank's PEIR pointed to major inefficiencies in the country's hospital network. It recommended an increase in spending on primary care, health promotion and disease prevention, as well as a deep restructuring in the hospital sector. Further suggested reforms included (i) changing the methods of health planning and budgeting, which would incorporate arrangements for per capita funding; (ii) deepening provider payment reform; (iii) strengthening the autonomy of service providers; and (iv) improving the quality and availability of information on health expenditures

IMPROVEMENTS IN INTERGOVERNMENTAL FINANCIAL MANAGEMENT

The area of intergovernmental finance was another priority for the Bank's advisory support. A Bank report (World Bank 2012) reviewed the system used to distribute government investment grants across regional administrations and developed a comprehensive proposal for its reform. The report stated that despite several earlier efforts to reform the system of intergovernmental fiscal relations, the system appeared complex and opaque. The core report's recommendation was to switch to the formula-based principles of allocation of government investment transfers to regions, especially in the sectors such as education, housing, and road construction. This was justified based on both transparency and equity considerations.

Overall, improvements in intergovernmental financial arrangements have been limited so far, despite a consistent effort to advance these reforms under the JERP. The government introduced a system of per capita-based financing in primary health as part of the existing system of intergovernmental finance. However, little progress was made on a system wide basis. The system of government budget transfers to regional administrations remains based largely on historical spending patterns—leading to significant cross-regional inequality in social service delivery and high variation in core social indicators. It should be noted, however, that the government is planning to introduce formula-based financing in several public sectors as part of the Concept on the new budget policy.

CONCLUSIONS

The areas of macroeconomic and public financial management were among the top priorities of the World Bank Group assistance strategy in Kazakhstan, and the Bank's assistance package has served as a primary driver of reforms in the public sector and resource management. The Bank has established itself as a trusted adviser to the government, with a proven track record of timely delivery of high-quality technical and policy advice covering a critical mass of reforms.

The Bank's PFM program has been highly relevant, with its priorities fully aligned with the government's development program. The Bank provided support for upgrading a number of important elements in the national system of macroeconomic and fiscal management. It made a strong and consistent effort to emphasize support for policies and institutions promoting macroeconomic stability and fiscal sustainability, which has been at the center of Kazakhstan's development challenges. The program relevance was somewhat undermined by a few gaps related to insufficient attention to the anticorruption agenda and public expenditure rationalization. These weaknesses mainly reflect the lack of government interest.

Although the overall reform progress with respect to the objectives outlined in the 2004 CPS was uneven, the critical areas of macroeconomic and oil revenue management, tax policy, and tax and customs administration achieved impressive results. The Bank was effective in using the window of opportunity during the crisis of 2008–009 to accelerate reforms promoting fiscal sustainability. Bank products (the DPL and follow-up advisory work) were instrumental in fundamentally strengthening the framework for oil revenue management and in securing its robustness against external shocks, which have been a critical macroeconomic challenge for Kazakhstan. The DPL helped rationalize the use of National Fund savings and then withdrew the fiscal stimulus as the economy recovered. It also promoted an increase in public spending on social sectors from 52 percent in 2008 to almost 60 percent in 2010. The more recent Bank work provided an in-depth diagnostic of the existing oil rules and developed additional suggestions to make them more flexible.

The Tax and Customs Administration Projects made a critical contribution to the modernization of these government functions, the improvement of the investment climate, and a reduction in corruption risks. In the tax area, the combination of Bank project support and high-quality advice proved particularly effective. The Bank also helped the government secure several grants, the implementation of which allowed for significant capacity strengthening in recipient agencies, primarily in the Ministry of Finance and the Accounts Committee. The Bank's advice was a major input to improving budget and debt management capacity, as reflected in the revised Budget and Tax Codes, the development of a Public Debt Management Strategy, and the new government Concept on budget policy.

The quality of the Bank's AAA has been consistently high, but the follow-up on the Bank's policy advice was sporadic and poorly monitored. The Bank program did not succeed in accelerating reforms or in securing sufficient progress in a number of PFM areas, including the introduction of the Medium-Term Expenditure Framework and RBB, external audit, SOE oversight, and reforms in intragovernmental budget transfers. As a result, the Bank program was only partially effective in its support for strengthening the core national institutions responsible for accountability arrangements and the national system of check and balances.

The fully demand-driven nature of the Bank's program in Kazakhstan imposed some limitations on the Bank in defining priorities in its advisory work program. Thus, the program coverage remained insufficiently coherent, reflecting the lack of governmental interest in the analysis of several "sensitive" policy issues. The most important gaps in the PFM program relate to: (i) poverty analysis (including non-income aspects of poverty) – a full-scale Poverty Assessment would have been instrumental to establishing a baseline and identifying priority areas; (ii) a PER – no comprehensive PER was done over the last 10 years; (iii) support for an anticorruption strategy; and (iv) analysis of the role of the SOE sector in the economy (for example, the Samruk-Kazyna National Wealth Fund).

The government used the Bank's policy advice regarding PFM and other issues quite selectively, and often requested the Bank's analytical inputs "for information only"— without a clear intention to follow up with a policy change. The government's interest in acting on the Bank's advice was sometimes difficult to assess ex ante, and the ownership for reforms varied considerably across counterpart agencies. One of the areas in which the Bank's advice did not get much traction was expenditure rationalization. There is no evidence of systematic implementation of the recommendations outlined in the two PEIRs.

Some trends in the overall PFM results area indicate a shift in the Bank-supported interventions from policy reforms to regulatory changes and capacity building. As a result, in some cases, considerable improvements in government capacity did *not* result in adequate policy changes. These include (i) strengthening debt management systems without improving oversight over SOE debt; (ii) strengthening capacity in the Accounting Committee, which was not matched by the extension in its powers and independence; and (iii) improvements in public accounting without much progress in budget consolidation.

The effectiveness of the Bank's program in PFM was reduced by the critical lack of attention (with the exception of the EITI program) to its public demand side of governance reforms – that is, nongovernmental stakeholders. The policy dialogue was exclusively focused on the government, at the cost of communicating with other local stakeholders. The depth and coverage of the Bank's analysis was not used to inform the public or generate more support for necessary reforms, especially in the areas of expenditure efficiency and budget transparency and accountability.

Local capacity building was another dimension that did not live up to its potential. The JERP rarely (if at all) engaged local partners in program delivery. It contributed surprisingly little to the build-up of local analytical capacity. For instance, the macromodeling work done by the Bank for the Ministry of Economy and Budget Planning did not bring much improvement to its capacity to prepare its own macroforecasts and policy simulations. In addition, the ministry's own research arm was never included in the process.

In several cases, PFM program effectiveness may have been increased if analytical support under the JERP had been backed up by more traditional implementation/project support that would have given the government access to specialized consulting services on a more continuous basis. For instance, an additional technical assistance project could have improved government efforts to introduce RBB and modernize intergovernmental fiscal relations. Overall, taking into account the recent successful experience with the Tax and Customs Administration Projects, the Bank program in Kazakhstan may benefit from a separate self-standing PFM reform project to address remaining capacity bottlenecks.

The sustainability of results achieved in Kazakhstan regarding PFM reform continues to face several risks, the more tangible ones including the incompleteness of a number of core reforms and weakness of the civil society—and hence limited public demand for strengthening budget accountability. The sustainability of the EITI process appears to be reasonably assured, as the EITI is mandated by law and the government is already funding 80 percent of its cost through the JERP. Even so, new technical challenges have arisen associated with the compliance of the 2013 EITI's expansion of standards. In addition, further effort is needed to improve accountability and transparency at the regional level by building the capacity of the regional EITI multistakeholder councils and enhancing their participation in resource governance with local governments and industry.

Summary Rating

The overall rating for achievement of Bank Group program outcomes for macroeconomic management and governance is *Moderately Satisfactory*. A detailed breakdown is provided in table 4.2.

Table 4.2. Summary Rating for Pillars 1–2: Macroeconomic Management and Governance

Areas	Outcomes	Bank Group contribution	Ratings
1. Revenue management	The management of the NFRK has been strengthened, and the existing rules for	The DPL and follow-up advisory work were instrumental in	Satisfactory

Areas	Outcomes	Bank Group contribution	Ratings
	utilization of NRFK revenues are effective and practical. Significant improvements were introduced in revenue management, including stronger revenue performance and lower costs of tax administration for the private sector.	fundamentally strengthening the framework for oil revenue management and in securing its robustness against external shocks. The Tax and Customs Administration Projects made a critical contribution to modernization of these government functions.	
2. More accountable and transparent government	Kazakhstan became fully EITI-Compliant in 2013, and the EITI process appears to be sustainable. However, no comprehensive government anti-corruption program has ever been introduced. Kazakhstan's indicators for government accountability did not show improvement and remain weak.	The Bank provided essential support to the implementation of the EITI. Accountability and anti-corruption objectives were advanced under specific projects, but no overarching strategy was ever developed and no relevant advice was provided. Insufficient attention was paid to stimulating local demand for government transparency accountability.	Moderately Unsatisfactory
3. Budget management systems	Reform progress was rather uneven, reflecting varying degrees of reform ownership across agencies. Capacity for public debt management and public sector accounting was upgraded. Progress with the implementation of RBB management and the government's MTFF has been insufficient.	Bank policy advice and technical assistance provided a major input to improving budget and debt management capacity, as reflected in the revised Budget and Tax Codes, development of the Public Debt Management Strategy, and the new government Concept on budget policy. Analytical work on PFM reforms and expenditure rationalization was comprehensive and of high quality.	Moderately Satisfactory
4. Intergovernmental financial management	Improvements in inter-governmental financial arrangements have been limited. The government introduced a system of per capita-based financing in primary health, but little	The Bank produced several reports with detailed diagnostics of the current system, provided advice on broad principles and specific design of reforms, and advocated a formula-	Moderately Unsatisfactory

Areas	Outcomes	Bank Group contribution	Ratings
	progress was made system-wide toward more transparency, predictability and equity.	based approach in allocating budget funds across subnational units.	
Overall rating			Moderately Satisfactory

Note: DPL = Development Policy Loan; EITI = Extractive Industries Transparency Initiative; MTFF = medium-term fiscal framework; NFRK = National Fund of the Republic of Kazakhstan; PFM = public financial management; RBB = results-based budgeting.

[1] Republic of Kazakhstan. Public Finance Management Assessment. Based on the PEFA Framework, June 2009, pp. 43–44.

[2] World Bank. Proposed Second Public Sector Resource Management Adjustment Loan (PSRMAL II), Initiating Concept Memorandum, 2001, February, pp.13–14. A Country Procurement Assessment Review (CPAR) was completed in 2000.

[3] The average effective rate on labor was substantially reduced in 2004, providing stronger incentives for compliance. (Republic of Kazakhstan. Tax Strategy Paper. 2008. Chapter 1.)

[4] President's Address: "To a Competitive Kazakhstan, a Competitive Economy, and a Competitive Nation," Astana, March 19, 2004.

[5] The Public Expenditure and Financial Accountability (PEFA) Program was founded in 2001 as a multi-donor partnership between seven donor agencies and international financial institutions to assess the condition of a country's public expenditure, procurement and financial accountability systems and develop a practical sequence for reform and capacity-building actions.

[6] The Public Expenditure Review (PER) is a standard diagnostic tool applied by the Bank in most of the countries in which it is engaged.

[7] A recent decision to make a large "exceptional" transfer from the NFRK (1 trillion KZ Tenge = $5 billion) to accelerate economic growth and diversification could be an indication of a shift toward a softer budgetary policy.

[8] The Bank's tax policy advice did not cover the issues of oil and gas taxation. Kazakhstan introduced significant changes to its tax regime in the hydrocarbon sector first in 2004–05, and then again in 2008, which did result in additional revenue gains for the government. However, this change was done with the input from other development partners and the consultants working under direct government contracts. The effective tax rate in the oil sector almost doubled from 16–17 percent in 2003–2004 to over 30 percent in 2010.

[9] Customs Development Project ($18.5 million; approved in 2007; revised closing date – end-2014) and Tax Administration Reform Project ($17 million, approved in 2010; ongoing).

[10] Republic of Kazakhstan: Tax Strategy Paper (2008), Republic of Kazakhstan: Tax Administration Reform and Modernization (2008).

[11] Uzen Oil Field Rehabilitation Project (IBRD); and IFC's investment in the Karachaganak oil and gas field.

[12] Aside from the EITI, the Bank Group involvement was limited to several studies under the JERP (since 2011): a report on Mineral Strategy Development (2011); a study on Mine Licensing (2013); a study on Increasing Domestic Procurement by the Mining Industry in Central Asia (2013); and a report on Mineral Taxation (currently underway).

[13] A SAFE Grant for Capacity Building for Public Sector Accounting Reform ($190,000, 2011–12); an Institutional Development Fund Grant for Public Sector Audit Capacity Building ($460,000, 2010–13); an Institutional Development Fund Grant for Building Capacity in the Procurement Audit Agency ($450,000) was approved in 2009, but canceled in 2013 with no disbursements.

[14] It was submitted to the Parliament and is expected to be adopted in 2015.

[15] The Government of Kazakhstan introduced a new anti-corruption program after the evaluation was completed (President Decree #986 of December 26, 2014).

[16] State Planning System in the Republic of Kazakhstan, Government of Kazakhstan, 2014.

[17] Debt Management Performance Assessment (DeMPA), World Bank, 2011.

[18] PEFA diagnostics (2009) and two sector PEIRs, in health (2009) and agriculture (2009).

5. Pillar 3: Economic Diversification

This chapter assesses the role of the World Bank Group and the results of its program in promoting economic diversification and the entry of the private sector into nonextractive sectors. Diversification of the economy and broad-based economic development are critical for long-term sustainable development, in particular for generating employment and reducing the vulnerability of the country to fluctuations in the prices of natural resources.

The natural resource sectors are capital-intensive and, as a rule, deploy a small fraction of the labor force in resource-rich countries. Investments in extractive industries can represent a sizable fraction of a developing country's GDP and lead to spectacular increases in export revenues. However, they do not create many jobs (World Bank 2013). It has been well known and observed that a high concentration of GDP in the exportable natural resource sectors with low spillovers and limited job prospects (typical for hydrocarbon and mining sectors) can also keep the currency exchange rate high, thereby hurting the competitiveness of other sectors of the economy.

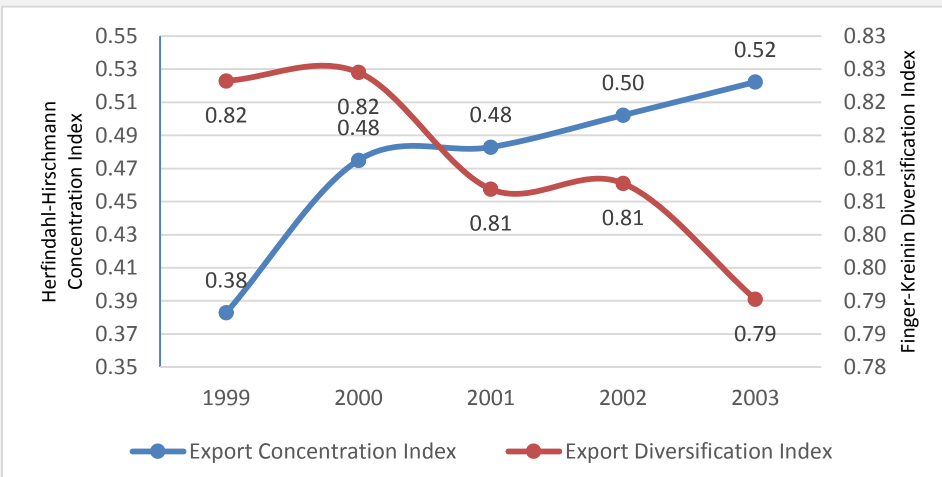
In the case of Kazakhstan, generating employment and growth in non-oil sectors is a major focus area of government policy, as the large reserves accumulated through the NFRK provide a cushion against price fluctuations. Nevertheless, even in the presence of large reserves, volatility in commodity prices and resource exhaustibility may threaten the long-term fiscal and external sustainability. Therefore, the long-term development prospects of a country such as Kazakhstan depend on the effective use of resource revenues for diversifying the economy away from the extractives.

In this context, it would be important to (i) identify critical bottlenecks and invest in *infrastructure* (energy, transport), addressing also issues of a modern regulatory framework and PPPs; (ii) promote growth and job creation in non-extractive, labor-intensive sectors, such as *agriculture*; (iii) develop an efficient and competitive *financial sector*, capable of mobilizing local savings and turning them into private investments; and (iv) promote *PSD (nonextractives)* by reducing the cost of doing business, improving the business environment and promoting the deregulation agenda to help the private sector to respond to growth in local demand. This chapter will assess the diversification aspect of the World Bank Group program in Kazakhstan through a combined review of these areas.

Context

The impressive growth of Kazakhstan's economy by the start of the review period (11 percent GDP growth on average in 2001–04) was driven mainly by rising oil production and prices. During this period, Kazakhstan was one of the 10 fastest growing economies in the world and attracted more FDI than all other Central Asian countries combined. In 2004, the oil and gas sector accounted for 16 percent of GDP, 55 percent of investment, and 50 percent of exports. After plummeting in the 1990s, manufacturing resumed a modest growth but was still only at 82.8 percent of its 1980 level, and about 60 percent of the 1990 level (ADB 2013b). The export diversification index was constantly deteriorating and the export concentration rising (see figure 5.1).

Figure 5.1. Export Diversification and Concentration Indices,[a] 1999–2003



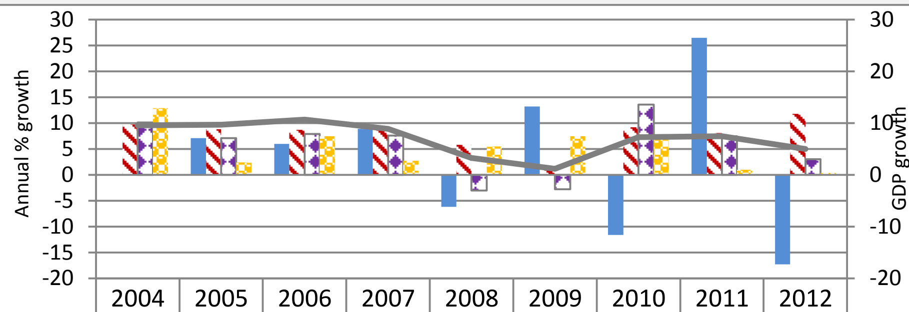
Source: UNCTAD.

a. The Herfindahl-Hirschmann Concentration Index shows whether exports are concentrated on some products or distributed in a more homogeneous manner among a series of products. The modified Finger-Kreinin Diversification Index denotes whether the structure of exports by product or a given country differs from the structure of product exports of the world.

The diversification of the economy has been a key economic goal of the government. Specific measures for diversification were introduced in the early 2000s, with the adoption of the *2003–2005 Agriculture and Food Program* and the *Innovative Industrial Development Strategy for the Years 2003–2015*. These planned a proactive approach to using subsidies to promote agriculture and government investment to promote industrialization. A number of new institutions were created to support the industrialization strategy, including the Development Bank of Kazakhstan, the Investment Fund of Kazakhstan, and the National Innovation Fund. The government also proposed major investments in infrastructure and education to support diversification.

Despite a strong push, the government's diversification efforts have not achieved much success. Economic growth during the review period was still largely propelled by growth in the extractive and service sectors. As a result, the share of agriculture and manufacturing declined during this period and the share of construction and services increased slightly. Growth in employment was concentrated largely in construction and real estate, with a decline in agriculture and minimal growth in manufacturing (see figure 5.2).

Figure 5.2. Sector Growth Rates, 2004–12

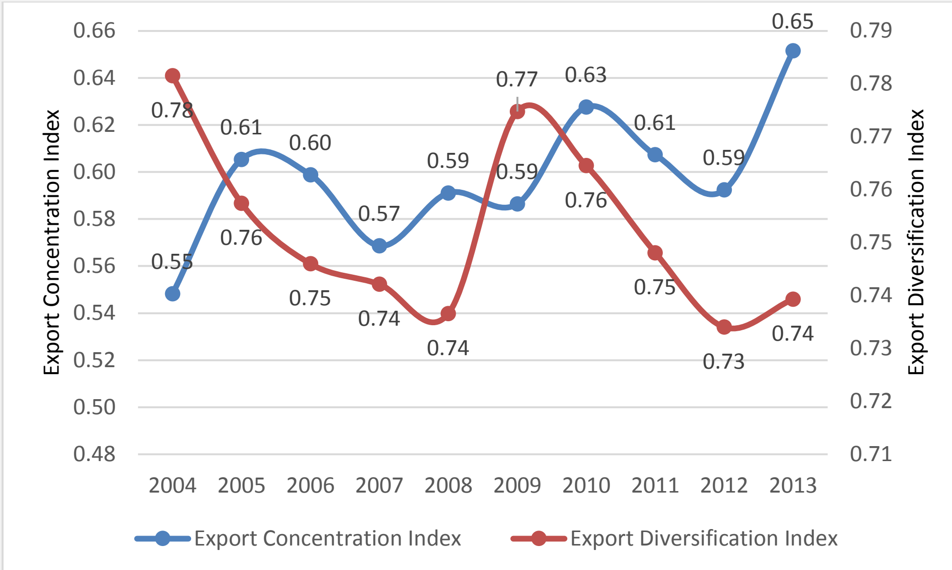


	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	-0.1	7.1	6.0	8.9	-6.2	13.2	-11.6	26.5	-17.3
Services	9.7	8.8	8.7	9.1	5.8	1.0	9.2	8.1	11.8
Manufacturing	10.1	7.1	7.9	7.6	-3.0	-2.8	13.6	7.5	3.0
Mining and Quarrying	12.9	2.4	7.5	2.7	5.5	7.5	7.1	1.0	0.4
GDP growth	9.6	9.7	10.7	8.9	3.3	1.2	7.3	7.5	5.0

Source: World Development Indicators; IMF 2013.

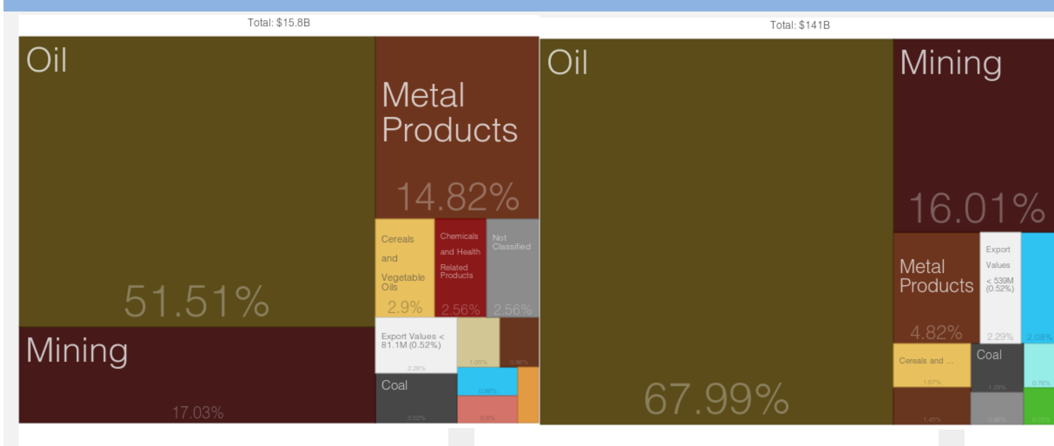
The diversification of exports during the review period was minimal, with a continued concentration in mineral products. By 2012, the oil industry remained the main contributor to exports and GDP, accounting for 20 percent of GDP (compared to 15 percent in 2007) and almost 70 percent of total exports (compared to 50 percent in 2004). The narrow production base and highly concentrated type of export basket products stressed the economy during the crisis and demonstrated Kazakhstan's vulnerability toward external shocks (see figure 5.3). This narrow-based growth led to a concentration of wealth and economic activity in the three main urban areas of Astana (the capital city), Almaty (the business capital), and Atyrau (the center of oil production).

Figure 5.3. Export Diversification and Concentration, 2004–13



Source: UNCTAD.

Figure 5.4. Export Tree 2004 (left) and Export Tree 2012 (right)



Source: Hausman and others (2011); Simoes and Hidalgo (2011).

In 2012, the top five exports accounted for 77 percent of exports (see figure 5.4). The number of products exported in which Kazakhstan had a revealed comparative advantage doubled between 1995 and 2010 (from 68 to 127)—although fluctuating from a high of 164 products in 2005 before falling to 127 in 2010. However, the largest part of the increase was in the mineral products (from 9 to 29), with its share of total exports increasing from 12 percent in 1995 to almost 75 percent in 2010. The second largest increase was in the metals category, with 30 products in 2010, representing 15 percent of total exports (ADB 2013a).

World Bank Group Strategy and Sector Programs

Supporting the government's efforts for economic diversification and job creation were the key objectives of World Bank Group support for both the 2004 and 2012 CPSs. However, there was no explicit support provided for the government's active industrial policy agenda, given the doubts about its effectiveness. Instead, Bank Group support centered on improving the competitiveness of the non-oil industry by "strengthening the government's capacity to identify and reduce barriers to business and private investors" (Pillar 2 of CPS 2004, p. 5), and by "building the foundation for future competitiveness by investing in basic infrastructure and human capital" (Pillar 3 of CPS 2004, p. 5). Both strategies envisaged support for these objectives in "four broad areas: infrastructure, agriculture, education and skills, and private sector development." Although the objectives under each of these were stated somewhat differently in the two strategy documents, their main thrust was essentially the same (table 5.1).

Table 5.1. World Bank Group Strategy Objectives

CPS 2004	CPS 2012
Infrastructure	
Building the foundation for future competitiveness by investing in basic infrastructure.	Building transport connectivity, and lowering costs. Improving energy transmission to poor areas.
Agriculture	
Enhancing rural productivity in agriculture and nonagricultural activities. Helping farmers to introduce improved food standards.	Strengthening knowledge for sustained growth in agriculture.
Private Sector Development	
Strengthening the government's capacity to identify and reduce barriers to business and private investors. Promoting innovation and SMEs.	Strengthening trade openness. Expanding non-oil exports. Reinvigorating the financial sector.
Education and Skills	
Building the foundation for future competitiveness by investing in human capital.	Building skills for employment.

Source: World Bank 2004, 2012.
Note: CPS = Country Partnership Strategy; SME = small and medium enterprises.

This chapter reviews Bank assistance in infrastructure, agriculture, and private sector development (including the financial sector). Bank assistance in education and skill development is discussed in chapter 6.

INFRASTRUCTURE

Transport

The geography, population, economy and trade flows of Central Asia have an important bearing on transportation challenges in Kazakhstan. Within the region, distances are substantial (2,000 kilometers from the Kyrgyz Republic to Russia), and access to major markets involves very long travel distances. There are also significant nonphysical barriers to trade, including inefficiencies at border crossings, unofficial payments, and the lack of harmonization of basic transit documents and regulations—all of which have been subjects of discussion at the Central Asia Regional Economic Cooperation (CAREC).

CAREC countries have designated six major transport corridors, four of which are through Kazakhstan (see appendix F). Although current trade movements are relatively low, there is significant potential for trade with Europe, China, and South Asia—in addition to current trade with Russia. Whereas rail transport accounts for more than 75 percent of the combined ton-kilometer of freight carried in Kazakhstan, road freight traffic has been growing more rapidly in the last 10 years.

The road network of some 84,000 kilometers, of which about 21,000 kilometers are national roads, plays an important role in the provision of basic access to rural areas and provides essential transit corridors for trade. The key issues in the sector include (i) an outdated and weak organizational capacity to plan and manage the network; (ii) inefficient allocation of funds among competing needs; (iii) the poor condition of the network, with more than 50 percent of roads requiring major maintenance or full rehabilitation; (iv) the high costs of construction; (v) poor road safety; and (vi) inefficiencies of various kind along the transit corridors (World Bank 2009).

The government's strategy includes significant investments in roads and the provision of select additional infrastructure, particularly along the CAREC corridors, totaling 8,290 kilometers. The strategy also includes strengthening the key agencies responsible for construction, maintenance, and operations of roads, as well as improvements in the functioning of the transit corridors (World Bank 2009). Government plans in the early 2000s envisaged support in the road sector coming from IFIs. However, in that period, there was not much Bank activity, primarily because of a lack of government interest in borrowing from the Bank at the time.

The pace and scale of Bank support for the roads sector picked up dramatically with the approval of two large road projects in 2009–11.[1] So far, the implementation of these large multi-donor-financed projects has been very effective. The government values Bank contributions in introducing modern contracting and contract management practices. KazAutoZhol (the road agency) also indicated that it welcomed Bank requirements for safeguards and fiduciary aspects. The government views Bank involvement in this sector as important for ensuring smooth implementation of its very large investment program in the sector. In addition to the actual roads, both projects aim to introduce stronger governance and fiduciary standards, upgrade the capacity of contractors, and establish new and innovative maintenance practices for outside contracting. To complement these investment projects, the Bank also provided significant support for policy and institutional development in the road sector[2] that provides a basis for some key sector policies and institutional design.

Overall, there is good progress toward achieving the CPS objective of building transport connectivity throughout the country, and there are good prospects for meeting the objective of upgrading the core network by 2020. The Southwest China-Western Europe corridor financed by the Bank is expected to be completed and operational by 2016.

Power

Kazakhstan has one of the most advanced institutional structures in the power sector among the former Soviet countries. Sector reforms initiated in 1996 aimed to introduce private participation in the power sector and establish a competitive power market. By 1997, the sector had been unbundled as follows: all 70 electricity generation plants were separated from the former state-owned integrated power utility and privatized; some 21 regional distribution companies (REKs) were established, of which three were privatized; and the state-owned Kazakhstan Electricity Grid Operating Company (KEGOC) was established to operate the high-voltage transmission line.

The main challenge in the power sector in 2004 was the inability to supply growing demand to the south (around Almaty) from the excess generation capacity in the north because of a lack of adequate interconnection capacity among the three regional power grids. This resulted in power shortages and a lack of reliability in the rapidly growing region around Almaty. Thus, a key priority of the government was to strengthen the transmission system connecting the northern and southern grids—and to create a unified national system that would also have the potential for greater intraregional power trade with Russia and its southern neighbors.

Bank engagement in the energy sector was limited to supporting KEGOC through four investment projects that aimed at strengthening the north-south transmission line, and connecting the additional available capacity in and around Almaty with the southern grid.[3] Three of the four projects have been successfully completed and the fourth is proceeding satisfactorily. They have had a significant impact on key expected outcomes, specifically in upgrading the transmission capacity and reliability of the transmission system in the north-south line and in reducing transmission losses.

KEGOC regards the Bank as having been a valuable partner in its modernization efforts. However, KEGOC now is a mature company with access to many other donors and even private capital, so there is little justification for continued Bank support. In addition, as a private company, KEGOC prefers to get future Bank support from IFC to avoid the need for a government guarantee.

Overall, Bank involvement in the sector—despite over a decade of support—has been rather narrow. The 2004 CPS did not articulate any outcomes for the sector, and the 2012 CPS set out only physical indicators for KEGOC. The power sector faces many more important issues in which the Bank has not been engaged. Most of the generation plants are coal fired and use outdated technology. Their refurbishing and modernization are constrained by the unwillingness of investors to invest without an adequately functioning power market. The previous surplus capacity has now been fully utilized with the rapid economic growth since 2001. However, new investment that is needed in power generation is similarly constrained. Thus, only power plants owned by the state-owned Samruk Energo have been adding new capacity. The distribution companies face challenges in mobilizing resources because of inadequate tariffs for district heating for which they are also responsible.

The Bank is not well positioned to provide support in these priority energy areas. Bank knowledge of the sector is limited, as it did not carry out any sector work or JERP-funded studies. Thus, it has not had any significant engagement with the Ministry of Energy and Industry on sector policies. The Bank would need to fill this gap rapidly if it were to have a meaningful engagement in the sector in the future.

Agriculture

Kazakhstan has significant agricultural potential, and development of the agriculture sector is an important part of the government's strategy for growth and economic diversification. More than 80 percent of its land area is classified as agricultural, including almost 70 percent occupied by pasturelands. Arable land, however, constitutes less than 10 percent of the country's area. However, its availability per inhabitant (1.5 hectares) is the second highest in the world after Australia (2.1 hectares). Kazakhstan today ranks among the top 10 wheat exporters in the world. With the growth of the oil and minerals sectors, the share of agriculture in GDP has declined steadily, from a high of 34 percent in 1990 to about 5 percent today. At the same time, the sector still accounts for almost one-fourth of employment.

Agriculture has gone through a major transformation since the country's independence. With the collapse of the Soviet Union in 1991, the farm sector, like the economy as a whole, was affected by the disruption of supply chains and went into a profound debt crisis. Reforms and land privatization in the 1990s resulted in the replacement of the collective farms by agricultural enterprises and individual farms. The agricultural enterprises were predominantly in the northern part of the country, focusing largely on wheat production, whereas the individual farms were predominantly in the south and focused on growing cotton, sugar beet, sunflowers, and other higher-value crops.

Since 2003, the government has pursued an active policy agenda for the promotion of agriculture and agro-industry. In the 1990s, the principal agriculture policy instruments were state purchases and a limited number of input subsidies coupled with nontariff trade regulations (for example, export restrictions, and export and import licensing). Starting in 2003, the scope of these instruments broadened to include crop subsidies of various kinds, input subsidies, concessional credit and other forms of financing, tax concessions, expanded agriculture support services, and various trade policy instruments. The budgetary outlays for these programs have increased each year since then, and averaged 200 billion Tenge ($1.36 billion) in 2009–11.

Bank support for the sector included several unrelated investment projects[4] and studies.[5] The overall achievements of Bank-funded projects were uneven, with sustainability a major issue overall. Bank assistance to restore abandoned cereal lands using environmentally sustainable technologies was an important and relevant undertaking that achieved impressive results. However, there has been no follow-up, and there is no clarity on institutional responsibility and ownership within the government.

Bank engagement in rural finance and increasing agricultural competitiveness was not successful because of poor design of Bank projects and lack of uptake. The projects were conceived without an adequate understanding of constraints and challenges in rural finance, and they lacked a logical link between project components and desired outcomes. In one case, a Bank project overlapped with and was dwarfed by a major government initiative in the same area (rural credit). Another project on agricultural competitiveness had a very successful component of matching grants to promote linkages between researchers and farmers and agroprocessors, but the program was never internalized in the Ministry of Agriculture and ended with project completion. Implementation of all projects was structured around ad hoc project management units that are dissolved at the end of the project.

Bank sector studies were of high quality, but it was virtually impossible to trace their impact on the government's approach to the sector.[6] Most studies were done at the

Bank's initiative rather than in response to a specifically identified need, including for the JERP-funded studies that were supposed to be fully demand driven. The study on agricultural subsidies (World Bank 2014) provided a rigorous analysis of the effectiveness of the government's large subsidy program, but its recommendations have not found much traction, as the government seems committed to maintaining the subsidy programs.

Overall, although the Bank has pursued an active program of lending and nonlending in the agricultural sector, its contribution to and influence on the sector and policy has been limited. The lending program suffered from a number of weaknesses, such as poor technical designs, insufficient attention to institutional sustainability, a lack of linkage between projects and the government's own programs, and inadequate consideration of project sequencing. The nonlending services—although ostensibly demand driven under the JERP—have lacked ownership by the Ministry of Agriculture. There is also significant duplication of studies on similar subjects by the OECD and the Food and Agriculture Organization.

Financial Sector

The financial sector in Kazakhstan is currently under great pressure, with the banks facing the worst ratio of nonperforming loans in the world (31.7 percent of total loans[7]) and a large foreign debt. Since 2004, the sector has grown rapidly, supported by strong macroeconomic performance and a substantial inflow of foreign wholesale funding. Banks borrowed heavily from the international markets and accumulated $50 billion of debt by 2007**.** The global financial crisis of 2008 and the associated decline in commodity prices in 2009 triggered a crisis in the domestic financial sector. Real estate prices dropped sharply, causing the construction bubble to burst and leaving the banks with a massive amount of delinquent loans.

The government took drastic measures to quell the crisis, including the recapitalization of three major problem banks and a reduction by more than $10 billion in their external debt. Several banks had to be restructured (those with NPLs of around 70 percent), and were either taken over by the National Welfare Fund, Samruk-Kazyna, or have been put under monitoring. More recent measures, including the introduction of Basel-III capital ratios, are expected to lead to more stability and consolidation. The total official fiscal and banking support amounted to $17 billion, largely drawing on savings in the NFRK. Despite these measures, the crisis continues to have a lasting impact on the structure and solvency of the banking system and has not been fully resolved until now.

The Bank Group did not consider financial sector development a priority prior to the 2008 crisis. The 2012 CPS, reflecting on the government's Development Strategy 2020—

which listed financial market development (insolvency reform, resolution of corporate financial sector distress) as one of its priority areas—included the objective of *reinvigorating the financial sector*.

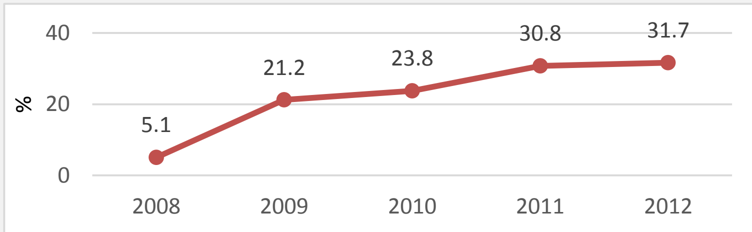
The main World Bank Group interlocutor in dealing with the financial sector was IFC. Until 2008, IFC had engaged in very few small value projects (one per year on average) in commercial banking. During the crisis, IFC expanded its activities in the banking sector, passing longer-term credit to institutions that would offer lending to SMEs, and offering guarantees to facilitate international trade—with varying degrees of success.

IFC's strategy in Kazakhstan, in line with its regional approach, focused primarily on strengthening the financial sector through investments that addressed liquidity issues, especially in view of the 2008 crisis. Other areas of focus included infrastructure development through the creation of PPPs and promoting SMEs in agribusiness, manufacturing, and services. In the longer term, IFC focused on the establishment of best practices in international banking, corporate governance, and the regulatory environment.

The IBRD mainly concentrated on updating its Financial Sector Assessment Program (FSAP)[8] reports and monitoring the relevant processes. A series of these (in 2004, 2008, and 2009) and policy notes[9] alerted the government to the risks in the banking sector early on. However, the government addressed these warnings only much later, in the wake of the crisis. The Bank organized two "brainstorming sessions" dedicated to the financial crisis (2008 and 2009). Following these sessions, the government set up a special commission to tackle the banking crisis and used inputs from these discussions to prepare an anticrisis program. After 2009 the Bank was not involved in providing support to address the main issues in the financial sector (NPLs and foreign debt) because of a lack of demand from the government. IFC supported the banks during the crisis through recapitalizations with equity and subordinated debt, as well as long-term loans to banks that would offer lending to SMEs; it also offered short-term guarantees for trade facilitation.

Despite these efforts, there is still little progress toward achieving the objective of helping to reinvigorate the financial sector. The banks are still burdened with a large share of NPLs and foreign debt (see figure 5.5). Moody's outlook on Kazakhstan's banking system remains negative, given its weak asset quality. Capital adequacy will remain a key credit challenge for the next few years, despite NBK's target to decrease NPLs to less than 10 percent—or the need to comply with Basel-III capital requirements, which are to be implemented by 2019. The government did not directly request the Bank's assistance on issues pertinent to the financial crisis post-2009. In turn, efforts by the Bank to support relevant institutions and IFC's counter-cyclical support to key private banks were not significant.

Figure 5.5. Share of Nonperforming Loans (percent)



Source: World Bank data.

Looking ahead, a more comprehensive approach in dealing with NPLs might achieve better success. Recent measures represent a step in the right direction. However, more can be done, including changes to the legal and fiscal frameworks, such as improvements in the insolvency regime, the removal of obstacles to transfers of collateralized debt to the Problem Loan Fund, bank-owned Special Purpose Vehicles, and so on.

Private Sector Development

Kazakhstan's economy is dominated by state-owned interests that control more than 60 percent of the economy (about 2,000 enterprises). By 2001, Kazakhstan had privatized thousands of enterprises, but most of the large important enterprises remained in majority state ownership. Samruk-Kazyna, the National Welfare Fund, owns, in either whole or in part, many important companies in the country (see box 5.1). SMEs account for no more than 20 percent of GDP and exist active mainly in retail and services.

The government paid close attention to improving the overall business climate, in particular to the country's standing on various rankings, such as the Doing Business indicators. A number of reforms, including legislative changes on investor protection, insolvency procedures, concessions, competition, and licensing and inspection requirements led to improvement of Kazakhstan's Doing Business ranking (see figure 5.6).[10]

Box 5.1. National Welfare Fund

Established in 2008 through the merger of two separate funds, the National Welfare Fund (or Samruk-Kazyna) was mandated to enhance the nation's economic competitiveness and support growth. It holds shares in national development institutions, national companies, and other legal entities. Its aim is to maximize their long-term value and competitiveness in world markets. The company controlled $78 billion in assets in 2011, or nearly 56 percent of GDP, and is expected to hold $100 billion by 2015.

The following is a partial list of organizations partly or wholly owned by Samruk–Kazyna:

- Air Astana (51 percent)
- Kazakhstan Development Bank (100 percent)
- Kazakhstan Electricity Grid Operating Company (100 percent)
- Kazakhstan Mortgage Company (91 percent)
- KazakhTelecom (45.9 percent)
- KazMunayGas (100 percent)
- Kazpost (100 percent)
- National Innovation Fund (100 percent)
- SK-Pharmaceuticals (100 percent).

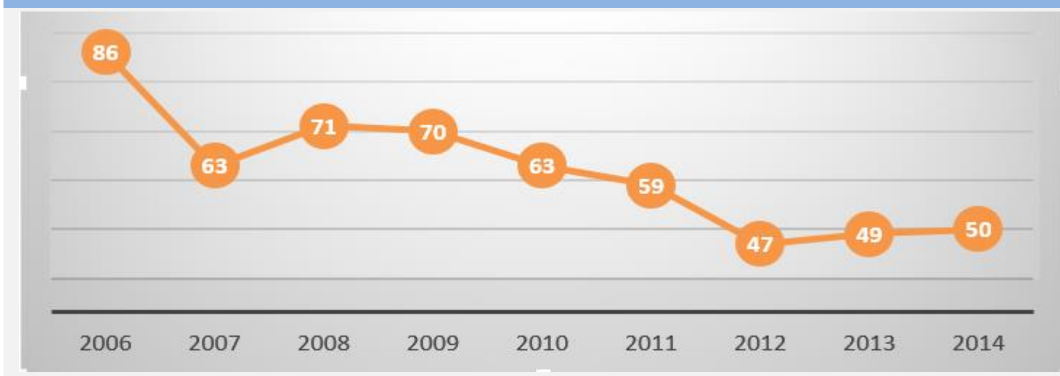
Samruk–Kazyna's functions also include: (i) financing SME projects; (ii) acquiring authorized voting shares in second-tier banks to allocate socioeconomic development funds (construction, SMEs, agribusiness); and (iii) supporting the development of the mortgage credit market and the housing construction savings system; localization of manufacturing, assembly, and repair; and maintenance of imported equipment. Diversification and modernization of the national economy is one of Samruk-Kazyna's stated priorities.

Source: Asian Development Bank, IEG; World Bank.

The government paid close attention to improving the overall business climate, in particular to the country's standing on various rankings, such as the Doing Business indicators. A number of reforms, including legislative changes on investor protection, insolvency procedures, concessions, competition, and licensing and inspection requirements led to improvement of Kazakhstan's Doing Business ranking (see figure 5.6).[11]

Bank Group strategies aimed to provide assistance to the government to: (i) improve the business climate, (ii) enhance innovation; (iii) provide better access to finance, and (iv) advance WTO accession. IBRD targeted innovation, and improving the regulatory environment and the trade regime. IFC supported developing infrastructure through PPPs and SME development, particularly in agribusiness, manufacturing, and services. The Multilateral Investment Guarantee Agency (MIGA) intended to support the financial and manufacturing sectors. The main strategy covered by this evaluation (2004 CPS) did not include a results framework with measurable outcomes (it was not mandatory at the time). The main instrument of engagement was analytical work: JERP-financed studies ("how-to" guidance notes, institutional development plans, and policy analysis notes), and IFC advisory services covering issues related to improving corporate governance, mortgage financing and leasing. Analytic work mainly targeted facilitation of economic diversification, improvement of competitiveness and conditions for doing business, and a reduction of trade barriers.

Figure 5.6. Kazakhstan Doing Business Rankings[a]

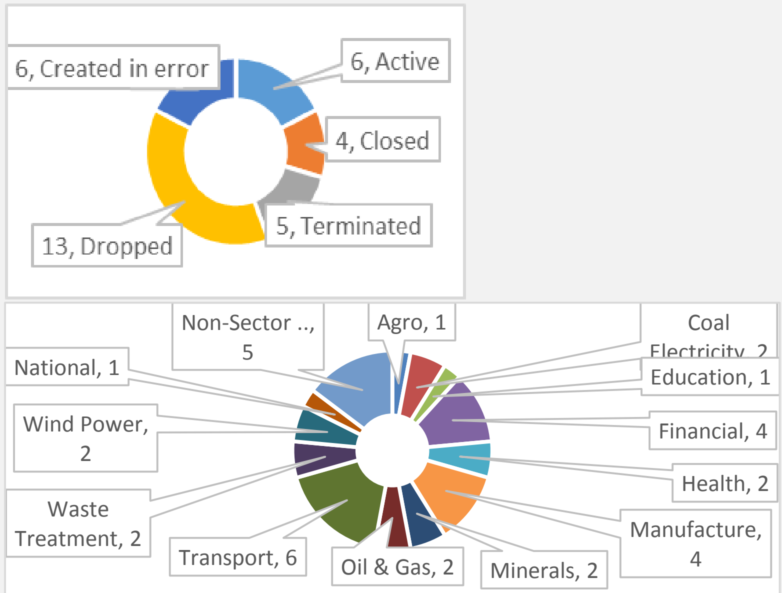


Source: Doing Business Reports.
a. This refers to the country's overall ranking in the World Bank's Doing Business database. Ease of doing business ranks economies from 1 to 189, with first place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operation. The index averages the country's percentile rankings on 10 topics covered in the World Bank's Doing Business.

Bank Group strategies aimed to provide assistance to the government to: (i) improve the business climate, (ii) enhance innovation; (iii) provide better access to finance, and (iv) advance WTO accession. IBRD targeted innovation, and improving the regulatory environment and the trade regime. IFC supported developing infrastructure through PPPs and SME development, particularly in agribusiness, manufacturing, and services. The Multilateral Investment Guarantee Agency (MIGA) intended to support the financial and manufacturing sectors. The main strategy covered by this evaluation (2004 CPS) did not include a results framework with measurable outcomes (it was not mandatory at the time). The main instrument of engagement was analytical work: JERP-financed studies ("how-to" guidance notes, institutional development plans, and policy analysis notes), and IFC advisory services covering issues related to improving corporate governance, mortgage financing and leasing. Analytic work mainly targeted facilitation of economic diversification, improvement of competitiveness and conditions for doing business, and a reduction of trade barriers.

The most ambitious Bank initiative on PSD targeted diversification. The Technology Commercialization Project[12] aimed to convert scientific research into a number of "bankable" deals through competitive grant financing for research and development projects with commercial potential. The project provided grants, offered training but has not produced any commercially viable propositions during the review period, six years after approval.[13]

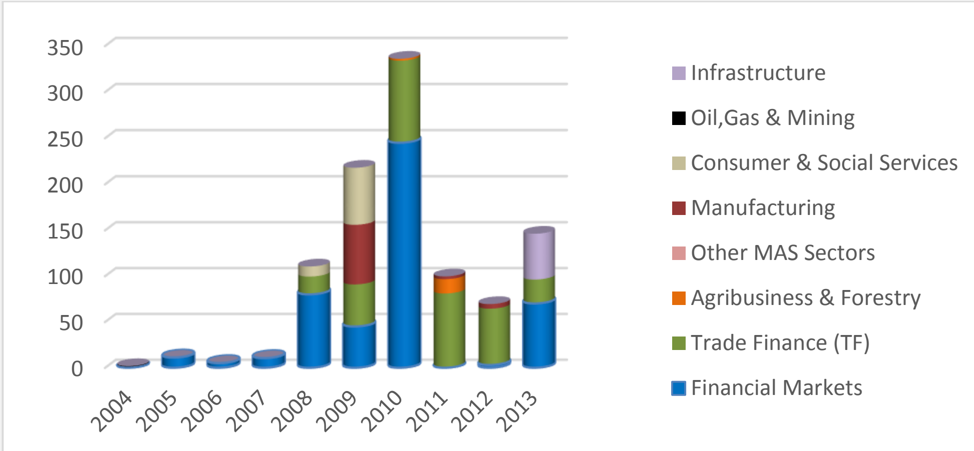
Figure 5.7. IFC Advisory Services by Status and Sector



Source: IFC.

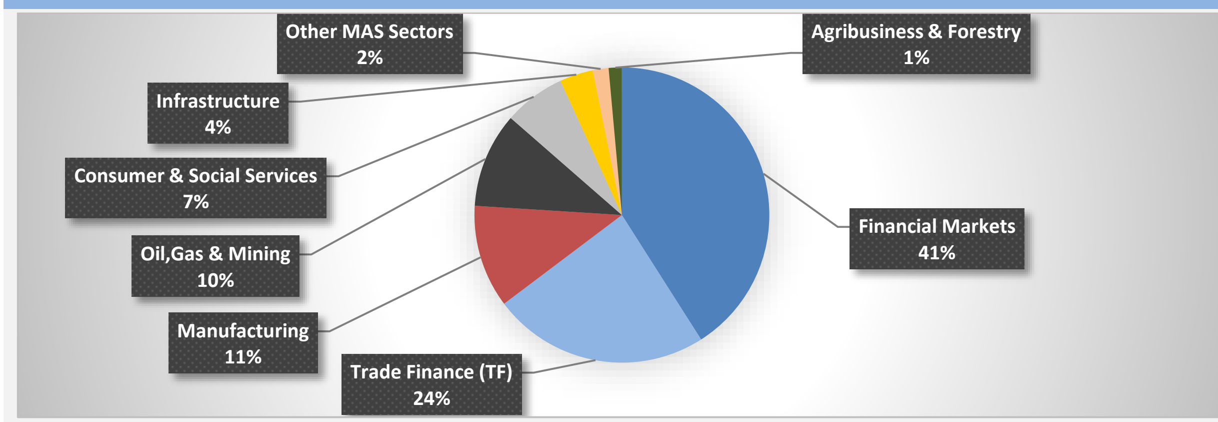
IFC had very little presence in the real sector and limited success in promoting diversification. Its advisory services intended to open doors for further investments and private sector participation. However, because most of the private sector initiatives in Kazakhstan were related directly or indirectly to state-owned interests, IFC had difficulty identifying clients and investments unconstrained by its Integrity Due Diligence[14] issues; it therefore concentrated mainly on the banking sector. In 2008, IFC increased its efforts to engage in more advisory activities to match investments, albeit with quite a low success rate: of 34 formal documented efforts to engage, only 10 materialized, of which 6 are currently active (see figure 5.7). Among all the sectors in which IFC attempted to engage (transport, manufacturing, finance, health, renewable energy), it managed to conclude participation in only a few: solid waste management, the Almaty ring-road, wind power, coal generated electricity, and financial sector transactions. IFC's investment side was dormant until 2008 (averaging only one new project per year, with a maximum size of $15 million). In 2008–13, there was a strong increase in activity, with five new projects per year valued at $70–300 million (see figures 5.8, 5.9, and 5.10).

Figure 5.8. IFC's Original Commitments by Sector (US$ millions)



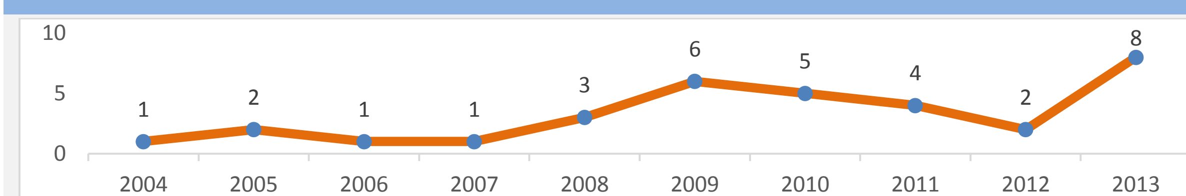
Source: IFC.
Note: MAS = Manufacturing, Agribusiness, and Services.

Figure 5.9. IFC Original Commitments by Sector



Source: IFC.
Note: MAS = Manufacturing, Agribusiness, and Services.

Figure 5.10. IFC Number of New Projects, Time Series



Source: IFC.

The Bank Group was more successful in helping improve conditions for doing business. The most successful contribution was the Bank's continuous work (2009 onward) regarding the improvement of the Doing Business rankings indicators (for example, access to financing, construction permits, and cross-border procedures). Kazakhstan is currently considered the least regulated economy in the region (Central Asia and Russia), with steady improving Doing Business rankings (see figure 5.6). At the same time, other rankings (for example, the European Bank for Reconstruction and Development Transition Indicators) show rather static performance (see table 5.2).

Table 5.2. EBRD Transition Indicators, 2003–12

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Large-scale privatization	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Small-scale privatization	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Governance and enterprise restructuring	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Price liberalization	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.7	3.7
Trade and Foreign exchange system	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Competition Policy	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Source: EBRD.
Note: EBRD = European Bank for Reconstruction and Development.

The Bank's work on the reduction of trade barriers focused on trade facilitation and WTO accession. The Bank organized seminars (with World Bank Institute support) and training sessions and prepared policy notes or provided comments on governmental programs. More recent work includes an analysis of the impact of the Customs Union[15] with a focus on the non-energy sector (firm level and a roadmap developed to transit from compulsory to WTO compatible voluntary certification). Although the Bank's advice in this area was targeted and well received by the government, WTO accession has been delayed several times and the prospects for membership remain unclear.

MIGA has no specific country strategy and no local presence in Kazakhstan. The Agency had one scoping mission during the period and developed a portfolio of five projects. They were sponsored by Austrian and Dutch investors in support of the country's financial and manufacturing sectors. The combined gross exposure from these investments is $512.7 million (as of October 2014). MIGA provided two separate $190 million guarantees to UniCredit Bank Austria AG, which accounts for 70 percent of MIGA business. MIGA offered guarantees against the political risk of transfer restriction, expropriation, and war and civil disturbance for shareholder loan that UniCredit bank provided to ATF Bank. Overall, leveraging existing relationship with a European parent bank, MIGA played a positive role during the financial crisis by facilitating financial support from the parent bank to its subsidiary in Kazakhstan with its political risk guarantees.

Conclusions

Despite the continuous prominence given to economic diversification away from the extractive sectors in all of the government and World Bank Group strategies, the economy of Kazakhstan today is more concentrated than it was at the start of the review period. Indeed, it continues to be dominated by state-owned interests that control more than 60 percent of the economy, either directly or indirectly through the National Welfare Fund. The government continues to pursue active industrial policy initiatives, but the results are not yet evident, and the Bank Group is generally not involved in them. Bank Group strategies and analytical products acknowledged the importance of economic diversification away from the extractive industries, but struggled to define diversification as a specific objective. Diversification was usually described in rather general terms, and neither CPS strategy specified any outcome measures/indicators for it in their results frameworks.

The Bank Group strategy of focusing on specific sector interventions (infrastructure, non-oil sector growth and private sector development) through a mixture of projects, analytical work, and policy dialogue was and remains relevant in the country context. The selected areas of Bank intervention are all pertinent for diversification. However, the effectiveness of separate elements of the Bank Group program in these areas was highly uneven. In addition, the impact of these interventions in terms of achieving diversification was not evident. The CPS did not set out any indicators for diversification, and there were no mechanisms to monitor diversification outcomes. This meant that the impact of the various elements of World Bank Group support remained unknown. Moreover, there was no effort to identify midcourse alterations in strategy and/or changes in emphasis, if these were to be warranted.

In the future, the Bank Group needs to be much more selective and strategic in its interventions. These interventions should be designed around specific goals and targets for diversification that are underpinned by relevant analytical work and jointly monitored with the government. An alternative approach would be what was advocated by a recent Bank study on diversified development (Gill, Izvorski, and van

Eeghen 2014). It argues that diversification is a complex subject that is often hard to plan for and achieve results; it suggests that diversification should be treated as a process rather than as an explicit objective. Countries like Kazakhstan should therefore instead focus on effectively converting their natural capital (oil and minerals) into physical (infrastructure, agriculture, and private sector), human (education and skills), and institutional (governance) capital.

Agriculture is an important sector in Kazakhstan in terms of its potential contribution to growth and job creation. However, the Bank Group contribution to agriculture in Kazakhstan has been marginal to the country's own program in the sector, and there does not seem to be much scope for meaningful engagement by the Bank Group. The Bank's program has been dispersed among a number of different areas, lacking a sustained involvement in any of them. Institutional sustainability has been an issue even when a projects or parts of a project were successful. There does not seem to have been agreement between the government and the Bank on the sector strategy. Bank efforts have been marginal to the Ministry of Agriculture's overall program, and there is little justification for continued ad hoc projects. Unless there is a strategic convergence between the government and the Bank strategy, the Bank might consider exiting this sector completely—with the possible exception of the irrigation sub-sector (in case there is an agreement on longer-term Bank support around the newly formulated irrigation strategy).

The Bank's continued presence in the transport sector (highways) will help to ensure that it plays a role in the efficient implementation of an ambitious public investment program. The large roads projects could be an effective instrument to help with further institutional development of the agencies involved in planning, construction, maintenance and operations of highways, as well as in strengthening the logistics around the movement of goods in the CAREC corridors. There could also potentially be a role for IFC in case the government proceeds with its planned PPP initiative.

Future Bank engagement in the power sector is less evident. Traditionally the Bank has been involved in upgrading transmission lines, but the challenge now is to upgrade the distribution and generation systems that are largely in private hands—a factor that limits Bank involvement. At the same time, there may be room for Bank involvement in a number of policy and regulatory issues, especially the tariff policy. There is also room for possible IFC-Bank collaboration. This would require the Bank to deepen its sector knowledge through analytical work to define its sector strategy.

The Bank Group's efforts to reinvigorate the financial sector were not successful. The financial sector is still burdened with NPLs and large foreign debt. IFC offered a wide range of its financial products to help recapitalize its client banks as well as to support lending to SMEs. Ultimately, the government was not keen on requesting the Bank Group's assistance, and efforts by the Bank to support relevant institutions along with IFC's counter-cyclical support were not adequate to resolve financial sector issues. The outlook for the Kazakhstan banking system remains negative, given weak asset quality and capital adequacy. This will remain a key challenge for the next couple of years, despite NBK's target to decrease NPLs to less than 10 percent, or for ensuring that Basel-III capital requirements will be implemented by 2019.

The Bank Group's program had little effect on the overall business climate, other than helping improve selected Doing Business indicators. Kazakhstan managed to reach 47th place in 2012—a tangible improvement compared to 86th place in 2006. After 2012, the ranking slightly deteriorated. Other rankings, such as the EBRD transition indicators, do not show progress on governance, enterprise restructuring, competition policy, or the trade and the foreign exchange system—and even show a slight deterioration on price liberalization. IFC has generally struggled to find its niche for investments in Kazakhstan. IFC concentrated mainly in the banking sector and its engagement in the real sector was minimal, as it proved to be challenging to identify suitable clients in an economy dominated by state interests.

Summary Rating

The overall rating for the achievement of Bank Group program outcomes on economic diversification is *Moderately Unsatisfactory.* A detailed breakdown is provided in table 5.3.

Table 5.3. Summary Rating for Pillar 3: Economic Diversification

Areas	Outcomes	Bank Group contribution	Ratings
1. Infrastructure			Satisfactory
(a)Transport	The government's ambitious program to upgrade its core network of roads has made good progress, and is expected to be completed by 2017. Expected results include significant improvements in travel speed, improved border crossing times, and road safety.	The Bank is a lead contributor in the sector with more than $2 billion in investments. Bank involvement has helped introduce modern contracting practices, which has ensured efficient implementation. It has also provided support for institutional and policy development through nonlending services.	Satisfactory
(b) Power	Kazakhstan has a modern and competitive power sector structure, with separate entities responsible for generation, transmission and distribution. KEGOC, the transmission	The Bank had a significant involvement with KEGOC through four projects, all of which were implemented satisfactorily and achieved their development objectives. However, Bank Group had no	Moderately satisfactory

Areas	Outcomes	Bank Group contribution	Ratings
	company, was strengthened and put on a solid financial footing. However, there was less progress on modernizing the generation plants.	involvement in attracting private investments in rehabilitation and modernization of generation and district heating. There was no ESW done that would have provided a basis for deepening sector engagement.	
2. Agriculture	The government has pursued an active policy agenda for the promotion of agriculture and agro-industry, including through various subsidies, concessional credit, and other forms of financing. A significant increase in the production of all major crops and livestock largely reversed the decline of the 1990s.	Bank has had little impact in the sector. Its efforts to impact the subsidy policies did not find traction with the Government. Bank projects were not well designed, and were disconnected from one another and from the Ministry of Agriculture's program.	Unsatisfactory
3. Financial sector	The global financial crisis left the banks with massive amounts of delinquent loans and a large foreign debt. Despite drastic measures by the government (recapitalization and restructuring of problem banks), the banking system crisis has not been fully resolved.	The World Bank Group provided support mainly after the crisis through policy advice (IBRD) and long- term credit lines for SME financing and trade facilitation (IFC). Bank policy dialogue on the financial sector was not extended beyond 2009. The large share of NPLs (32 percent) remains a lingering problem and has not been resolved.	Moderately Unsatisfactory
4. Private Sector Development	The business climate (performance on Doing Business indicators) has improved. There has been no progress on export diversification. State-owned interests continue controlling over 60 percent of the economy.	The Bank Group contributed to the improvement of "Doing Business" rankings. IFC advisory and investments struggled to enter the real sector – often having trouble identifying suitable clients, and concentrated mainly in the banking sector.	Moderately unsatisfactory
Overall rating			**Moderately unsatisfactory**

Note: ESW = economic and sector work; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; KEGOC = Kazakhstan Electricity Grid Operating Company; NPL = nonperforming loan; SME = small and medium-size enterprise

References

Hausmann, R., C.A. Hidalgo, S. Bustos, M. Coscia, S. Chung, J. Jimenez, A. Simoes, and M. Yildirim. 2011. *The Atlas of Economic Complexity*. Cambridge, MA: Puritan Press.

Simoes, A.J.G., and C.A. Hidalgo. 2011. *The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development.* Workshops at the Twenty-Fifth AAAI

Conference on Artificial Intelligence.
https://atlas.media.mit.edu/en/explore/tree_map/hs/export/kaz/all/show/2012/

---

[1] (i) South West Roads Project ($2.125 billion, FY09) for upgrading a portion of the Western Europe – Western China International Corridor, with other parts of the corridor being financed by ADB ($939 million), EBRD ($212.5 million), and IsDB ($487 million); and the (ii) East-West Roads Project ($1,068 million, FY12) to upgrade the Almaty-Khorgos section of the same corridor.

[2] Review of The 2020 Road Transport Strategy, 2013; Alternative route options for the next corridor for Bank financing, 2013; project-financed consulting studies (Road Maintenance System, 2012; Road Safety, 2014; and studies dealing with specific technical issues); and JERP-funded advisory services for the further development of Logistics Systems.

[3] Electricity Transmission and Rehabilitation Project ($140 million, FY00); North-South Electricity Transmission Project ($100 million, FY06); Moinak Electricity Transmission Project ($48 million, FY10); and Alma Electricity Transmission Project ($78 million, FY11). KEGOC has been responsible for all four projects.

[4] Projects included: a Drylands Management Project ($5.3 million, FY03–10); an Agricultural Post-Privatization Project ($35 million, FY05–12); an Agriculture Competitiveness Project ($24 million, FY05); and an Irrigation and Drainage Improvement Project ($103 million, FY13–ongoing).

[5] A Livestock Sector Study (FY05), a Fisheries Sector Study (FY05), an Agriculture Policy Assessment (FY07, JERP), and an Agriculture PER (FY07).

[6] Most sector studies were completed in the early years of the review period (FY05–07), although recently the Bank restarted its provision of nonlending services in the sector under the JERP including: an Update of Agricultural Subsidy study; an Irrigation and Drainage Policy Note; a Poultry and Meat Subsidy study, and an Animal Nutrition study.

[7] The most recent official data puts the share of NPLs at 31.7 percent of the total. According to some unofficial estimates, it reaches as high as 70–80 percent.

[8] The Financial Sector Assessment Program (FSAP) is a joint program of the International Monetary Fund and the World Bank. The FSAP provides a comprehensive framework through which assessors and authorities in participating countries can identify financial system vulnerabilities and develop appropriate policy responses.

[9] Policy notes on reform of the financial sector (2005) and enhancement of the financial system (2006); a draft law on insolvency (2010); and Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) reports, Reports on the Observance of Standards and Codes (ROSC).

[10] Methodology of Doing Business has been revised in a way that rankings cannot be compared before and after 2014. Since most of the period evaluated predates these changes, this evaluation and Figure 5.6 reflect the old methodology in order to maintain comparability of the time series data. The rankings for 2014 and 2015 that use new methodology place Kazakhstan at 76 and 77th places respectively.

[11] Methodology of Doing Business has been revised in a way that rankings cannot be compared before and after 2014. Since most of the period evaluated predates these changes, this evaluation and Figure 5.6 reflect the old methodology in order to maintain comparability of the time series data. The rankings for 2014 and 2015 that use new methodology place Kazakhstan at 76 and 77th places respectively.

[12] Technology Commercialization Project, 2008–ongoing, expected to close in 2015. $ 75 million, of which Bank loan was $13.4 million, and government contribution was $61.6 million.

[13] From approval in 2008 to IEG evaluation mission visit in June 2014.

[14] IFC's Integrity Due Diligence (IDD) Procedure is a framework for identifying and documenting the potential risks associated with unethical and illegal activities which include environmental, social, governance and financial crime issues such as child labor, corruption, fraud, and money laundering.

[15] The Customs Union of Russia, Belarus, and Kazakhstan.

6. Pillar 4: Investing in Human Capital and a Clean Environment

Translating natural resource wealth into tangible and visible benefits for the population at large is a common challenge for many resource-rich countries—whether through building human capital as reflected by improved health and education outcomes, establishing effective social safety nets, or improving the living conditions through addressing the environmental challenges. Although governments may have the resources to increase spending, the quality and effectiveness of these investments are often questionable.

There is much evidence demonstrating the importance of investment in human capital and the environment for sustainable development. Investments in human capital (education and skills development) improve labor productivity, increase a country's competitiveness and may lead to economic diversification. A cleaner environment and improvement in living conditions have an immediate positive impact on the quality of life, health outcomes and other human development indicators.

As described in previous chapters, Kazakhstan was able to "monetize" its hydrocarbon wealth and accumulate large resources. Thanks to the oil-fueled economic growth, the country has made steady progress over the last decade on poverty reduction and social development. During the period 2004–13, progress was made in some key areas, including the achievement of three of the global Millennium Development Goals: a reduction in poverty by half, universal primary education, and gender equality in education. The UNDP's human development index shows Kazakhstan's improvement from 80th place in 2005 to 70th place in 2013. Life expectancy also increased from 66 years in 2004 to 70 years in 2012, and maternal and infant mortality rates have been cut nearly in half (WDI 2014).

Poverty officially declined from 33.9 percent in 2004 to 2.9 percent in 2013—although inequality and gaps between urban and rural living standards still persist. The last two strategies of the Bank Group in Kazakhstan (see table 6.1) do not mention poverty reduction as an explicit objective, and do not track poverty indicators. Instead, the strategy documents list the areas of environmental protection, education, health, and social protection as part of the World Bank Group strategy in Kazakhstan.

Table 6.1. Bank CPS Objectives

CPS 2004	CPS 2012
Ensuring future growth will not harm the **environment** and past liabilities are mitigated.	Fight climate change with a cleaner **environment.**
Building the foundation for future competitiveness by investing in human capital and basic infrastructure: **modernization of health, education, water and sanitation.**	Bolster human capital through **building skills for employment; and vocational education.**
	Raise the efficiency in delivering critical public services: reforming social protection; **pensions.**
	Strategic approach to **health** reforms.

Source: World Bank, 2004, 2012.

This chapter looks at the Bank Group role in and contribution to helping Kazakhstan use its revenues from natural resources to build human capital and address environmental challenges. This includes issues identified in the common analytical framework for this CPE, such as improving human development indicators; matching education to the demands of the private sector; helping establish effective social safety nets; and addressing environmental and climate change priorities and challenges.

Addressing Environmental Challenges

Over the past decades, Kazakhstan's transition and growth have been associated with major environmental issues, including a legacy of historical pollution concentrated in urban areas; air, soil and water pollution as a result of ongoing mining and processing/manufacturing; inherited issues related to nuclear testing; land degradation as a result of the damaging agricultural practices in the mid-20th century; desertification; and water scarcity.

Two areas stand out for both the range and severity of their environmental distress: the desiccation of the Aral Sea and a cluster of seriously polluted and partially abandoned industrial complexes, such as nonferrous and ferrous metallurgy, power, chemical industries, and mining, and a former Soviet nuclear testing site. All these sites are characterized by a high level of complex air, water, and soil contamination.

Protecting the country's forests is another important and challenging task. Kazakhstan's forest area accounts for a mere 1.2 percent of its territory, but the 33,000 km^2 of forest cover still make it the third largest forested country in the Europe and Central Asia Region, after Russia and Turkey. Public funding of forest management and environmental protection declined dramatically in the 1990s, and most of the afforestation and forest maintenance and protection work had come to a virtual standstill. In addition, Kazakhstan's forests suffered dramatic losses from fire in 1998, which affected as much as 10 percent of the forest area (Kushlin, van Veen, and Sutton 2004).

With respect to climate change, Kazakhstan ranks among the top 10 energy-intensive economies in the world. Mirroring the high energy intensity, the country is the fourth most greenhouse gas-intensive country in the world. With 1.4 kilograms of carbon dioxide (CO_2) per dollar of GDP emitted in 2008, Kazakhstan is more than twice as greenhouse gas-intensive as the Europe and Central Asia regional average, and more than three times as intensive compared to the OECD average (World Bank 2013).

Kazakhstan's water and sanitation companies emerged from the post-Soviet transition with a decaying infrastructure that, in many cases, relied on outdated and inefficient technologies. They were expensive to operate and struggled to maintain even a minimal service level. Tariffs were too low to allow the utilities to make the investments required to rehabilitate, update and expand their services. Furthermore, the policy and regulatory environment inhibited both domestic and foreign investment in the sector. These difficulties were particularly serious in the rural areas. The dispersion of the rural population into small, scattered communities made provision of network services particularly challenging.

The government's *Kazakhstan 2030 Strategy* envisions the creation of "a clean and green country with clear air and pure waters" (Government of Kazakhstan 1997). The *2030 Strategy* also notes that only one-third of the population has access to substandard water, mostly in rural areas. The situation calls for a quick solution through the modernization of the water supply network.

THE WORLD BANK GROUP PROGRAM

The 2004 CPS recognized that Kazakhstan inherited significant environmental liabilities, related to past military, industrial and mining activities including land degradation, desertification, and water scarcity. The *National Environmental Action Plan for Sustainable Development* (1999) set out some remedial investments, and the environmental agenda was reassessed and updated to prevent additional environmental damage from the economic exploitation of the country's vast natural resources. It sought to continue to mitigate past environmental damage and put into place systems to monitor the environmental impact of future investment and growth. This included introducing international practices in establishing cost-effective and sustainable environmental remediation strategies, addressing the technical as well as the institutional aspects. On this basis, the 2004 CPS commits the Bank Group to support of the government's efforts to "ensure that future growth will not harm the environment and [that] past liabilities are mitigated" (World Bank 2004, p. 5)

By the time of the 2012 CPS, energy efficiency concerns had risen higher on the government agenda, pointing to the need to address global warming through the promotion of low-carbon techniques and greater energy savings. Thus, the 2012 CPS commits the Bank Group to support the government's efforts to "fight climate change with [a] cleaner environment."

Table 6.2. Summary of CPS Results Framework for Promoting a Cleaner Environment

CPS Objectives	Expected CPS Outcomes	Key CPS Indicators
(2004) Ensure that future growth will not harm the environment and that past liabilities are mitigated. (2012) Fight climate change with a cleaner environment.	Support remedial actions in selected areas. Increase the value and sustainability of environmental resources such as forests, bodies of water and rangelands. Achieve a greater understanding of the environmental impact of future growth, and introduce key measurement systems.	Proportion of land area covered by forests. Carbon dioxide emissions per capita.
(2004) Strengthening water supply infrastructure	Assist with the creation of mechanisms that can be used to ensure a steady improvement of drinking water supplies.	Access to improved water sources (urban and rural).

Source: World Bank 2004, 2012.
Note: CPS = Country Partnership Strategy.

Overall, the 2004 CPS expected outcomes were consistent with its broader objectives and well supported by the ongoing and planned activities. At the same time, it did not include any specific outcome indicators, other than a reference to the Millennium Development Goals, such as the proportion of land area covered by forests and carbon dioxide emissions per capita. However, these are far too broad and detached from the Bank-supported activities to provide any indication of the actual impact of Bank-supported activities.

With respect to water services, the 2004 CPS notes that the quality of the water supply infrastructure was well below the country's own aspirations, especially in rural areas. Thus, the CPS supported a direct Bank contribution to "the creation of mechanisms that can be used for a steady improvement of drinking water." However, the only water sector indicator referenced in the CPS is "access to an improved water source" which is widely used to measure progress towards the Millennium Development Goal on access to safe drinking water.[1]

The 2012 CPS had no specific objectives for the water sector. However, it noted that despite recent reforms toward a greater role for the private sector, tariff differentiation, and the greater use of commercial principles in company operations, the water sector still suffered from large backlogs in maintenance and investment, poor metering and inefficient management.

Overall, the Bank's portfolio covered three major environmental and natural resource management themes: (i) remediation of environmental legacies and promotion of cleaner and greener production; (ii) addressing climate change; and (iii) strengthening municipal water services.

OUTCOMES

Over the past decade, Kazakhstan has substantially modernized its institutional and regulatory framework for environmental management. The restoration of the Northern Aral Sea was associated with the institutional reform and strengthening of the Committee for Water Resources. The responsibility for the management of the forest estate was consolidated under the Committee for Forests and Hunting of the Ministry of Environment and Water Resources, which gave priority to forest conservation and the protection of its ecological functions. The 2007 Environmental Code introduced a number of important amendments and additions, specifically with respect to the management of hazardous waste, greenhouse gas emissions limits, and genetically modified organisms.

However, substantial progress with environmental policies and institutions has not yet been reflected as improved results in terms of the key Millennium Development Goal indicators referenced in the CPS, and as shown in tables 6.2 and 6.3. Thus, the strengthening of the Committee for Water Resources was not accompanied by an improvement in water supply services in rural areas. Indeed, supplies declined slightly from 88 percent in 2004 to 86 percent in 2012. Similarly, the consolidation of forest management in the Committee for Forests and Hunting has not yet resulted in an expansion of forest cover, which declined slightly from 33,400 to 33,000 km^2 over the same period.

Finally, in relation to climate change, CO_2 emissions from the heating and power sector have nearly doubled since 2000—from 70 to 124 million metric tons per year. The main driver has been the growing share of coal used for heat and power generation, from 75 percent in 2000 to 81 percent in 2011; it accounted for the entire increase in generation during that period. In this context, CO_2 emissions have increased from 11.5 tons per person in 2004 to 15.2 tons per person in 2010.

Two significant measures were taken to reduce gas flaring: a ban on the flaring of associated petroleum gas during oil production operations and a requirement for oil producers to develop and implement associated gas recovery programs. Since 2013, the government has also been piloting the implementation of a carbon emissions trading system; 178 enterprises are participating, and there is a total emissions cap of 147.2 million tons of CO_2, the same as the base period (for the average of 2011–12). For Phase II (2014–15), the reduction target has been set at 1.5 percent.

Table 6.3. Kazakhstan—Key MDG Environmental Indicators (2004–12)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Forest area (1,000 sq. km)	33.4	33.4	33.3	33.3	33.2	33.1	33.1	33.0	..
CO_2 emissions (tons per capita)	11	12	13	14	15	13	15	..	..
Access to improved water source									
Total population (%)	94	94	93	93	93	93	93	93	93
Rural population (%)	88	87	87	87	87	87	86	86	86
Urban population (%)	98	99	99	99	99	99	99	99	99

Source: World Development Indicators.
Note: CO_2 = carbon dioxide; MDG = Millennium Development Goals.

Pollution levels (both air and water) remain high, especially in the industrial regions. As estimated in a 2012 JERP report, the total economic cost associated with the health impacts of air pollution alone exceeds $2.5 billion per year (or 1.7 percent of GDP) (JERP 2012). Based on IEG's interviews with key officials, the pollution control laws and regulations are being harmonized with European standards, but the corresponding monitoring and enforcement capacity are lagging behind.

Little progress appears to have been made with respect to the strengthening and reform of municipal water services. As of 2013, 70 percent of water supply networks were still reported to be "worn out," with unsatisfactory levels of service and water quality.[2]

THE WORLD BANK GROUP CONTRIBUTION

Over the past decade, the World Bank Group helped strengthen Kazakhstan's environmental management through a wide variety of interventions—from project safeguards to technical assistance and policy studies—with mixed results. The Bank Group has been most effective in supporting the remediation of legacy environmental issues; its contribution to other areas (climate change, and municipal water services) has been less evident.

Remediation of Environmental Legacies

The Bank and IFC's early petroleum projects successfully updated environmental and social policies and procedures for enterprises, introduced sophisticated pollution abatement technologies, and cleaned up past environmental damage. The subsequent environmental projects[3] effectively remediated two of the areas of greatest environmental distress: the degradation of the Aral Sea (see box 6.1) and one of the major legacy industrial pollution sites remaining from Soviet times. The project-oriented technology transfer and capacity building associated with these projects also contributed to the strengthening of the country's environmental management capacity.

The Bank provided assistance for the modernization and strengthening of forest management[4] in response to the crisis in forest management institutions after their funding declined dramatically in the 1990s. Most forest maintenance, protection, and afforestation works had come to a virtual standstill, even while forests fires had affected more than 10 percent of the forest area. A Bank project helped improve fire detection and upgraded response equipment and procedures. As a result, the average forest area damaged by each fire outbreak in the pilot zone covered by the project was reduced by 96 percent—from 53 hectares in 2002–06 to 2 hectares in 2007–12. This compares to an average 46 percent reduction for the entire pine forest area.

Box 6.1. Success Born from the Lessons of Failure: The Restoration of the Northern Aral Sea

By the early 1990s, the drying up of the Aral Sea had become a globally famous environmental disaster. Decades of excessive irrigation had reduced its water level by 20 meters and its surface area by 70 percent. As a result, salinity and pollution levels rose dramatically, fish production disappeared, tens of thousands of jobs were lost, and dust and salt storms were causing serious health problems for the more than 5 million people in the region.

The environmental distress also heightened water allocation conflicts between the downstream countries—Kazakhstan, Turkmenistan, and Uzbekistan—that need the water most in the summer months, and the upstream countries—the Kyrgyz Republic and Tajikistan—which use water for power generation in the winter and need to store it during the summer. An internationally supported regional program to restore the Aral Sea had been under way since 1994. However, the results were unsatisfactory. A decade after program inception, the water level had dropped by 26 meters and its surface area had shrunk by 90 percent. An evaluation identified several important lessons (IEG 2006):

- **Overambitious scope:** The regional effort should have been more modest and simple in view of the riparian countries' different interests, implementation commitments, and capacities.
- **Failure to address root causes:** The regional programs focused only on the problems of the Aral Sea, without addressing the root causes of poor water management in upstream zones.
- **Failure to address local interests:** The program had been designed by technical experts and governmental officials with little participation from affected communities, as well as inadequate consideration of the costs and benefits of interventions to the national economies.

- **Poorly defined role for regional institutions:** The role of the regional institutions had been poorly defined, and the institutions were weakly linked to national agencies.

Drawing on the lessons from the earlier regional efforts, the project focused on an approach that could be fully implemented within Kazakhstan's control. It funded the rehabilitation of the Chardara Reservoir on the Syr Darya river, which allowed the water inflows into the northern Aral Sea to be increased and managed. The project also funded the construction of a dyke over the Berg Canal, which enabled Kazakhstan to control the outflow from the northern remnant of the Aral Sea, and increase its volume by 70 percent.

As a result, the salinity of the Northern Aral Sea declined by more than half, the flora and fauna were much improved, and the health impacts were greatly reduced. This restored the living conditions to the surrounding region and encouraged the return of a large share of the population that had previously abandoned it. However, the southern section of the Aral Sea, between Kazakhstan and Uzbekistan, is withering away. There are no efforts under way to save it, although it can be expected that tangible success with the northern section will encourage an expansion of the approach to the regional level in the future.

Source: IEG.

Two Bank projects[5] addressed the legacy industrial pollution, helping clean up a large concentration of serious mercury and heavy metals contamination in central and northeast Kazakhstan. This pollution had threatened the well-being of the local population, with evident but unquantified health and welfare benefits. The combined effects of the pollution clean-up and reservoir restoration have provided a safe and secure alternative water supply for local water users.

In parallel with these remediation projects, the Bank also supported a series of environment-related studies under the JERP umbrella. The client appreciated the three major environment-related JERP studies (World Bank 2006, 2012 and 2013).[6] A study tour to Poland, which had successfully undertaken a similar post-Soviet transition, was particularly helpful to the Ministry of Environment and Water Resources in understanding the implications and potential impacts of many of the reports' recommendations. As a result, in part, various amendments to water pollution control regulations have been made, and the design and implementation of an up-to-date air quality monitoring and reporting system is moving forward. In contrast, the Ministry's monitoring and enforcement capacity are lagging, and pollution levels remain high, especially in industrial areas.

Addressing Climate Change

The Global Gas Flaring Reduction Partnership (GGFRP)[7] supported several activities to reduce greenhouse gas emissions from the flaring of associated petroleum gas. These activities include the partnership's assistance in improving the country's legislation on gas flaring reduction, enhancing flared gas measurement procedures, and identifying associated gas utilization projects. The GGFRP's technical assistance for direct measurement of gas flaring volumes and economic assessment of gas utilization options and their implementation was greatly appreciated. However, the government has not accepted its methodology for estimating gas flaring emissions from satellite monitoring data. As a result, although government officials indicate a significant reduction in gas flaring, the GGFRP's estimates indicate a smaller reduction from a higher base, as shown in table 6.4. In addition, the government has not participated in recent regional conferences where this issue could have been discussed. It has also stopped paying its membership contribution to the GGFRP.

Table 6.4. Kazakhstan – Gas Flaring Emissions (billion cubic meters)

	2007	2008	2009	2010	2011	2012
Government of Kazakhstan	2.7	1.8	1.7	1.3	1.2	1.0
Global Gas Flaring Reduction Partnership	5.5	5.4	5.0	3.8	4.7	4.6

Source: Government of Kazakhstan, Global Gas Flaring Reduction Partnership.

Strengthening Municipal Water Services

In the absence of a municipal water services project, the Bank remained engaged in the sector through the JERP studies. This enabled the Bank to maintain a policy dialogue on key issues, such as tariff regulation and PPP approaches. Based on IEG's field discussions, the studies were well received, but political sensitivities made it difficult for the government to accept many of the recommendations. The government agency on regulation of natural monopolies is gradually modernizing its approach to tariff regulation. However, the water tariff was still below the level needed to enable potential PPP investors to achieve a realistic rate of return.

CONCLUSIONS

The Bank's interventions in the environmental arena were highly relevant and fully aligned with the government's Kazakhstan 2030 Strategy, which envisions the creation of "a clean and green country with clear air and pure waters."

The Bank's program was particularly effective in the remediation of past environmental legacies. The partial restoration of the Northern Aral Sea transformed a region that had become uninhabitable into one in which people are returning and restoring their livelihoods. The clean-up of the Nura River and the reduction in forest fires are also major achievements. The impact of these projects has also extended to the strengthening and modernization of key environmental agencies, such as the Water Resources Committee and the Forest and Hunting Committee.

The long-term sustainability of these activities appears to be on a solid footing. The responsible agencies are competent, committed, and adequately funded to continue supporting the projects' contributions. What cannot be taken for granted is the replication and expansion of this achievement to the remainder of the issue areas, that is, to achieving the full impact of the know-how and technologies whose feasibility was piloted and demonstrated through the projects. This would require an expanded level of support from the government, which remains to be seen.

Various JERP-related studies were well received and used. In combination with the remediation projects, the studies were helpful in transferring pollution monitoring and mitigation know-how to the environmental control agency and to key enterprises. Although both the regulators and the enterprises are still struggling to meet the applicable standards, they are committed to reaching full compliance by 2020.

The Bank's assistance in addressing climate change and the strengthening of municipal water services was less successful. Although the GGFRP's technical assistance contributed to the implementation of some reduction in flaring, the ongoing disagreement about emissions data and the government's absence from recent regional conferences represent significant shortcomings with respect to the program's objectives. These trends also suggest that the sustainability of these achievements will be low. The JERP studies on water helped identify and discuss key issues. However, in the absence of a project, the Bank did not have enough influence to overcome the political sensitivities that made it difficult for the government to accept many of the recommendations.

Overall, Bank activities related to the promotion of a cleaner environment were much more effective in the areas where the Bank studies were associated with concrete projects with realistic results frameworks. The influence and results of the JERP studies on cleaner and greener production were enhanced by their association with remediation projects. These projects directly strengthened the capacity and procedures of the relevant agencies and allowed for frequent contacts and follow-up. Where the Bank did not have any projects, such as municipal water services and gas-flaring reduction, it had fewer opportunities to engage and follow up with the client, and the studies had much less impact.

The most successful Bank intervention (the restoration of the Aral Sea) fully achieved its objectives after revising the original objectives and scaling down the magnitude of its activities. The initial project was originally launched with considerable international and expert support. It was intended as a regional program involving five countries. However, with each country having different interests and capabilities, the results were unsatisfactory and the Aral Sea continued to shrink. Having tested the limits and highlighted the challenges facing a multicountry solution, the subsequent project focused on a partial solution that could be fully implemented within Kazakhstan's control. The project's tangible success can be expected to encourage an expansion of the approach to the regional level in the future.

Education and Skills

Overall levels of education in Kazakhstan are relatively high. Literacy rates are almost 100 percent for both men and women. Almost all youth complete secondary or vocational and technical education, and higher education attracts more than 50 percent of secondary school graduates. The average number of years of schooling of the population rose from 8.8 in 1995 to 10.4 in 2010, matching a level similar to that in developed countries (OECD 2013).

Despite these positive accomplishments, Kazakhstan faces a number of challenges. Enterprise surveys point to an inadequately educated labor force as a significant drawback for doing business; challenges include a lack of mastery of language, mathematics, and science, as well as a lack of "higher-order" skills. In the PISA tests conducted in 2012, Kazakh students showed improvement over the 2009 test levels in math and science, equivalent to almost one year of schooling. However, the score was some 100 points below the OECD average and below what would be expected, given the country's income level. Each year more than 300,000 new workers enter the Kazakh labor force, but many lack the skills needed by industry. There is generally an excess demand for workers with higher and vocational education, and an excess supply of workers with a general secondary education. There are higher shortages of workers with vocational skills than workers with a higher education (World Bank 2013).

Thus, the challenges facing the education sector in Kazakhstan are to upgrade the quality of basic education and to increase the supply of workers with vocational and higher education. The government has made these issues a priority. In this context, education has received a growing allocation of funds that reached around 5 percent of GDP in 2012.

WORLD BANK GROUP PROGRAM

Bank support for education has been rather limited compared to other sectors. It has been largely confined to policy advice and technical support through the JERP. Higher education has been the major area of Bank focus with five JERP-funded tasks, starting with a study "Higher Education and Innovative Development" (World Bank 2007) that had a specific focus on tertiary education. The study was followed by a broader review of higher education conducted jointly with the OECD (World Bank and OECD 2007). The study made comprehensive and far-reaching recommendations on reforms in policies relating to quality, governance and management, financing, and access, among other things. However, the recommendations did not result in many actions, in part because so many were probably well beyond the institutional capacity of the government to absorb and implement—but also because the government was much more committed to the president's initiative to create a world class university (Nazarbayev University), an idea not entirely embraced by the Bank-OECD studies.

The Bank subsequently conducted two additional JERP-funded tasks on higher education. It provided advice on the governance and management of Nazarbayev University (FY10) and on improving advanced post-graduate education (FY11). These tasks were peripheral to the broader dialogue on higher education policy in which the Bank has not, to date, been able to find traction.

Regarding primary education, the Bank has provided continued support to Ministry of Education and Science to build capacity to analyze the PISA test results. Under its Systems Approach for Better Education Results program, the Bank also helped the Ministry benchmark key educational policies related to teacher policies and student assessments, as well as the autonomy and accountability frameworks for schools. There were also several JERP-funded tasks to build the capacity of the Ministry of Education and Science with respect to school inspections and the enhancement of a Unified National Test. More recently, the Bank conducted a review of e-learning system (World Bank 2013).

The only lending operation in the sector[8] that responded to the recognized needs was to improve the quality of Technical and Vocational Education and Training (TVET) institutions and to make TVET more relevant and responsive to the needs of industry. The main achievements include the establishment of occupational standards based on an intensive dialogue involving all stakeholders, including employer groups. The project also supported the upgrading of curriculum and pedagogy for vocational and technical institutions through competitive grants. However, the sustainability of these efforts is potentially at risk because of uncertain institutional responsibilities and capacity arrangements since project completion.

CONCLUSIONS

The government accords high priority to improving the quality of and access to all levels education as a necessary basis for its objective of developing a knowledge-based economy. Higher education and (more recently) TVET have received particular attention in various government plans. However, the Bank's strategic advice on higher education was not in sync with the government's strategic vision. The Bank advocated broad-based reforms in the governance of higher education institutions, whereas the government prioritized the key role of the newly established Nazarbayev University as a model center of academic excellence—experience that could be replicated to other public and private universities. The government made a strategic transition from supporting tertiary education through subsidizing Kazakh nationals' study abroad (the *Bolashak* stipend program) toward creating a local powerhouse, that is, a "world class" university that could attract and retain local, regional, and worldwide talent.

At the same time, the Bank made a tangible impact in basic education, where it focused on supporting the government's efforts to improve quality. Discussions with the Ministry indicated that Bank support has been very timely and that it has exposed the country to best practices. One task for which the Bank is widely credited by interlocutors is the introduction of universal preschool education. This was an idea that emerged from discussions of education policy in one of the high-level "brainstorming meetings." It appears that the government expects a continued relationship with the Bank on these issues. The JERP-funded studies are likely to be the most appropriate form of Bank support for basic education.

The JERP-funded tasks on basic education addressed very practical issues that the Ministry faces in its day-to-day functioning. However, it did not deal with comprehensive "policy studies." The work has been focused much more on how to do something rather than on what to do. This is consistent with the government's expectation from the JERP more generally. The experience with JERP-funded basic education tasks could provide useful lessons for other sectors.

Regarding vocational training, the current Bank project has provided a sound basis, but much more is needed. The Bank should work with the government to develop a series of follow-up projects to sustain and further develop the initiatives started under the project.

Overall, if assessed against the outcome indicator of the 2004 CPS ("assist the government in laying strategic directions and improvements to the education system"), the Bank was much more successful in providing help for basic education and vocational training than with higher education. The performance indicators of the 2012 CPS are more specifically related to improving the TVET system. However, it is too early to assess the outcomes, as the Bank's project is still not complete. Nevertheless, so far, the actions taken to introduce vocational standards with the participation of industry, make quality curriculum improvements at several vocational and technical institutions through competitive grants, and propose governance arrangements can be considered as necessary building blocks to meeting this objective.

Health

The origin of health care reform in Kazakhstan stemmed from the need to solve problems in health care financing and service delivery that are similar to all countries of the former Soviet Union. The system of health care in Kazakhstan has faced two main challenges: the specialized care in hospitals and polyclinics was fragmented and inefficient; and primary health care needed expansion to improve the use of standardized protocols and to increase its focus on healthy lifestyle issues.

Over the last decade, the Ministry of Health has implemented two important health care reform programs—both attempts to shift away from the old Soviet style system. In 2004, Kazakhstan initiated a comprehensive National Program of Health Care Reform and Development for the period 2005–2010 to address key challenges. These included dealing with inequities in health financing per capita between the country's regions and between urban and rural areas, and out-of-pocket payments for health services and pharmaceuticals. The State Health Care Development Program "Salamatty Kazakhstan" for 2011–15 aimed to capitalize on these reforms by adopting new provider payment mechanisms, developing evidence-based medicine, introducing pay-for-performance for the health professions, and pooling resources at the national levels for hospital services. Health expenditures in Kazakhstan are in line with upper-middle income countries, but much lower than in countries in Central Europe and the Baltics. Health spending as a percentage of GDP is comparable to one of the lowest shares in the World Health Organization (WHO) European Region.

Despite recent improvements in resource use, some basic health indicators are worse than in comparable countries. Adult mortality rates are high,[9] particularly for men (more than double the rate of women); life expectancy rates are lower than in comparable countries, and some health problems (such as tuberculosis or mortality due to cervical cancer) are also higher, showing failures of access and quality aspects of the health system.

WORLD BANK GROUP PROGRAM

The 2004 CPS places health sector strategy within Pillar 3—building a foundation for competitiveness through strengthening human resources and infrastructure. The 2012 CPS includes a focus on strengthening the strategic approach to health reforms under Area of Engagement 2 and specifies, "Strengthening governance and improving efficiency in public services and delivery, through alignment with the WTO on food safety regulations and norms, and piloting of interventions with proven success to positively affect male life expectancy" (World Bank 2012, p. 55).

Despite the absence of Bank lending in the health sector in the earlier years, the Bank retained an ad hoc relationship with the government on health issues until 2003, when the health sector was included in the JERP. Analytical work produced under the JERP evolved into a lending project.[10] This project aimed to raise the efficiency of public resources directed to the health sector and help implement the key aspects of the government's reform program in the health sector. In 2009, the Bank undertook a PEIR that identified major distortions in the structure of public spending in the health sector. It recommended a major expenditure restructuring to be complemented by structural reforms at the sector level.[11]

CONCLUSIONS

Kazakhstan has seen improvements in the health sector over the last decade, although some health outcomes still lag behind the rapidly increasing level of income. Life expectancy increased from 66 years in 2004 to 70 years in 2012, and maternal and infant mortality rates have been cut nearly in half (WDI 2014). Since 2004, budgetary allocations to the health sector have drastically increased, and the government has introduced a system of per capita-based financing in primary health care. It is to be a part of the existing system of intergovernmental finance, which is more equalizing.

The World Bank has supported government efforts to make changes to Kazakhstan's health sector through analytical work and lending. The Health Sector Technology Transfer and Institutional Reform Project reports a number of achievements, including 16 regional hospital master plans developed to rationalize the hospital networks; the development of evidence-based disease management programs for three prevalent noncommunicable diseases; 211 public health facilities accredited by a national accreditation body in 2014; harmonization of food safety legislation with EU standards, which will allow Kazakhstan to access world markets; and the setting of cost ceilings for pharmaceutical drugs. The initial introduction of basic per capita financing in primary health care in 2010 and recent (January 2014) equalization of per capita rate across the oblasts and its significant increase was in line with the Bank's advice in various analytical studies.

Key aspects of Kazakhstan's health care system performance still need improvement, and there is scope for Bank engagement on these issues, especially regarding institutional reform aspects. Continued reforms are required for better health outcomes, including expansion of preventive population services (with focus on "lifestyle" health services); implementation of the 16 regional master plans to improve quality and efficiency of secondary and tertiary care; strengthening of primary care (preventive and treatment services in accordance with clinical guidelines); expansion of new and more efficient technologies for diagnosis and treatment (increasing ambulatory procedures); expansion of evidence-based care pathways and consolidation of quality control mechanisms; improving the financial protection of the population; and overall health financing system reforms to enable all of the above reforms.

Pension Reform

CONTEXT AND THE WORLD BANK GROUP PROGRAM

Kazakhstan's pension system was transformed from a pay-as-you-go scheme to a contribution-based, fully funded accounts scheme in 1998. In the first decade of transition, Kazakhstan was a leader in the area of pension reform among the Commonwealth of Independent States countries. However, real returns on pension savings remained depressed, given the risk aversion of the pension funds, and the average pension size was rather low. The government was slow to address low retirement ages, especially for women.

The pension reform objectives did not figure prominently in the Bank strategy documents. The 2004 CPS has just a passing reference to the Pension Policy Analysis, to be delivered under the JERP, within its Pillar 3 –Investing in Human Capital and Infrastructure. There is no specific program outcome related to the pension. The 2012 CPS followed the same format: it made a commitment regarding continuation of the advisory assistance on pension reforms under its Outcome 10 'Reforming social protection system'. The only relevant output listed in the 2012 CPS Results Framework provided for adoption of new regulations governing pension contributions to improve the sustainability of the system.

The advisory work on pension reform has become an important part of the Bank's policy dialogue in Kazakhstan, driven by particularly strong demand from the government. There were at least seven self-standing pieces of analytical work and nonlending technical assistance in this area delivered by the Bank between FY05 and FY12. The Bank flagship product was a 2011 report entitled "Pension Reform in Kazakhstan: Options for Policy Reform." It provided a detailed analysis of the pension system performance for the period since 1998. It concluded that the poor performance of the pension system had more of a structural than a tactical cause, which justified a need for broader reform. It provided a comprehensive list of recommendations aimed at tackling the issue of income adequacy for future pensioners in a sustainable way. Specifically, the Bank emphasized the objectives of broadening participation in the social insurance system and reducing inequalities among pension beneficiaries. The report's recommendations were used as a core input to the high-level brainstorming session in 2012 dedicated to the topic of pension reform.

OUTCOMES AND THE WORLD BANK GROUP CONTRIBUTION

Progress in comprehensive pension reform advocated by the Bank in its advisory products has been partial. Overall, the pension system remains fiscally sustainable and, at the moment, provides a respectable replacement rate of 43 percent (according to the Ministry of Labor and Social Protection). However, the objective of increased coverage was not achieved: coverage remains at only 64 percent because of the high incidence of informal employment. This indicates a high level of inequality among old-age citizens. Moreover, the pension fund fees are high, investment returns to date have been negative, and the projected replacement rates are lower than the current rates. Further, there is not enough international diversification of risks. There is also no rules-based indexation of the pension benefit, representing a risk of future erosion in its value.

The government introduced several corrective measures recently and plans to follow this corrective course in the medium term. It made a politically sensitive decision on a gradual increase in the retirement age for women. There was also a decision to adjust the base pension rate to bring it closer to the subsistence income level. To reduce administrative costs and improve returns, in 2014 the government centralized all administrative functions for the previously independent pension funds, with total assets of $22.5 billion (10 percent of GDP). This decision, however, may have adverse implications for the local capital markets, according to the IMF.

The Bank has been the primary source of policy advice regarding pension reforms in Kazakhstan over the entire review period. The Bank built a strong relationship with the main client, the Ministry of Labor and Social Protection. All recent policy changes implemented by the government in this area reflect the recommendations outlined in the earlier Bank reports. This includes, among other things, the decision on instituting a higher retirement age for women, adjustment of the base pension, and centralization of pension funds.

The government explicitly acknowledges the central contribution made by the Bank in advancing the pension reform agenda. However, there seems to be an explicit disagreement with some other Bank recommendations, such as switching the pension investment strategy toward more diversification. The Bank also contributed to the strengthening of technical capacity of the Ministry, for example, with respect to modeling and analyzing future pension system developments.

CONCLUSIONS

The set of AAA products on pension reforms in Kazakhstan was highly demand driven and aligned with country priorities. There has been strong country ownership for these activities. The Bank achieved a high level of trust by the government and used it effectively to advocate policy priorities related to the sustainability of the pension system and reduction in poverty among the old-age population. The policy advice and nonlending support were of high technical quality and delivered in a timely manner.

However, actual reform progress among the objectives recommended by the Bank was mixed, primarily because of the government's reluctance to accelerate the pace of change. So far, the returns on pension savings have been low, representing a longer-term policy risk. Without further adjustment, the current trend would result either in lower future replacement rates or in significant additional pressure on the budget to support the pension system. The government fully understands the risk and seems to be committed to making the necessary changes as part of its medium-term strategy.

Summary Rating

The overall rating for achievement of Bank Group program outcomes for this pillar is *Satisfactory***.** A detailed breakdown is provided in table 6.5.

Table 6.5. Summary Rating for Pillar 4: Investing in Human Capital and a Clean Environment

Areas	Outcomes	Bank Group Contribution	Ratings
1. Environment	The restoration of the Northern Aral Sea was an iconic achievement, and was associated with the institutional reform and strengthening of the Committee for Water Resources. A few of the worst industrial pollution sites were cleaned up. Forest management and institutions were strengthened. The government is piloting a greenhouse gas emissions trading system.	A diverse cluster of World Bank Group operations in the petroleum, water, environment, and forestry sectors made a major contribution to the remediation of environmental legacies, and the strengthening of the legal and institutional framework for the management of water and forest resources and the control of environmental pollution.	Satisfactory
2. Education	Kazakhstan has near-universal levels of primary education, adult literacy,	The Bank provided support through JERP-funded studies and	Moderately Satisfactory

Areas	Outcomes	Bank Group Contribution	Ratings
	and gender parity. The PISA test results showed improvements from 2009–2012, but are still significantly lower than in comparator countries. The newly established Nazarbayev University is expected be the national and regional center of academic excellence.	technical assistance. The Bank contribution in basic education served as the basis for various quality enhancing measures. The Bank did not have much impact in higher education. The government strategy is driven by the Nazerbayev University approach that is contrary to the broader approach advocated by the Bank.	
3. Health	The health sector performance improved, but some outcomes still lag behind Kazakhstan's rapidly increasing level of income. Key aspects of health care system performance are still in need of improvement, especially on the institutional side.	The Bank supported health sector reform through analytical work and lending. Achievements so far include the introduction of per capita financing and a health information system, the harmonization of legislation of food safety with EU standards, and the setting of cost ceilings for pharmaceutical drugs.	Not rated
4. Pension reform	The pension system remains fiscally sustainable. Coverage remains at only 64 percent. The government introduced several corrective measures recently and planned to follow the course in the medium term.	The Bank has been the primary source of policy advice on pension reforms in Kazakhstan. All recent policy changes implemented by the government reflect Bank reports recommendations, such as instituting a higher retirement age for women, adjustment of the base pension, and centralization of the pension funds.	Satisfactory
Overall Rating			Satisfactory

Note: EU = European Union; JERP = Joint Economic Research Forum; PISA = Program for International Student Assessment.

[1] The MDG 7 target calls for halving, by 2015, the proportion of people without sustainable access to safe drinking water. Safe drinking water is water with microbial, chemical and physical characteristics that meet World Health Organization (WHO) guidelines or national standards on drinking water quality. An 'improved' water source is more likely to provide safe drinking water than an unimproved source. While 'improved" water is widely used as a proxy, it is not a direct measure of 'safe' drinking water.

[2] Tengri News, 05.08.2013.

[3] Syr Darya Control and Northern Aral Sea Phase I Project ($64 million, 2001–2010); Nura River Cleanup Project ($40.4 million, 2003–2011); Ust-Kamenogorsk Remediation Project ($24.29 million, 2007– active); and Forest Protection and Reforestation Project ($30 million, 2006—active).

[4] Forest Protection and Reforestation Project ($64 million, 2005–ongoing).

[5] Nura River Clean-up Project ($40.4 million, 2003–2011); and Ust-Kamenogorsk Environmental Remediation Project ($50 million, including $34.6 IDA and $8.1 Global Environment Fund, 2006–ongoing).

[6] Minimizing Environmental Impacts of Industrial Growth: Case study of petrochemical industry in Kazakhstan (2006); Modern Companies, Healthy Environment: Improving industrial competitiveness through potential of cleaner and greener production (2012); Towards Cleaner Industry and Improved Air Quality Monitoring in Kazakhstan.

[7] The Bank's other interventions in the climate change arena—through the Partnership for Market Readiness and the Energy Efficiency Project—are still at too early a stage to be able to assess their outcomes.

[8] Technical and Vocational Education Modernization Project. World Bank. ($29.2 million, FY10–ongoing, expected to close in 2015).

[9] The adult mortality rate, currently among the worst in the ECA region or in upper middle-income countries, is explained by the high incidence of non-communicable diseases—cardiovascular, cancer, and other tobacco—and alcohol-related diseases and injuries.

[10] World Bank Health Sector Technology Transfer and Institutional Reform Project, $ 117.7 million, with $178.4 million co-financing from the government, 2008–ongoing, expected to close in 2015.

[11] The PEIR on health is discussed in chapter 4 (pillars 1–2).

7. Conclusions and Recommendations

Kazakhstan's impressive economic performance during the review period was accompanied by steady progress on poverty reduction and social development. Thanks to the oil-fueled economic growth and prudent macroeconomic management, Kazakhstan was able to "monetize" its hydrocarbon wealth and accumulate large resources in its oil fund (NFRK). At the same time, the country continues to grapple with a number of systemic challenges, including a lack of progress on economic diversification; governance problems characterized by centralization of authority, insufficient levels of accountability and transparency, and high perceptions of corruption; an outsized state presence in the economy and weak private sector; high income inequality and poor socioeconomic conditions in underdeveloped regions; a lack of requisite skills in the labor force; and a legacy of environmental problems inherited from the Soviet era.

Conclusions

The World Bank Group's cooperation with Kazakhstan followed a somewhat unique trajectory. After a relatively fast recovery from the Russian financial crisis in the late 1990s-early 2000s, Kazakhstan decided not to borrow from IFIs. Despite a number of ongoing "legacy" projects, the absence of new lending made the Bank's presence in the country and continuing dialogue increasingly unsustainable. The situation changed drastically around 2004, when the decision not to borrow was reversed. It followed the growing demand for high-level policy advice in various areas of economic development. As a result, two unique mechanisms for policy dialogue between the Bank and the Kazakh authorities have emerged: (i) regular rounds of Cabinet-level "brainstorming sessions"; and (ii) the JERP, a demand-driven program of analytical studies and policy notes on specific sector topics, which is cofinanced by the government. This restart of intensive high-level policy dialogue was followed by a resumption of large-scale borrowing from the IBRD, as exemplified by two flagship transport sector loans totaling $3.2 billion; that made Kazakhstan one of the largest clients of the Bank (in volume) in the region.

Bank Group strategies in Kazakhstan were fully aligned with the government's strategies at the time and reflected their main priorities. The quality of the Bank-government dialogue has been exceptionally high, and can be considered best practice. The Bank has established itself as a trusted adviser to the government with unprecedented access to the highest levels of policy making and a proven track record of timely delivery of high-quality technical and policy advice covering a critical mass of reforms.

At the same time, the fully demand-driven nature of the Bank's program in Kazakhstan imposed some limitations on the Bank in defining the priorities of its advisory work program. As such, the program coverage remained insufficiently coherent, reflecting the lack of governmental interest in the analysis of several "sensitive" policy issues. The most important gaps in the program relate to poverty analysis, governance and anticorruption, and the role of the SOE sector in the economy. The government used the Bank's policy advice quite selectively, and often requested the Bank's analytical inputs "for information only"—but without a clear intention to follow up with policy changes. The government's interest in acting on the Bank's advice was sometimes difficult to assess ex ante, and the ownership for reforms varied considerably across counterpart agencies.

Implementation of the JERP in Kazakhstan suggests that a large AAA program that is fully owned by the client government and effectively delivered by the Bank could become a powerful instrument for strengthening country-level partnership, advancing the policy reform agenda, and the gradual build-up of the lending program—especially in the context of Bank Group engagement with upper-middle-income countries. However, the effectiveness of a JERP-type program could be further enhanced if proper attention is paid to specific elements of program design, including (i) an adequate monitoring and evaluation (M&E) framework with a special focus on monitoring the degree of governmental follow-up on the Bank's policy advice; (ii) routine disclosure of the main policy recommendations as a tool to broaden public understanding of the policies promoted by the Bank and to strengthen reform ownership; and (iii) engagement of local partners, such as think tanks and consulting firms, in joint preparation of the agreed analytical products.

The Bank's program on macroeconomic management and governance has been highly relevant; its priorities have been fully aligned with the government-owned development program. Bank assistance placed a special emphasis on turning the NFRK into a reliable national savings mechanism and an effective instrument of countercyclical fiscal policy. The government now has an established track record in this area, as seen by its effective and smooth handling of the impact of global crises on the Kazakh economy that in turn supported a rapid recovery in 2010–11.

Experience with the EITI in Kazakhstan confirms its usefulness as an effective instrument for promoting transparency and accountability beyond the extractives sector. The government's commitment to implement a multistakeholder process created a platform for CSOs to discuss and demand transparency and accountability from government and industry officials in an unprecedented manner. The process is reported to have encouraged the Ministry of Finance to enhance the disclosure of budget information.

Overall, despite the tangible success of the EITI process and the tax and customs administration reform, broader efforts to fight corruption were only partially successful. Kazakhstan continues to score very low (compared to its income levels) on the corruption perception indices, and improvements since 2004 have been limited. Despite stated objectives, there is no evidence that a comprehensive government anticorruption program was ever introduced during the review period. Some trends in the overall results in the PFM area indicate a shift in the Bank-supported interventions from policy reforms to regulatory changes and capacity building. As a result, in some cases considerable improvements in government capacity did not result in adequate policy changes.

Despite the continuing prominence given to economic diversification in all the government and Bank Group strategies, the economy of Kazakhstan today is more concentrated than it was at the start of the review period. Indeed, it continues to be dominated by state-owned interests that control more than 60 percent of the economy, either directly or indirectly through the National Welfare Fund (Samruk-Kazyna). Bank Group strategies and analytical products acknowledged the importance of economic diversification away from the extractive industries, but struggled to define diversification as a specific objective and to specify any outcome measures/indicators for it in the results frameworks.

The Bank Group strategy to promote economic diversification through specific sector interventions (infrastructure, non-oil sector growth, and PSD) remains relevant in the country context. However, the effectiveness of separate elements of the Bank Group program in these areas is highly uneven, and the impact of these interventions in terms of achieving diversification is not evident. The Bank Group program in the agriculture sector has been dispersed among a number of different areas and lacked sustained involvement in any of them. Its contribution has been marginal to the country's own program and there is little justification for continued ad hoc projects.

The Bank can play an important, continued role in the transport sector in the efficient implementation of an ambitious public investment program. The large Bank-supported roads projects could be an effective instrument to help with further institutional development of the agencies involved in planning, construction, maintenance, and operations of highways. In addition, they could also aid in strengthening the logistics around the movement of goods in the CAREC corridors. There could potentially be a role for IFC if the government proceeds with its planned PPP initiative. However, the feasibility of the PPP for highways remains to be established.

Future engagement by the Bank in the power sector is less evident. The Bank has been traditionally involved in upgrading the transmission lines, but the challenge now is to upgrade the distribution and generation systems that are largely in private hands—a factor that limits Bank involvement. At the same time, there may be room for Bank involvement in a number of policy and regulatory issues, especially the tariff policy. There may also be possible room for IFC-Bank collaboration. This would require the Bank to deepen its sector knowledge through analytical work to define its sector strategy.

Bank Group cooperation in PSD aimed to provide assistance to the government in improving the business climate, enhancing innovation, reinvigorating the financial sector, providing better access to finance, and advancing WTO accession. The most successful contribution was the Bank's continuous work (from 2009 onward) on the improvement of the Doing Business rankings indicators. Kazakhstan is currently considered the least regulated economy in the region (Central Asia and Russia), with a steadily improving Doing Business ranking. Other areas of Bank Group PSD work were less successful: the banks are still burdened with a large share of NPLs and foreign debt; the technology commercialization project did not generate any business deals; WTO accession has been delayed and the prospects for membership remain unclear. IFC has generally struggled to find its niche for investments in Kazakhstan. IFC concentrated mainly in the banking sector and its engagement in the real sector was not significant, as it proved to be challenging to identify suitable clients in an economy dominated by state interests.

Kazakhstan inherited significant environmental liabilities related to past military, industrial, and mining activities, including land degradation and desertification and water scarcity. The Bank Group has been most effective in supporting the remediation of legacy environmental issues, whereas its contribution in other areas (for instance, climate change and municipal water services) has been less evident. The most successful Bank intervention—the partial restoration of the Northern Aral Sea—transformed a region that had become uninhabitable into one where people are returning and restoring their livelihoods.

The main challenges facing the education sector in Kazakhstan today are to upgrade the quality of basic education and to increase the supply of workers with vocational and higher education. Enterprise surveys point to an inadequately educated labor force as a significant drawback for doing business, noting a lack of "higher-order" skills. Bank strategic advice on higher education through the JERP was not in sync with the government's strategic vision. The Bank advocated broad-based reforms in the governance of higher education institutions, whereas the government prioritized the key role of the newly established Nazarbayev University as a model center of academic excellence. At the same time, the Bank made a tangible impact in basic education, where it focused on supporting the government's efforts to improve quality.

The Bank has supported the government's efforts to reform the health sector through its analytical work and lending. Achievements so far include introducing a health information system; harmonizing legislation of food safety with EU standards; and setting cost ceilings for pharmaceutical drugs. Nevertheless, key aspects of Kazakhstan's health care system performance still need of improvement. There is scope for further Bank engagement, especially in sector institutional reform.

The Bank has been the primary source of policy advice on pension reforms in Kazakhstan. Analytical products on pension reforms in Kazakhstan were demand driven and aligned with country priorities. However, actual reform progress among the objectives recommended by the Bank was mixed, primarily because of the government's reluctance to accelerate the pace of change. The returns on pension savings thus far have been low. Without further adjustment, the current trend would result in either lower future replacement rates or a significant additional pressure on the budget to support the pension system from general government revenues.

Recommendations

The Bank needs to strengthen the enabling environment for implementation of its policy advice by linking the key JERP outputs with concrete large-scale sector investments envisaged under the Partnership Framework Agreement. The Bank Group program in Kazakhstan had been mainly driven by advisory (JERP) activities, and Bank lending was rather sporadic and not always preceded or complemented by JERP studies. This is not unusual in the context of a demand-driven partnership with an upper-middle-income client such as Kazakhstan. Most of the high-performing and most efficacious segments of the Bank's program were combinations of JERP analytics and lending, such as the tax and customs administration, environmental protection, macroeconomic management, and roads. The emerging modality of partnership, based on a multi-billion-dollar commitment by the government for nationwide investments jointly with the international development partners opens new opportunities in this regard.

The Bank needs to advance its M&E tools to track the effectiveness of its program, the JERP in particular. It should also cover the degree of governmental follow-up on the Bank's policy advice and better integrate it into the core country monitoring systems. The JERP was a powerful instrument for strengthening the country-level partnership and advancing the policy reform agenda and the gradual build-up of the lending program. At the same time, a country program dominated by nonlending services still needs to have an M&E framework capable of reflecting the effectiveness of delivered advisory services.

The Bank should use the disclosure of the main policy recommendations as a tool to broaden public understanding of the policies promoted by the Bank and strengthen reform ownership within the government and broader civil society. The Bank's program in Kazakhstan generally lacked attention to its demand-side component (with the exception of the EITI program). The depth and coverage of the Bank's analysis was not used to inform the public or generate more support for necessary reforms. A wider disclosure of JERP products could have had a positive impact on the program's overall effectiveness, reform ownership, and sustainability, as well as on better utilization of the Bank's analytical insights.

The Bank should be more proactive in engaging local partners (think tanks and consulting firms) and make their participation an integral part and a good-practice feature of joint preparation of agreed analytical products. Almost a decade of JERP implementation had seen surprisingly little participation of local institutional partners in program delivery. Hence, the JERP contribution to the build-up of local analytical capacity was minimal.

The Bank needs to apply the experience of engaging with civil society partners within the framework of EITI to other areas as well, to advance transparency and accountability. EITI implementation in Kazakhstan confirmed its usefulness as an effective instrument for promoting transparency and accountability beyond the extractive industries sector. The commitment to implement a multistakeholder process created a platform for civil society to discuss and demand transparency and accountability from government and industry officials in an unprecedented manner. These are important achievements in a country in which strengthening governance remains a major challenge.

The Bank should consider (re-)introducing standard regular pieces of country diagnostics, such as Public Expenditure Reviews and poverty assessments. The demand-driven nature of the Bank's program in Kazakhstan imposed limitations on the Bank in defining priorities in its advisory work program; this reflects the lack of governmental interest in the analysis of several "sensitive" policy issues. The most important gaps in the program relate to poverty analysis, governance and anti-corruption, and the role of the SOE sector in the economy. In an environment where the country partnership is defined by the client-driven AAA program, the Bank needs to maintain the space and capacity for its own selection and preparation of specific analytical products in line with its global development mandate.

The Bank Group needs to be more selective and strategic in its efforts to promote economic diversification. Bank Group interventions should be designed around specific goals and targets for diversification. They should be underpinned by relevant analytical work and jointly monitored with the government. Bank Group strategies and analytical products acknowledged the importance of economic diversification away from the extractive industries but struggled to define diversification as a specific objective and to specify any outcome indicators for it in the results frameworks.

The Bank should consider becoming more selective in sector engagement based on its comparative advantages relative to other stakeholders and the private sector, as well as the depth of dialogue and strategic convergence with government plans. The Bank Group's selection of specific sector interventions was generally relevant in the country context. However, the effectiveness of separate elements of the Bank Group program in these areas was uneven. Agriculture is a potentially high-impact sector for diversification in Kazakhstan. However, the Bank program was a combination of unrelated ad hoc projects that were not expanded even when they had positive impact. In the energy sector, the Bank needs to reinvent its role after a decade of fruitful cooperation. At the same time, there is strong potential for successful expansion in the transport and environment sectors—with the possibility of positive spillover effects on relevant sector institutions.

Appendix A. Gender in the World Bank Group Program in Kazakhstan

This note analyzes Bank Group engagement through a gender lens in Kazakhstan, reviewing country strategies, operations, and analytical work during the evaluation period (FY04–13), with an emphasis on human development, energy and mining, agriculture, employment, and pension reform.

Gender Issues in Kazakhstan

Kazakhstan experienced a change in gender dynamics over time. In the pre-Soviet era, women were primarily confined to the roles of mothers and wives. However, the Soviet era brought more autonomy as the payment of bride wealth (kalym) at marriage were formally prohibited.[1] In addition, programs on childcare, education, and medical care were established so that women were relieved of some aspects of domestic work. After the fall of the Soviet Union, the government supported several legislative efforts addressing gender equality in Kazakhstan's Constitution, government policy, and its legal structure. The Council for Family and Women Affairs and Demographic Policy was established in 1995, and became instrumental in supporting equal rights and opportunities for men and women.[2] For example, between 1998 and 2009, several laws were passed relating to issues such as raising the minimum age of marriage for men and women (1998), equal inheritance for men and women, and laws on domestic violence (2009).[3] However, gaps remain in legislation and practice, as all gender equality laws are not accepted equally across the country. For example, southern Kazakhstan tends to have more gender disparities than in other parts of the country.[4] Despite challenges relating to legal implementation, overall, Kazakhstan has performed well on gender issues, as reflected in some gender-related MDGs (elaborated below) and measures such as the Social Institutions and Gender Index (SIGI).[5] The OECD's SIGI ranks Kazakhstan as 14 out of 86 in the 2012 Index.

Gender-Related MDGs

When compared to other upper middle-income countries, Kazakhstan's performance on gender-related MDGs has been mixed—performing better than other UMCs on some goals and worse on others.

Gender and Health: Although maternal mortality rates were high in the 1990s and early 2000s, they almost halved between 1995 and 2010 (table A.1). Kazakhstan performs better than other UMCs on births attended by skilled personnel, with 100 percent coverage in 2010 (table A.1). Life expectancy continues to be higher for females than for males in both Kazakhstan and other UMCs. Gender disparities in life expectancy are related to men's higher rates of drug use, alcohol abuse, violence, and diseases such as Tuberculosis and HIV/AIDS.[6]

Table A.1. Gender-Related Health MDGs

Country Code	Health-Related MDG	1995	2000	2005	2010	2012
UMC	Maternal mortality ratio (per 100,000 live births)	100.0	92.0	77.0	62.0	..
KAZ	Maternal mortality ratio (per 100,000 live births)	91.0	71.0	50.0	40.0	..
UMC	Births attended by skilled health staff (% of total)	..	92.6	..	96.6	..
KAZ	Births attended by skilled health staff (% of total)	99.6	98.3	99.4	100.0	..
UMC	Life expectancy at birth, female (years)	72.0	73.4	74.7	75.8	76.2
KAZ	Life expectancy at birth, female (years)	70.4	71.1	71.8	73.3	74.3
UMC	Life expectancy at birth, male (years)	67.6	69.3	70.9	71.8	72.2
KAZ	Life expectancy at birth, male (years)	59.7	60.2	60.3	63.5	64.8

Source: World Development Indicators.
Note: KAZ = Kazakhstan; MDG = Millennium Development Goals; UMC=upper-middle income countries.

Gender and Employment: While labor force participation of women in Kazakhstan continues to remain higher than in other UMCs, within Kazakhstan, labor force participation remains higher among males than among females. See table A.2. Low female labor force participation rates are attributed to few incentives for women to seek work in higher positions due to the lack of social services that can provide time away from domestic responsibilities.[7]

Table A.2. Gender-Related Employment MDGs

Country Code	Series Name	1995	2000	2005	2010	2012
UMC	Labor force participation rate, female (% of female population, ages 15–64)	65.3	64.6	62.6	61.1	61.6
KAZ	Labor force participation rate, female (% of female population, ages 15–64)	71.1	72.0	72.6	74.1	74.7
UMC	Labor force participation rate, male (% of male population, ages 15–64)	86.3	84.8	82.6	81.5	82.0

KAZ	Labor force participation rate, male (% of male population, ages 15–64)	81.9	80.6	80.3	81.2	82.0

Source: World Development Indicators.
Note: KAZ = Kazakhstan; MDG = Millennium Development Goals; UMC=upper-middle income countries.

Gender and Political Participation: The proportion of seats held by women in the national Parliament in Kazakhstan was lower than in other UMCs until 2010. However, there was an increase in women's representation surpassing the UMC average in 2012 (see table A.3). This increase may be due to the Gender Equality Strategy of the Republic of Kazakhstan 2006–2016, which came into effect in December 2005 and targets women's representation, aiming to increase it to 30 percent.[8]

Table A.3 Political Participation MDGs

Country Code	Series Name	1995	2000	2005	2010	2012
UMC	Proportion of seats held by women in national parliaments (%)	..	15.0	16.5	19.7	21.9
KAZ	Proportion of seats held by women in the national parliament (%)	..	10.4	10.4	17.8	24.3

Source: World Development Indicators.
Note: KAZ = Kazakhstan; MDG = Millennium Development Goals; UMC=upper-middle income countries.

Gender in Country Strategies

The two country strategies in Kazakhstan covering the evaluation period (2004 CPS and the 2012 CPS) varied greatly in their emphasis on gender issues. The 2004 CPS has little emphasis on gender, making reference to gender issues only in the context of maternal and child health indicator targets not being met for the MDGs by 2015.

In contrast to the 2004 CPS, the 2012 CPS mentions that key gender issues in Kazakhstan include the political empowerment of women, making the business climate friendlier to women, and addressing unmet demand for child-care facilities.[9] The 2012 CPS (for the FY12–FY17 period) also points to gender gaps in three areas that require particular attention: low male life expectancy, lagging male tertiary enrollment, and the gender wage gap.[10] Further, the CPS 2012 emphasizes several gender issues, such as increased labor force participation for women both in business ownership and in top management.[11] However, it recognizes gaps in unemployment rates that remain higher for women[12] at 6.5 percent as compared to 4.1 percent for men (2012).[13] The lack of availability of childcare facilities is identified as a major impediment to female labor force participation, both for high and low skilled women.[14] The 2012 CPS states that evidence shows that women entrepreneurs are at an additional disadvantage when interacting with inspectors, trying to secure credit, or obtain licenses and permits. To address these disadvantages and barriers, the CPS also plans to focus on legislative changes for easing business entry and exit conditions, improving the business climate, and addressing barriers around access to financing, cross-border procedures, and licensing and permits.[15] The CPS also describes the low levels of political participation for women. Kazakhstan is ranked 74 among over 140 countries in its level of women's participation in national parliaments.[16]

Overall, while the recent 2012 CAS focuses more on gender issues than the 2004 CAS, the focus continues to be narrow, being more descriptive of gender issues rather than forward looking on how the Bank could engage in potential gender interventions and programs. The Bank could have focused more on narrowing the labor force participation rate and unemployment rates between men and women, but this is missing. There is little focus on addressing gender in the Bank's project portfolio or analytical work. This lack of gender emphasis is elaborated in the sections below.

Gender in World Bank Operations

EDUCATION

World Bank lending in the education sector in Kazakhstan was primarily through two projects: the Technical and Vocational Education Modernization or the TVEM (FY11), and the Youth Corps Project (FY13). There was no gender dimension in the TVEM project as it focused primarily on improving the policy framework, and institutional capacity to raise the relevance, quality, and efficiency of technical and vocational education. The Youth Corps Project promotes community engagement and life skills for youth through a community-based service-learning program, particularly for vulnerable youth.[17] Even though the project is very new, and no numbers on achieved targets have been reported as yet, it recognizes that two groups of youth require additional support: women and youth with disabilities. The project recognizes disparities along the lines of gender and youth with disabilities, but there is no targeted effort to address these disparities in the project documents at this point (Project Appraisal Document), even though female beneficiaries will be tracked in the project (as per the Implementation Status and Results Report (ISR), 2014). Also, tracking women beneficiaries only may not be enough if there is no targeted approach to addressing gender disparities through the project.

ENERGY AND MINING

The Bank had funded seven projects in the energy and mining sector in Kazakhstan during the evaluation period. A majority of these projects (six of the seven projects) focused on electricity supply and transmission, or on oil field rehabilitation—but with no relevant gender dimensions. However, the recently approved Energy Efficiency Project (2013) focuses on improving energy efficiency in public and social facilities, and on the enabling environment for sustainable energy financing (Project Development Objective). Since public facilities include schools, hospitals, and street lighting, the project expects to benefit the economically disadvantaged through the provision of public services, especially to women, children, and the sick and elderly in the beneficiary target group. [18] However, the project is still in its early phases and no beneficiary data are available yet.[19]

HEALTH

The Bank engaged in lending to the health sector through the Health Sector Technology Transfer and Institutional Reform project. The World Bank assisted government efforts (through the Health project and the JERP) in shifting health service provisions to primary health care from a greater emphasis on the hospital sector, including for the distribution of public expenditure funding. Initially the project was designed to support the government's State Health Reform and Development Program for 2005–2010. Now, with the development of the "Salamatty Kazakhstan" State Program on health, the goals have not changed (World Bank 2011[20]). Even though there is no obvious gender dimension in the project, project achievements include the introduction of an electronic-health system (storing information on patient histories, medication records, and evaluations of clinics in computerized databases), and contributions to the government's recent (January 2013) introduction of per capita financing in primary health care (ISR 2014). Gender-disaggregated data relating to per capita financing in primary health care would be helpful to address the low life expectancy rates for men. In the health sector, the Bank has not focused on pro-poor health care programs, which seems to be long overdue. Preventive health programs for Tuberculosis would be especially helpful. This is particularly relevant since incidence of Tuberculosis in Kazakhstan is very high (137 per 100,000 people as compared to 86 per 100,000 in other upper-middle income countries).

AGRICULTURE AND RURAL DEVELOPMENT

During the evaluation period, the Bank funded six projects in the agriculture sector. Overall, Bank efforts in the agriculture sector were fragmented (as per IEG's mission-based findings). Of the six projects, there were at least three projects that included a component on farmers that could have also included women farmers as target beneficiaries. For example, in projects such as the Agricultural Post-Privatization Assistance 2 Project or the APL Phase 2 (FY05), the Agricultural Competitiveness Project (FY05), and the Second Irrigation and Drainage Improvement Project (FY13), there was potential to include a gender dimension by working with female farmers but this was not done. It could also have been a consequence of men and women working in equal proportion in the farm labor force (at about 32 percent each).[21] However, other challenges faced by women in the agricultural workforce (especially female-headed households) were not addressed. Overall, there is a lack of involving communities or adoption of community-driven development (CDD) approaches in the agriculture and rural development projects in Kazakhstan—mainly because the sector is primarily focused on commercial agriculture rather than on subsistence agriculture.

Gender in World Bank's Analytical and Advisory Assistance

EDUCATION ESW AND NONLENDING TECHNICAL ASSISTANCE (NLTA)

The Bank funded two education related economic and sector work (ESW) initiatives in Kazakhstan during the evaluation period. The Education Policy Dialogue (FY04) focused on initiating a dialogue on basic education strategy to support the poverty assessment. However, little documentation on this work can be found among the Bank documents. Therefore, it is hard to assess whether a gender dimension would have been relevant.

The Education and Innovation Development (under the JERP; FY07) work proposed data collection on key characteristics of students, including socio-economic origin, gender, rural/urban origins, and so on. This was to be done through a reliable management information system to ensure equitable distribution of public resources at the tertiary education level.[22] This information would in turn be used to analyze benefits incidence of public spending by looking at the distribution of public subsidies across various population groups.[23] One of the main findings of this work was that public spending for education overall remains low in Kazakhstan—in spite of rapidly growing oil and gas revenues.[24] However, no follow-up of this work was done in the TVEM project of 2011 or in the Youth Corps project (FY13). These would have been relevant avenues for follow-up. Also, this work did not analyze any gender dimensions in the tertiary education arena to assess whether gender mainstreaming or gender-targeted programs would be more relevant.

Through the JERP, the Bank provided nonlending technical assistance via three undertakings in FY07, FY09, and FY10. All three focused on institutional building, for example: providing support to the Ministry of Education and Science in the implementation and monitoring of the new Education Strategy (FY07); designing and implementing plans relating to the New University (FY09); and conducting workshops on learning from world-class universities (FY10). There was no gender dimension to the NLTA provided in the education sector.

HEALTH ESW AND NLTA

Only one ESW was funded in the Health, Nutrition, and Population sector, which focused on Health Management Information Systems and did not have a gender aspect. In providing NLTA, the Bank mostly focused on working with government health agencies on information systems/ capacity building and did not address any gender dimensions.

POVERTY ASSESSMENTS

The Bank conducted one full-scale poverty assessment[25] during the evaluation period (FY04). The Assessment highlighted that wages varied significantly across sector, *oblasts*, occupational categories, and gender.[26] Wages in rural areas were lower than in urban areas, and farm wages were the lowest among the occupational categories (at 18 percent of public sector wages). On average, gender differences in wages showed that male wages were 31 percent higher than female wages in 2002.[27] The study shows segmentation of the labor market in Kazakhstan, putting women and the rural population at a disadvantage in accessing jobs, earning an income, thereby contributing to 'sustaining' poverty.[28] The study suggests that there were no considerable rural-urban or gender-linked disparities found at the lower levels of education. However, the disparities among the poor and the rich are greater at higher levels of education.[29]

The study also emphasizes the importance of pension benefits in Kazakhstan, and notes that a significant reduction of pension benefits could lead to a greater prevalence of poverty among the elderly, especially women. Women's vulnerability to poverty would increase with the loss of the minimum pension guarantee that provides these elderly women with significant income support.[30] No targeted efforts were seen at the project level to address the gender disparities raised through the poverty assessment.

Social Protection ESW and NLTA

The Bank funded three pieces of ESW in the pension reform area during the evaluation period. The Pension Policy Note (FY05) focused on the transformation of Kazakhstan's pension system of the 1998 pay-as-you-go basis into one exclusively based on fully funded, defined-contribution individual accounts. The policy note did not have any relevant gender dimension since it focused on reviewing reform implementation based on current conditions and projected outcomes, as well as providing recommendations for a long-term equitable pension system.[31]

The JERP Pension Study (FY07) recognized that the pay-as-you-go system, which awarded higher pensions per unit of contribution for the longer retirement periods of women, was being replaced with one in which women's lower retirement age and shorter contributory periods are reflected in lower benefits.[32] The study also proposed that, unlike its original design, the Kazakhstan pension system would continue to rely on publicly financed pensions, with the importance to the length of the beneficiary period managed through retirement age increases.[33] The study suggests that, as a first step, the retirement age of women should increase to 63, the same as for men[34]—even though it may be politically difficult to do so. The study explains that actuarially fair annuities are lower both per unit of retirement balance and in absolute terms for women (by analyzing mortality tables applied to annuity calculations). In this context, women's average earnings are usually lower than those of men; they spend more time away from the labor force caring for children; they have traditionally had a lower retirement age; and they live significantly longer.[35]

Regarding pension reform, women's lower retirement age as compared to men has been a politically contested issue. In 2013, the government agreed to increase the retirement age of women from 58 to 63 years of age, thus striving towards equality with the working male population.[36] There has been public debate on this reform relating to whether the retirement age should be raised gradually by six months to a year over the next few years or in one instance.[37] The government has decided that starting January 1, 2014, the retirement age of women will be increased in increments of 6 months from 58 to 63 years,[38] thereby taking ten years for this reform to be fully implemented (that is, from 2014 to 2024) . In 2014, the Minister of Labor and Social Security elaborated that while women accounted for 70 percent of retirees in Kazakhstan, they held only 45 percent of individual retirement accounts.[39] Also, the average pension savings for women in Kazakhstan is 25 percent lower than that of men—mainly due to a shorter period of pension contributions and gender pay differences.[40] The influence of the Bank in the formulation of this policy is unclear.

With the JERP-supported Improvements in Social Safety Net Phase 1 (FY11), a comprehensive review of the existing social protection system of the low-income population was undertaken. The focus of this study was on identification of dependency causes from social protection systems in low-income populations. It covered several types of social protection including active forms of employment promotion, targeted social assistance, housing assistance, and so on. However, it is not clear whether there was an emphasis on women-headed households, especially those headed by elderly women and identified as a vulnerable group in the previous Poverty Assessment, since no documents related to this study were found on the World Bank website or the Internet.[41]

The Bank provided TA to ten projects in the social protection area—more than in many other areas—indicating that social protection was an important focus of the Bank's work in Kazakhstan. Three social protection-related TA projects had the potential to include a gender dimension, but eventually did not. For example, in the JERP-supported Comparative Analysis SSN (FY11), the government approached the World Bank to help design a modern safety net. Joint work progressed to learn about the barriers to working among the low-income populations of Kazakhstan, and analyzing international experience with successful social protection programs. The JERP-supported Conditional Cash Transfer TA (FY12) helped to develop elements of a conditional cash transfer program that would contribute to the improvement of living standards of low-income group beneficiaries of the Last Resort program. It also developed a set of recommendations on strengthening the social safety net to better serve target population groups. The JERP-supported Modernization of the Social Sphere (FY13) proposed a key set of outcomes for the social modernization framework for Kazakhstan. However, the only focus on gender came through one of the ten proposed outcomes: "All pregnant women having professional support during pregnancy and delivery, which will reduce infant mortality and avoidable early childhood illnesses."[42] Despite a heavy focus on the social protection sector in analytical work and the 2012 CAS, there were no Bank projects in the evaluation period that focused on conditional cash transfers, or other pension-related social protection programs.

Conclusion

The World Bank Group engagement on gender issues in Kazakhstan has been limited through the evaluation period. The two country strategies (CPS 2004 and CPS 2012) briefly described some of the gender-based challenges in the health, unemployment, and political participation areas, but did not commit to addressing these issues through its lending projects. The World Bank Group was not involved in any lending or analytical work relating to gender issues in the extractives sector. The Bank did address gender issues through its analytical work, but only as a subset of a broader issue, for example, in poverty assessments or in the JERP-supported pension reform study. It is unclear whether the gender dimensions of the JERP's pension reform work contributed to national-level legislation that increased the retirement age of women from 58 to 63 years in 2013. Clearly, there is a trend toward greater emphasis on gender issues in the latter half of the evaluation period. It remains to be seen how the Bank chooses to engage more actively on gender issues in Kazakhstan in the future.

---

[1] Gender Assessment USAID/ Central Asian Republics, USAID, March 2010, p. 13. (http://pdf.usaid.gov/pdf_docs/PNADS880.pdf).

[2] Gender Assessment USAID/ Central Asian Republics, USAID, March 2010, p. 14. (http://pdf.usaid.gov/pdf_docs/PNADS880.pdf).

[3] http://genderindex.org/country/kazakhstan.

[4] Gender Assessment USAID/ Central Asian Republics, USAID, March 2010, p. 18. (http://pdf.usaid.gov/pdf_docs/PNADS880.pdf).

[5] OECD's SIGI is an innovative measure of the underlying drivers of gender inequality for over 100 countries. It captures discriminatory social institutions, such as early marriage, discriminatory inheritance practices, violence against women, preference for sons, restricted access to public space and restricted access to land and credit. The 2012 SIGI is made up of 14 unique variables, grouped into 5 sub-indices: the Discriminatory Family Code, Restricted Physical Integrity, Son Bias, Restricted Resources and Entitlements and Restricted Civil Liberties. (Source: http://genderindex.org/country/kazakhstan).

[6] Gender Assessment USAID/ Central Asian Republics, USAID, March 2010, p. 16. (http://pdf.usaid.gov/pdf_docs/PNADS880.pdf).

[7] Gender Assessment USAID/ Central Asian Republics, USAID, March 2010, p. 19. (http://pdf.usaid.gov/pdf_docs/PNADS880.pdf).

[8] CPS 2012, Kazakhstan, World Bank, p. 7.

[9] CPS 2012, Kazakhstan, World Bank, p. 12.

[10] CPS 2012, Kazakhstan, World Bank, p. 12.

[11] CPS 2012 (for FY12–FY17), Kazakhstan, World Bank, p.6.

[12] CPS 2012, Kazakhstan, World Bank, p. 5.

[13] World Development Indicators.

[14] Only 16 percent of children aged 1–6 attend early childhood development (ECD) centers. Among children 5–6 years of age, 60 percent are in ECD centers. (CPS 2012, Kazakhstan, World Bank, p.7.)

[15] CPS 2012, Kazakhstan, World Bank, pp.9–10.

[16] CPS 2012, Kazakhstan, World Bank, p.7.

[17] Project Development Objective, ISR, Kazakhstan, The World Bank, 2014.

[18] Energy Efficiency Project, Project Appraisal Document, The World Bank, p. 15.

[19] Energy Efficiency Project, ISR, The World Bank, 2014.

[20] http://www.worldbank.org/en/news/feature/2011/12/05/moving-learning-best-practices-implementing-best-practices.

[21] Source: http://dare.uva.nl/document/337850, p.38.

[22] "Higher Education in Kazakhstan." Report by OECD and the World Bank (2007), p. 102.

[23] "Higher Education in Kazakhstan." Report by OECD and the World Bank (2007), p. 102.

[24] "Higher Education in Kazakhstan." Report by OECD and the World Bank (2007), p. 103.

[25] In 2009 Bank prepared a report entitled "Poverty Assessment TA," classified under "how to guidance" category, within the framework of JERP. The report is undisclosed and is not public.

[26] Dimensions of Poverty in Kazakhstan, November 9, 2004, The World Bank, p. 18.

[27] Dimensions of Poverty in Kazakhstan, November 9, 2004, The World Bank.

[28] Dimensions of Poverty in Kazakhstan, November 9, 2004, The World Bank, p. 19.

[29] Dimensions of Poverty in Kazakhstan, November 9, 2004, The World Bank, p.22. From: http://documents.worldbank.org/curated/en/2004/11/5408214/kazakhstan-dimensions-poverty-kazakhstan-vol-1–2–policy-briefing.

[30] Dimensions of Poverty in Kazakhstan, November 9, 2004, The World Bank, p. 37. From: http://documents.worldbank.org/curated/en/2004/11/5408214/kazakhstan-dimensions-poverty-kazakhstan-vol-1–2–policy-briefing .

[31] http://documents.worldbank.org/curated/en/2004/05/5520535/kazakhstan-new-pensions-kazakhstan-challenges-making-transition

[32] Kazakhstan: Pension Policy Note Policy Considerations and Practical Proposals, Europe and Central Asia Social and Human Development Group (ECASHD), January 2008, The World Bank, p. 9, footnote 7.

[33] Kazakhstan: Pension Policy Note Policy Considerations and Practical Proposals, Europe and Central Asia Social and Human Development Group (ECASHD), January 2008, The World Bank, p. 21, footnote 7.

[34] Kazakhstan: Pension Policy Note Policy Considerations and Practical Proposals, Europe and Central Asia Social and Human Development Group (ECASHD), January 2008, The World Bank, p. 21.

[35] Kazakhstan: Pension Policy Note Policy Considerations and Practical Proposals, Europe and Central Asia Social and Human Development Group (ECASHD), January 2008, The World Bank, p. 41.

[36] http://www.cacianalyst.org/publications/field-reports/item/12769–kazakhstan-adopts-controversial-pension-reform.html.

[37] http://blogs.ft.com/beyond-brics/2013/05/13/kazakhstan-protests-over-plans-to-raise-womens-retirement-age/.

[38] http://www.interfax.kz/?lang=eng&int_id=expert_opinions&news_id=1436.

[39] http://www.interfax.kz/?lang=eng&int_id=expert_opinions&news_id=1436.

[40] http://www.interfax.kz/?lang=eng&int_id=expert_opinions&news_id=1436.

[41] http://operationsportal2.worldbank.org/wb/opsportal/ttw/about?projId=P119511.

[42] Report No: ACS4834, Republic of Kazakhstan, Modernizing the Social Sector for better Skills and Good Jobs Social Policies for Growth, June 13, 2013, The World Bank, ECSH4, Europe and Central Asia, p. 25.

Appendix B. CPE Ratings Table

Strategic Goals/Pillars of Bank Assistance[1]	Achievement of Sector Outcomes	Bank Group Contribution to Results	Outcome Ratings[2]
A. Macroeconomic Management and Governance			**Moderately Satisfactory**
Revenue management	The management of the National Oil Fund (NFRK) has been strengthened. The existing rules for utilization of NRFK revenues are effective and practical. Significant improvements were introduced in revenue management, including stronger revenue performance and lower costs of tax administration for the private sector.	The DPL and follow-up advisory work were instrumental in fundamentally strengthening the framework for oil revenue management and in securing its robustness against external shocks. The Bank was effective in using the window of opportunity during the crisis of 2009 to accelerate reforms promote fiscal sustainability. The Tax and Customs Administration Projects made a critical contribution to the modernization of these government functions.	Satisfactory
More accountable and transparent government	Kazakhstan became fully EITI-Compliant in 2013, and the EITI process appears to be sustainable. However, no comprehensive government anti-corruption program has been introduced during the review period. Kazakhstan's indicators for government accountability did not show any improvement, and remain weak.	The Bank provided essential support to the implementation of the EITI. Accountability and anti-corruption objectives were advanced under the Tax and Customs Administration Projects as well as through capacity building in core PFM agencies. Insufficient attention was paid to stimulating local demand for government accountability.	Moderately Unsatisfactory
Budget management systems	The reform progress was rather uneven, reflecting varying degrees of reform ownership across government agencies. The government capacity for public debt management and public sector accounting was visibly upgraded. Progress with the implementation of both result-based budget (RBB) management and the government's MTFF has been insufficient.	The Bank's policy advice and TA provided a major input to improving budget and debt management capacity, as reflected in the revised Budget and Tax Codes, the development of the Public Debt Management Strategy, and the new government Concept on budget policy. The Bank's analytical work funded under the JERP to facilitate PFM reforms and expenditure rationalization was comprehensive and of high quality.	Moderately Satisfactory

Strategic Goals/Pillars of Bank Assistance[1]	Achievement of Sector Outcomes	Bank Group Contribution to Results	Outcome Ratings[2]
Intergovernmental financial management	Improvements in inter-governmental financial arrangements have been limited. The government introduced a system of per capita based financing in primary health. But little progress was made, system-wide, toward more transparency, predictability and equity.	The Bank produced several reports with detailed diagnostics of the current system and advice on broad principles and specific design of reform, advocating a formula-based approach in allocating budget funds across subnational units.	Moderately Unsatisfactory
B. Economic Diversification			**Moderately Unsatisfactory**
1. Infrastructure			Satisfactory
	Transport: The government's ambitious program to upgrade its core network of roads has made good progress, and is expected to be completed by 2017. Expected results include significant improvements in travel speed, improved border crossing times, and road safety.	The Bank is a lead contributor in the sector with more than $2 billion in investments. Bank involvement has helped introduce modern contracting and contract management practices for these large investments, which has ensured efficient implementation. The Bank has provided significant support for institutional and policy development through nonlending services, including a JERP-funded study.	Satisfactory
	Power: Following restructuring in the 1990s, Kazakhstan has a modern and competitive sector structure with separate entities responsible for generation, transmission and distribution, and with significant private participation. KEGOC, the transmission company, was strengthened and put on solid financial footing. However, there was less progress in modernizing the generation plants and establishing a suitable basis for the capacity expansion by the private generation companies.	The Bank had significant involvement with KEGOC through four projects, all of which were implemented satisfactorily and achieved their development objectives. However, Bank involvement in the sector was rather narrow. The Bank Group had no involvement on the equally important and perhaps more complex issues of attracting private investments in rehabilitation and modernization of generation and district heating. There was no ESW done that would have provided a basis for deepening the Bank's role in the sector.	Moderately Satisfactory
2. Agriculture	The government has pursued an active policy agenda for the promotion of agriculture and agro-industry, including various subsidies, concessional credit,	The Bank has had little impact in the sector. Its efforts to impact the subsidy policies through various JERP-funded studies and other ESW did not find traction with the Government. Bank	Unsatisfactory

Strategic Goals/Pillars of Bank Assistance[1]	Achievement of Sector Outcomes	Bank Group Contribution to Results	Outcome Ratings[2]
	and other forms of financing. There have been increasing budgetary outlays for these programs. A significant increase in the production of all major crops and livestock largely reversed the decline of the 1990s.	projects were not well designed, and were disconnected from one another and from the Ministry of Agriculture's program. As such, have been largely ineffective.	
3. Financial Sector	Rapid sector growth since 2004 was interrupted by the global financial crisis, leaving the banks with massive amounts of delinquent loans and a large foreign debt. Despite drastic measures by the government (recapitalization and restructuring of problem banks), the crisis of the banking system has not been fully resolved.	The World Bank Group provided support—mainly after the crisis—through policy advice (IBRD) and long term credit lines to financial institutions for SME financing and trade facilitation (IFC). The Bank's policy dialogue in the financial sector was not extended beyond 2009 (in the immediate aftermath of the crisis). A large share of NPLs (32 percent) remains a lingering problem and has not been resolved.	Moderately Unsatisfactory
4. Private Sector Development	The business climate (performance on Doing Business indicators) has improved. No progress has been made on export diversification. State-owned interests continue controlling over 60 percent of the economy.	The Bank Group contributed to the improvement of "Doing Business" rankings. IFC advisory and investments struggled to enter the real sector – often having trouble identifying suitable clients, and were concentrated mainly in the banking sector.	Moderately Unsatisfactory
C. Investing in Clean Environment and Human Capital			**Satisfactory**
1. Environment	The restoration of the Northern Aral Sea was an iconic achievement, and was associated with the institutional reform and strengthening of the Committee for Water Resources. A few of the worst industrial pollution sites were cleaned up. Forest management and institutions were strengthened. The government is piloting a greenhouse gas emissions trading system.	A diverse cluster of World Bank Group operations in the petroleum, water, environment, and forestry sectors made a major contribution to the remediation of environmental legacies and the strengthening of the legal and institutional framework for the management of water and forest resources and the control of environmental pollution.	Satisfactory
2. Education	Kazakhstan has near-universal levels of primary education, adult literacy, and gender parity. PISA test results showed improvements from 2009–2012, but are still	The Bank provided support through JERP-funded studies and technical assistance. The Bank contribution in basic education served as the basis for various quality enhancing	Moderately Satisfactory

Strategic Goals/Pillars of Bank Assistance[1]	Achievement of Sector Outcomes	Bank Group Contribution to Results	Outcome Ratings[2]
	significantly lower than comparator countries. The newly established Nazarbayev University is expected be the national and regional center for academic excellence.	measures. The Bank did not have much impact in higher education. The government strategy is driven by the Nazerbayev University approach that is contrary to the broader approach advocated by the Bank.	
3. Health	Health sector performance improved, but some outcomes still lag behind Kazakhstan's rapidly increasing level of income. Per capita based financing was introduced in primary health. Key aspects of the health care system performance are still in need of improvement, especially on the institutional side.	The Bank supported health sector reform through analytical work and lending. Achievements so far include the introduction of per capita financing and the health information system, harmonization of legislation of food safety with EU standards, and the setting of cost ceilings for pharmaceutical drugs.	Not rated
4. Pension reform	The pension system remains fiscally sustainable. Coverage remains at only 64 percent. The government introduced several corrective measures recently and planned to follow the course in the medium term.	The Bank has been the primary source of policy advice on pension reforms in Kazakhstan. All recent policy changes implemented by the government reflect Bank recommendations, such as a higher retirement age for women, adjustment of the base pension, and centralization of the pension funds.	Satisfactory
OVERALL OUTCOME			Moderately Satisfactory
BANK GPOUP PERFORMANCE			**Satisfactory**

Note: CPE = Country Program Evaluation; DPL = Development Policy Loan; EITI = Extractive Industries Transparency Initiative; ESW = economic and sector work; EU = European Union; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; JERP = Joint Economic Research Program; KEGOC = Kazakhstan Electricity Grid Operating Company; MTFF = Medium-Term Fiscal Framework; NFRK = National Fund of the Republic of Kazakhstan; NPL = nonperforming loans; PFM = public financial management; PISA = Programme for International Student Assessment; RBB = results-based budgeting; SME = small and medium enterprise; TA = technical assistance.

[1] The goals of Bank Group assistance may be distinct from those of the client's own development objectives, although the two are usually consistent.

[2] The Bank Group program outcome sub-ratings and overall rating assess the extent to which the Bank program achieved the results targeted in the relevant strategy documents(s) and/or the documents for individual operations. They do not attempt to assess the extent to which the client was satisfied with the Bank Group program, nor do they try to measure the extent (in an absolute sense) to which the program

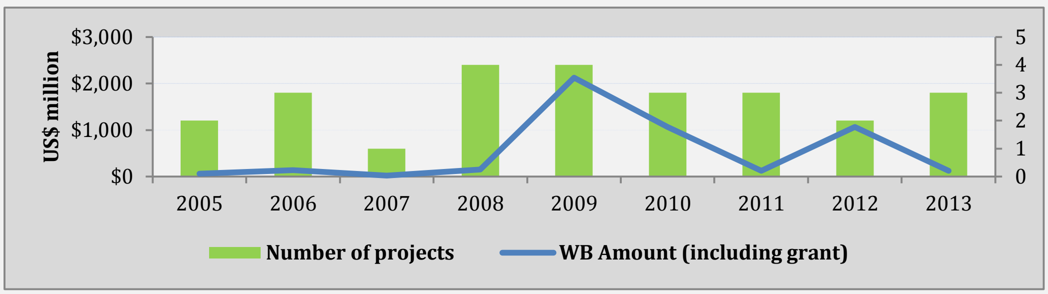
contributed to the country's development goals. Equally, they are not synonymous with Bank Group performance.

Appendix C. World Bank Group Portfolio

IBRD Lending and AAA

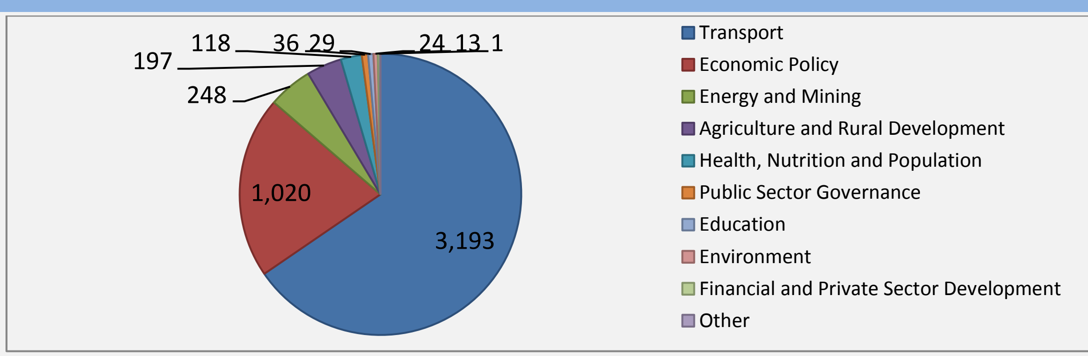
Over the FY04–13 period, the Bank approved 25 financing agreements for a total amount of $4.9 billion, including four trust fund operations, three recipient-executed activities, and one Global Environment Fund (GEF) grant. The portfolio size is dominated (about 86 percent) by three major investments: South-West Roads, East-West Roads International Transit Corridors, and a DPL. Five percent of the portfolio is covered by two projects in the health and irrigation sectors, and the remaining nine percent of lending supports education, innovation, environment, and the revenue administration agenda.

Figure C.1. Volume and Number of World Bank Commitments in Kazakhstan, Approval FY04–2013



Source: World Bank Business Information Warehouse.

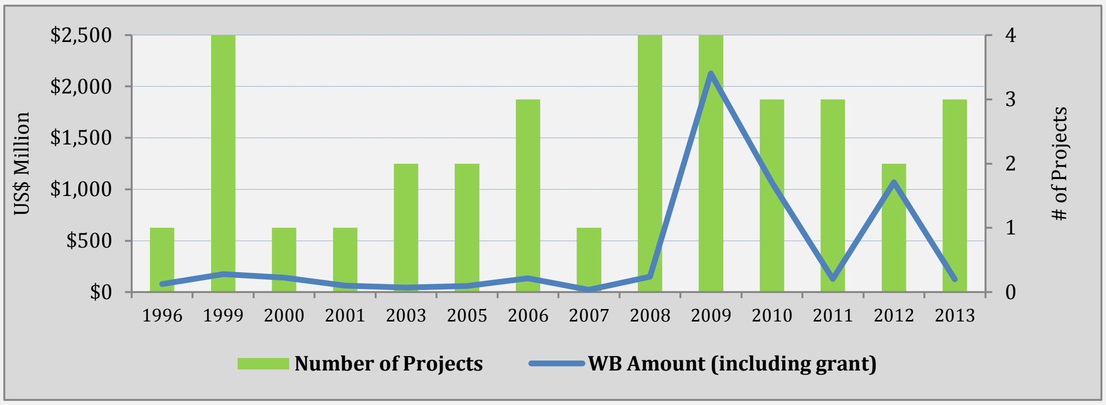
Figure C.2. Sector Allocations of World Bank Commitments to Kazakhstan (US$ millions)



Source: World Bank Business Information Warehouse.
Note: “Other” sector group includes less than US$1 million investments.

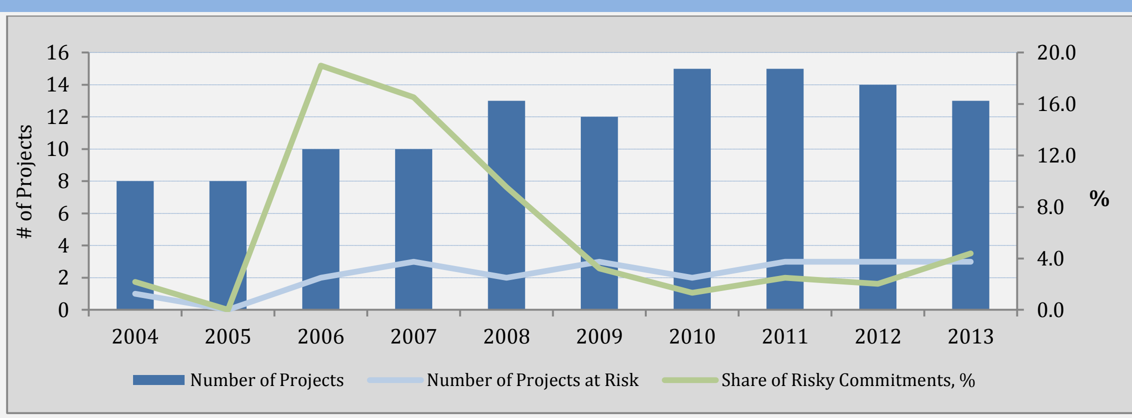
The World Bank implemented (approved and closed) 34 operations between FY04 and FY13. The agriculture sector dominated, with seven projects implemented between FY04 and FY13, including one GEF-blended project (grant). The next largest sector by project count was energy and mining with five investments. These were mainly in energy transmission and included a technical assistance loan for the extractives sector.

Figure C.3. WB Projects Implemented during FY04–13, US$ millions



Source: World Bank Business Information Warehouse.
Note: WB = World Bank.

Figure C.4. Riskiness of the World Bank Portfolio in Kazakhstan, FY04–13



Source: World Bank Business Information Warehouse.

Nonlending activities, anchored in the Joint Economic Research Program (JERP), constitute the bulk of the country portfolio. Between FY04 and FY13, 46 ESW and

164 Nonlending TA projects were approved for implementation. The majority of this work focused on governance, administrative reforms, financial sector development, private sector development, economic diversification and human development. It accounted for more than half of the ESW and TA portfolio.

In Kazakhstan, the Bank has a unique position in delivering analytic and advisory activities through the JERP, most notably through brainstorming sessions requested and co-chaired by the Prime Minister. These sessions have provided the government with a forum for debating important policy issues, thinking through problems, and developing strategies with analytical support from the Bank.

The first such brainstorming was held in February 2004 in Geneva during the WTO meetings to discuss the new World Bank Country Partnership Strategy with Kazakhstan. Since then, approximately 16 brainstorming sessions have been held to discuss key development issues both topical and long-term, such as the financial crisis, competitiveness, foreign investment, economic diversification, public administration reforms, food prices and agricultural policy, and human development.

These sessions appear to be optimized by strong ownership on the part of the Kazakh Prime Minister, who has a keen interest in the topics, and ensures that the right officials and high-level experts are present. The impact of these brainstorming sessions is evident in several areas: resuming pre-school education services, providing input for the elaboration of the anti-crisis package, establishing per capita financing in health system, and pension reform.

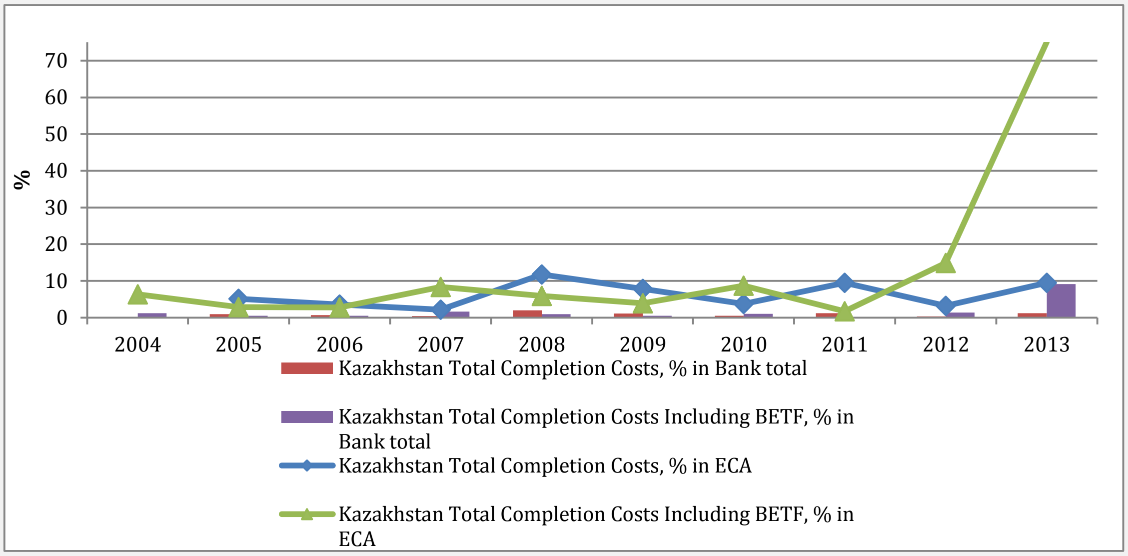
Efficiency of the Portfolio

Overall, the World Bank's Kazakhstan portfolio is highly efficient, with few exceptions. Actual economic rate of return (ERR) exceed the appraised rate or the rate of economic viability. There are several projects in which the ERR estimate or calculation either was either absent at the appraisal stage (Drylands Management), or at closure. Only one project did not provide an ERR at the appraisal or at the closing stage (APP2).

The total completion cost of the Bank portfolio in Kazakhstan varied from $300 to $10,658 (including Bank-Executed Trust Funds). The share of completion costs of the Kazakhstan portfolio was in the range of 3–10 percent of the ECA portfolio, and up to 2 percent of the Bank-wide portfolio. However, in the past two years, trust funds drove the completion cost of the portfolio to 75 percent of total regional costs, and 10 percent of Bank-wide costs.

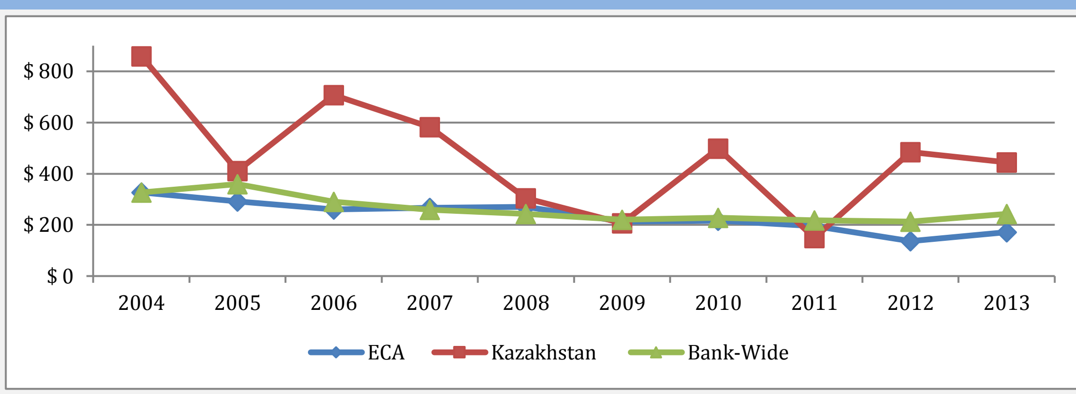
The average completion cost of the Bank lending portfolio in Kazakhstan is still higher compared to other countries in ECA. In the early 2000s, Russia's portfolio was the most expensive followed by Kazakhstan. After 2005, with few exceptions, project completion costs in Kazakhstan were higher than in Russia and Turkey, as well as in other countries in Central Asia with the same portfolio size.

Figure C.5. Completion Costs of the Bank's Portfolio in Kazakhstan, %



Source: World Bank Business Information Warehouse.
Note: BETF = Bank executed trust funds.

Figure C.6 Average Completion Costs of the Bank Portfolio in Kazakhstan, $US



Source: World Bank Business Information Warehouse.
Note: ECA = Europe and Central Asia.

IFC and MIGA Portfolio

During the CPS 2005–11 period, Kazakhstan represented IFC's sixth largest exposure in the ECA region, with an outstanding portfolio of $382 million as of the end of 2011. This constitutes a three-fold increase in the size of portfolio during the CPS period. Total investments in Kazakhstan during the CPS period amounted to over $1 billion in 27 projects, of which $950 million was for IFC's own account, and another $110 million was raised through syndication. Prior to the crisis, IFC focused on SME development, investments in sectors of comparative advantage for Kazakhstan (such as agri-business, oil and gas, general manufacturing, infrastructure, and services) and developed leasing and mortgage finance. During the crisis, IFC rapidly expanded its focus to support the stabilization of the financial sector, and did so by increasing access to finance in the priority sectors of the economy. Over the past four years, the primary component of IFC assistance ($680 million) focused on equity, quasi equity, senior debt, and trade finance to several private sector banks in Kazakhstan. At the end of the CPS 2005–11 period, IFC's investment portfolio in Kazakhstan was almost fully disbursed (98 percent) and performing well (with no NPLs at the end of FY2011). In addition, IFC has been providing advisory assistance in the areas of corporate governance and business transparency to address the key constraints to expansion of private sector investment programs in Kazakhstan (CPS 2004 Completion Report).

In the 2012–17 CPS, IFC plans to promote the development of the private sector through investment and advisory services in support of economic diversification, with the focus on non-extractive industries (such as access to infrastructure, strengthening the financial sector, and supporting diversification and competitiveness). In the short term, the IFC plans to focus on strengthening the financial sector, with medium-term efforts targeting infrastructure. Other objectives include promotion of SME development in agribusiness, manufacturing, and services. IFC also aimed to support the energy efficiency agenda as a crosscutting theme in its activities.

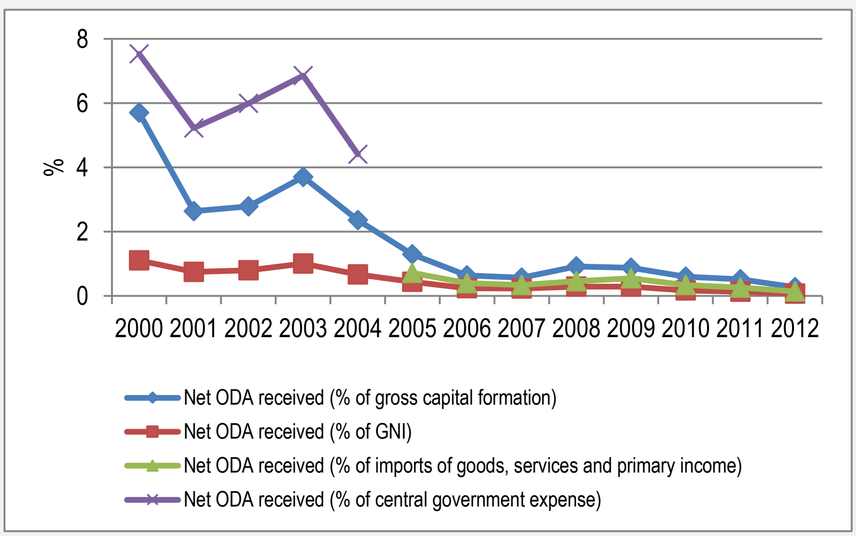
MIGA supported the financial and manufacturing sectors; its portfolio in Kazakhstan consists of five projects. The combined gross exposure from these investments (as of October 2014) is $512.7 million.

Partnerships

The World Bank Group works in close collaboration with other multilateral institutions and development partners. However, an official joint assistance strategy does not exist. Instead, there is a loose division of labor among all development partners. According to the latest CPE, in the area of improving competitiveness and fostering job creation, partners provide support on expanding the role of the private sector and trade integration (EC, USAID), financial sector reforms (IMF), building skills (EC, GIZ), agriculture (GIZ), SME development (Asian Development Bank [ADB]), electricity markets and investments (EBRD, USAID), and roads (ADB, EBRD). Regarding the broad governance agenda, partners provide advice on local public administration reform, public sector implementation capacity (EC), civil service reform (EC, UNDP), customs reforms (USAID), judicial sector reforms (EC, GIZ, USAID), social protection (EC, UNICEF), and health ((EC, USAID). In the area of the environment, partners focus on sustainability (EC, GIZ, UNDP), and energy efficiency (EBRD).

The share of official development assistance has reduced significantly since 2000, although it was never above 8 percent of central government expenses or gross capital formation. Its share of imports and as a percentage of GNI was even less—about one percent in the year 2000, and one-fifth of a percentage point by 2012.

Figure C.7. Official Development Assistance Flows to Kazakhstan



Source: World Development Indicators.
Note: ODA=Official Development Assistance.

Appendix D. Reference Tables

Table D.1 Select Kazakhstan Economic and Social Indicators

Select Macroeconomic Indicators	2004	2012–2013
Poverty and Social		
Population, total (millions)	15.0	17.0
GNI per capita, Atlas method (current US$)	2,300	11,550
GNI, Atlas method (current US$)	34.4	193.8
Population growth (annual %)	0.7	1.5
Labor force, total (millions)	7.8	9.0
Poverty headcount ratio at national poverty line (% of population)	33.9	2.9
Urban population (% of total)	54.9	53.4
Life expectancy at birth, total (years)	65.9	69.6
Mortality rate, infant (per 1,000 live births)	30.3	14.6
Improved water source (% of population with access)	93.6	93.1
School enrollment, primary (% gross)	105.2	106.3
Key Economic Indicators		
GDP (current US$ billions)	43.2	231.9
GDP per capita (current US$)	2,874	13,610
Gross capital formation (% of GDP)	26.3	26.2
Exports of goods and services (% of GDP)	52.5	39.5
Gross domestic savings (% of GDP)	34.9	38.1
Current account balance (% of GDP)	..	0.5
Total debt service (% of exports of goods, services and primary income)	38.0	23.5
Total debt service (% of GNI)	21.8	13.2
Present value of external debt (% of GNI)	..	66.0

Select Macroeconomic Indicators	2004	2012–2013
Present value of external debt (% of exports of goods, services and primary income)	..	115.7
Present value of external debt (current US$ billions)	..	114.4
Structure of the Economy		
Agriculture, value added (% of GDP)	7.6	4.9
Industry, value added (% of GDP)	37.6	37.8
Services, etc., value added (% of GDP)	54.8	57.2
Household final consumption expenditure, etc. (% of GDP)	53.5	51.2
General government final consumption expenditure (% of GDP)	11.6	10.6
Imports of goods and services (% of GDP)	43.9	27.6
Exports of goods and services (annual % growth)	11.2	2.7
GDP growth (annual %)	9.6	6.0
GNI growth (annual %)	8.3	6.5
Imports of goods and services (annual % growth)	14.9	18.7
Agriculture, value added (annual % growth)	-0.1	-17.3
Industry, value added (annual % growth)	11.3	1.4
Rural population growth (annual %)	1.1	1.7
Urban population growth (annual %)	0.3	1.3
Services, etc., value added (annual % growth)	9.7	11.8
Prices and Government Finance		
Inflation, consumer prices (annual %)	6.9	5.8
Inflation, GDP deflator (annual %)	16.1	6.1
Balance of Payments (millions)		
Imports of goods and services (BoP, current US$)	..	61,954
Exports of goods and services (BoP, current US$)	..	91,758

Select Macroeconomic Indicators	2004	2012–2013
Net income from abroad (current US$)	-2,863	-25,485
Net current transfers from abroad (current US$)	-488	-419
Current account balance (BoP, current US$)	..	-904.0
Reserves and related items (BoP, current US$)	..	-4,306
Total reserves (includes gold, current US$)	9,276	24,691
PPP conversion factor, private consumption (LCU per international $)	52.7	89.8

Source: World Development Indicators.
Note: GDP = gross domestic product; GNI = gross national income.

Table D.2. Select Kazakhstan MDG Indicators

Progress towards Select Millennium Development Goals	2004	2012 (latest)
Population below national poverty line, total, percentage	33.9	3.8
Population below national poverty line, urban, percentage	23.4	1.9
Population below national poverty line, rural, percentage	47.1	6.1
Purchasing power parities (PPP) conversion factor, local currency unit to international dollar	62.44	101.93
Growth rate of GDP per person employed		
Growth rate of GDP per person employed, percentage	6.6	2.46
Employment-to-population ratio		
Employment-to-population ratio, both sexes, percentage	64	67.9
Employment-to-population ratio, men, percentage	70.3	74
Employment-to-population ratio, women, percentage	58.4	62.5
Proportion of population below minimum level of dietary energy consumption		

Progress towards Select Millennium Development Goals	2004	2012 (latest)
Population undernourished, percentage	1.4	0.4
Population undernourished, millions	0.2	0.1
Net enrollment ratio in primary education		
Total net enrolment ratio in primary education, both sexes	98.7	98.9
Total net enrolment ratio in primary education, boys	98.2	98.3
Total net enrolment ratio in primary education, girls	99.2	99.7
Proportion of pupils starting grade 1 who reach last grade of primary		
Percentage of pupils starting grade 1 who reach last grade of primary, both sexes	99.4	99.3
Percentage of pupils starting grade 1 who reach last grade of primary, boys	99.3	99.1
Percentage of pupils starting grade 1 who reach last grade of primary, girls	99.6	99.5
Primary completion rate, both sexes	106.8	101.5
Primary completion rate, boys	106.4	100.9
Primary completion rate, girls	107.2	102.1
Ratio of girls to boys in primary, secondary and tertiary education		
Gender Parity Index in primary level enrolment	1	1.01
Gender Parity Index in secondary level enrolment	0.97	0.97
Gender Parity Index in tertiary level enrolment	1.38	1.43
Proportion of seats held by women in national parliament		
Seats held by women in national parliament, percentage	10.4	24.3
Total number of seats in national parliament	77	107

Progress towards Select Millennium Development Goals	2004	2012 (latest)
Seats held by men in national parliament	69	81
Seats held by women in national parliament	8	26
Under-five mortality rate		
Children under five mortality rate per 1,000 live births	34.6	17.9
Infant mortality rate		
Infant mortality rate (0–1 year) per 1,000 live births	30.3	16
Proportion of 1 year-old children immunized against measles		
Children 1 year old immunized against measles, percentage	99	96
Incidence, prevalence and death rates associated with tuberculosis		
Tuberculosis prevalence rate per 100,000 population (mid-point)	366	189
Tuberculosis death rate per year per 100,000 population (mid-point)	27	7.8
Tuberculosis incidence rate per year per 100,000 population (mid-point)	247	137
Proportion of tuberculosis cases detected and cured		
Tuberculosis detection rate under DOTS, percentage (mid-point)	72	81
Goal 7: Ensure environmental sustainability		
Proportion of the population using improved drinking water sources, total	94	93
Proportion of the population using improved drinking water sources, urban	98	99
Proportion of the population using improved drinking water sources, rural	88	86
Proportion of the population using improved sanitation facilities, total	97	97

Progress towards Select Millennium Development Goals	2004	2012 (latest)
Proportion of the population using improved sanitation facilities, urban	97	97
Proportion of the population using improved sanitation facilities, rural	97	98
Goal 8: Develop a global partnership for development		
Fixed-telephone subscriptions per 100 inhabitants	17.11	26.8
Fixed-telephone subscriptions	2,550,000	4,361,400
Mobile-cellular subscriptions per 100 inhabitants	16.42	185.82
Mobile-cellular subscriptions	2,447,000	30,235,400
Internet users per 100 inhabitants	2.65	53.32
ODA received in landlocked developing countries as percentage of their GNI	0.66	0.07
ODA received in landlocked developing countries, million US$	267.76	129.64

Source: United Nations statistics.

Note: GDP = gross domestic product; MDG = Millennium Development Goal; ODA = official development assistance; PPP = purchasing power parity.

Table D.3. Kazakhstan and Comparators: Economic and Social Indicators

Indicator	Kazakhstan	Turkey	Russia
Growth and Inflation			
GDP growth (annual %)	6.0	4.0	1.3
GDP per capita growth (annual %)	4.5	2.8	1.1
GNI per capita, Atlas method (current US$)	11380.0	10950.0	13860.0
GNI per capita, PPP (current international $)	20570.0	18760.0	23200.0
Inflation, consumer prices (annual %)	5.8	7.5	6.8
Composition of GDP			
Agriculture, value added (% of GDP)	4.9	8.5	3.9
Industry, value added (% of GDP)	37.8	27.1	36.2
Services, etc., value added (% of GDP)	57.2	64.4	59.9

Indicator	Kazakhstan	Turkey	Russia
External Accounts			
Exports of goods and services (% of GDP)	39.5	25.7	28.4
Imports of goods and services (% of GDP)	27.6	32.3	22.5
Current account balance (% of GDP)	0.5	-6.1	3.6
Present value of external debt (% of GNI)	66.0	39.4	..
Total debt service (% of GNI)	13.2	7.1	..
Other Macroeconomic Indicators			
Gross fixed capital formation (% of GDP)	23.4	20.3	21.5
Gross fixed capital formation, private sector (% of GDP)	16.2	15.6	..
Gross domestic savings (% of GDP)	38.1	14.0	28.5
Gross savings (% of GDP)	26.2	14.2	28.1
Fiscal Accounts			
Revenue, excluding grants (% of GDP)	..	34.6	29.8
General government final consumption exp. (% of GDP)	10.6	15.1	19.5
Gross national expenditure (% of GDP)	88.1	106.6	94.1
Social Indicators			
Life expectancy at birth, total (years)	69.6	74.9	70.5
Immunization, DPT (% of children ages 12–23 months)	98.0	98.0	97.0
Immunization, measles (% of children ages 12–23 months)	99.0	98.0	98.0
Mortality rate, infant (per 1,000 live births)	14.6	16.5	8.6
Out-of-pocket health exp.(% of private exp. on health)	98.8	64.4	88.0

Indicator	Kazakhstan	Turkey	Russia
Health expenditure per capita (current US$)	521.1	664.6	886.9
Health expenditure, public (% of GDP)	2.4	4.7	3.8
School enrollment, primary (% gross)	106.3	100.0	100.6
School enrollment, secondary (% gross)	97.7	86.1	95.3
School enrollment, tertiary (% gross)	44.5	69.4	76.1
Telephone lines (per 100 people)	26.7	18.1	28.5
Unemployment, total (% of total labor force)	5.3	9.2	5.5
Poverty headcount ratio at national poverty line (% of pop)	2.9	2.3	11
Improved water source (% of population with access)	93.1	99.7	97
Improved sanitation facilities (% of pop with access)	97.5	91.2	71
Population growth (annual %)	1.5	1.3	0.2

Source: World Development Indicators.
Note: DPT = diphtheria, tetanus, and pertussis; GDP = gross domestic product; GNI = gross national income.

Appendix E. List of Projects and ESW in Kazakhstan FY04–13

Table E.1. List of Approved and Exited Projects in Kazakhstan, FY04–14

Proj ID	Project Name	Project Status	Sector Board	Approval FY	Exit FY	IBRD+IDA+Grant Amt
P008507	UZEN OIL FIELD REHABILITATION	Closed	Energy and Mining	1997	2007	109
P046046	LEGAL REFORM	Closed	Public Sector Governance	1999	2004	16.5
P008499	ROAD TRANSPORT RESTRUCTURING	Closed	Transport	1999	2008	100
P008500	ATYRAU PILOT WATER	Closed	Water	1999	2005	16.5
P065414	ELEC TRANS REHAB	Closed	Energy and Mining	2000	2009	140
P046045	SYR DARYA CONTROL N. ARAL SEA	Closed	Agriculture and Rural Development	2001	2011	64.5
P059803	NURA RIVER CLEAN-UP	Closed	Environment	2003	2011	40.4
P071525	DRYLANDS MGMT (GEF)	Closed	Environment	2003	2010	5.3
P058015	AGRIC POST-PRIV ASSIST (APL #2)	Closed	Agriculture and Rural Development	2005	2012	35
P049721	AGRIC COMPETITIVENESS	Closed	Agriculture and Rural Development	2005	2012	24
P087485	FORESTRY (GEF) - KZ	Active	Agriculture and Rural Development	2006		5
P078301	FORESTRY	Active	Agriculture and Rural Development	2006		30
P095155	N-S ELEC TRANSMISSION	Closed	Energy and Mining	2006	2012	100
P078342	UST-KAMENOGORSK ENVIRONMENTAL REMED	Active	Environment	2007		24.29
P098452	Kazakhstan-EITI	Active	Energy and Mining	2008		0.0729225

APPENDIX E
LIST OF PROJECT AND ESW IN KAZAKHSTAN FY04–13

Proj ID	Project Name	Project Status	Sector Board	Approval FY	Exit FY	IBRD+IDA+Grant Amt
P090695	KZ Tech Commercialization	Active	Financial and Private Sector Development (I)	2008		13.4
P101928	HEALTH SECTOR TECH (JERP)	Active	Health, Nutrition and Population	2008		117.7
P096998	CUSTOMS DEVT	Active	Public Sector Governance	2008		18.5
P116536	IDF-PUBLIC SECTOR AUDIT	Closed	Financial Management	2009	2013	0.455
P116606	IDF-PROCUREMENT AUDIT AGENCY	Closed	Procurement	2009	2014	0.45
P099270	SOUTH WEST ROADS	Active	Transport	2009		2125
P114732	IDF-ROADS M&E	Closed	Transport	2009	2013	0.413
P119856	DPL	Closed	Economic Policy	2010	2011	1000
P114766	MOINAK ELECTRICITY TRANS PROJECT	Closed	Energy and Mining	2010	2013	48
P116696	TAX ADMIN. REFORM PROJECT	Active	Public Sector Governance	2010		17
P120985	KAZSTAT	Active	Economic Policy	2011		20
P102177	TVEM	Active	Education	2011		29.23
P116919	ALMA TRANSMISSION PROJECT	Active	Energy and Mining	2011		78
P127083	PUBLIC SECTOR ACCOUNTING REFORM	Closed	Financial Management	2012	2013	0.19
P128050	EAST-WEST ROADS	Active	Transport	2012		1068
P086592	IRRIG/DR 2	Active	Agriculture and Rural Development	2013		102.90244
P127966	Youth Corps program	Active	Education	2013		21.763
P130013	ENERGY EFFICIENCY PROJECT	Active	Energy and Mining	2013		21.763
P144880	IDF-ROADS CSOs	Active	Social Development	2013		0.305

Source: World Bank Business Information Warehouse.
Note: DPL = Development Policy Loan; EITI = Extractive Industries Transparency Initiative; GEF = Global Environment Fund; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IDF- Institutional Development Fund; JERP = Joint Economic Research Program; M&E = monitoring and evaluation; TVEM = Technical and Vocational Education Modernization.

Table E.2. IFC Program in Kazakhstan, 2003–2013

Project ID	Approv al FY	Project Status	IFC Sector Primary	Net Loans (US$'000)	Net Equity (US$'000)	Guarantees Net Commitment (US$'000)	Risk Management Net Commitment (US$'000)	Total Net Commitment (US$'000)
9953	2003	Closed	Oil, Gas and Mining	75,000.0	0.0	0.0	0.0	75,000.0
10558	2003	Closed	Accommodation & Tourism Services	3,000.0	0.0	0.0	0.0	3,000.0
11574	2003	Closed	Finance & Insurance	10,000.0	0.0	0.0	0.0	10,000.0
20986	2003	Closed	Finance & Insurance	25,000.0	0.0	0.0	0.0	25,000.0
21332	2003	Closed	Oil, Gas and Mining	0.0	3,663.5	0.0	0.0	3,663.5
22526	2004	Closed	Oil, Gas and Mining	0.0	1,686.5	0.0	0.0	1,686.5
11507	2005	Active	Finance & Insurance	5,000.0	1,051.6	0.0	0.0	6,051.6
23963	2005	Closed	Finance & Insurance	10,000.0	0.0	0.0	0.0	10,000.0
26127	2007	Closed	Finance & Insurance	0.0	10,795.5	0.0	0.0	10,795.5
25659	2008	Closed	Wholesale and Retail Trade	0.0	0.0	0.0	0.0	0.0
25959	2008	Closed	Finance & Insurance	80,000.0	0.0	0.0	0.0	80,000.0
26044	2008	Active	Finance & Insurance	0.0	0.0	292,353.6	0.0	292,353.6
26672	2009	Active	Finance & Insurance	45,000.0	0.0	0.0	0.0	45,000.0
26891	2009	Active	Nonmetallic Mineral Product Manufacturing	50,000.0	14,343.4	0.0	0.0	64,343.4
27217	2009	Closed	Accommodation & Tourism Services	0.0	0.0	0.0	0.0	0.0
27300	2009	Closed	Finance & Insurance	0.0	0.0	8,224.9	0.0	8,224.9
27476	2009	Active	Construction and Real Estate	45,000.0	0.0	0.0	0.0	45,000.0
27095	2010	Active	Finance & Insurance	60,000.0	0.0	0.0	0.0	60,000.0
28071	2010	Active	Finance & Insurance	85,000.0	86,123.2	0.0	0.0	171,123.2
28112	2010	Closed	Agriculture and Forestry	1,000.0	0.0	0.0	0.0	1,000.0

Project ID	Approval FY	Project Status	IFC Sector Primary	Net Loans (US$'000)	Net Equity (US$'000)	Guarantees Net Commitment (US$'000)	Risk Management Net Commitment (US$'000)	Total Net Commitment (US$'000)
29356	2011	Active	Finance & Insurance	0.0	3,000.0	0.0	0.0	3,000.0
30249	2011	Active	Pulp & Paper	2,250.0	0.0	0.0	0.0	2,250.0
30588	2011	Active	Food & Beverages	13,929.5	0.0	0.0	0.0	13,929.5
30719	2011	Active	Nonmetallic Mineral Product Manufacturing	0.0	3,000.0	0.0	0.0	3,000.0
31760	2012	Active	Nonmetallic Mineral Product Manufacturing	0.0	4,981.5	0.0	0.0	4,981.5
31868	2012	Active	Finance & Insurance	3,000.0	0.0	0.0	0.0	3,000.0
31948	2012	Active	Finance & Insurance	0.0	0.0	21,885.7	0.0	21,885.7
30975	2013	Active	Transportation and Warehousing	30,000.0	20,000.0	0.0	0.0	50,000.0
31830	2013	Active	Finance & Insurance	70,000.0	0.0	0.0	0.0	70,000.0
32892	2013	Active	Finance & Insurance	0.0	0.0	0.0	15.0	15.0
32923	2013	Active	Finance & Insurance	0.0	0.0	0.0	15.0	15.0
32924	2013	Active	Finance & Insurance	0.0	0.0	0.0	20.0	20.0
33105	2013	Active	Finance & Insurance	0.0	0.0	0.0	65.0	65.0

Source: International Finance Corporation, iDesk. Note: FY = fiscal year; IFC = International Finance Corporation.

Table E.3. IBRD Portfolio Status indicators for Kazakhstan, FY03–13

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
# Projects	8	8	10	10	13	12	15	15	14	13
Net Comm Amount	551.2	518.2	653.2	568.5	618.1	2,597.9	3,662.9	2,665.6	3,594.4	3,649.1
#Problem Projects	1	0	1	3	1	3	2	3	3	3
percent IPDO: Actual	12.5	0.0	10.0	30.0	7.7	25.0	13.3	20.0	21.4	23.1
# Potential Projects	0	0	1	0	1	0	0	0	0	0

percent Potential	0.0	0.0	10.0	0.0	7.7	0.0	0.0	0.0	0.0	0.0
# Projects at Risk	1	0	2	3	2	3	2	3	3	3
Comm at Risk	12.0	0.0	124.0	94.0	59.0	83.4	48.4	66.6	72.7	160.5
percent Commit at Risk	*2.2*	*0.0*	*19.0*	*16.5*	*9.5*	*3.2*	*1.3*	*2.5*	*2.0*	*4.4*

Source: World Bank Business Information Warehouse.
Note: Comm = commitments; IBRD = International Bank for Reconstruction and Development

Table E.4. List of IEG-Rated Projects for Kazakhstan, Exit FY03–13

Exit FY	Proj ID	Proj Name	Approval FY	Commitment Amount (US$ millions)	IEG Outcome	IEG Risk to DO Rating
2003	P037960	TREASURY MODERNIZATION	1997	14.7	Satisfactory	#
2003	P046046	LEGAL REFORM	1999	1.4	Unsatisfactory	#
2004	P008503	AGRIC. POST- PRIV ASST (APL #1)	1998	14.1	Satisfactory	#
2005	P008500	ATYRAU PILOT WATER	1999	11.5	Satisfactory	#
2005	P008510	IRRIGATION & DRAINAGE	1996	72.3	Satisfactory	#
2007	P008507	UZEN OIL FIELD REHABILITATION	1997	104.7	Satisfactory	Moderate
2008	P008499	ROAD TRANSPORT RESTRUCTURING	1999	95.6	Satisfactory	Moderate
2009	P065414	ELEC TRANS REHAB	2000	140.0	Satisfactory	Moderate
2009	P071525	DRYLANDS MGMT (GEF)	2003	0.0	Satisfactory	Moderate
2011	P046045	SYR DARYA CONTROL N. ARAL SEA	2001	62.4	Satisfactory	Moderate
2011	P119856	DPL	2010	1,000.0	Satisfactory	Moderate
2012	P095155	N-S ELEC TRANSMISSION	2006	98.1	Satisfactory	Moderate

Source: IEG and World Bank Business Information Warehouse.
Note: APL = Adaptable Program Loan; DO = Development Outcome; DPL = Development Policy Loan; FY = fiscal year; GEF = Global Environment Fund; IEG = Independent Evaluation Group.

Table E.5. Kazakhstan: Economic and Sector Work, FY04–14

Project ID	Project Name	Fiscal year	Sector Board
P084980	EDUC POL DIAL	FY04	Education
P086403	GAS DISTRIBUTION STUDY	FY04	Energy and Mining
P087218	FSAP Update Kazakhstan	FY04	Financial and Private Sector Development (I)
P088086	AML/CFT Assessment Kazakhstan	FY04	Financial and Private Sector Development (I)
P071897	POVERTY ASSESSMENT	FY04	Poverty Reduction
P078300	LIVESTOCK STUDY	FY05	Agriculture and Rural Development
P083363	FISHERIES SECTOR STUDY	FY05	Agriculture and Rural Development
P078926	COUNTRY ECONOMIC MEMORANDUM	FY05	Economic Policy
P092343	TECH & COMPETITIVENESS	FY05	Financial and Private Sector Development (I)
P092483	FINANCIAL SECTOR REFORM	FY05	Financial and Private Sector Development (I)
P094894	SOE CORPORATE GOVERNANCE POLICY NOTE	FY05	Financial and Private Sector Development (I)
P093099	PUBLIC HEALTH REF (CRL)	FY05	Health, Nutrition and Population
P080299	PEN POLICY NOTE	FY05	Social Protection
P088643	TRANSPORT SECTOR STRATEGY	FY05	Transport
P085460	ENVIRON. STRATGY - KZ	FY06	Environment
P096661	FINANCIAL SYSTEMS ENHANCEMENT (JERP)	FY06	Financial and Private Sector Development (I)
P094972	ROSC/JERP - KZ	FY06	Financial Management
P088990	PEIR/CPAR & FLWP (JERP)	FY06	Public Sector Governance
P097614	E-GOVERNMENT	FY06	Public Sector Governance
P092877	AGRIC. POLICY ASSESSMENT - JERP	FY07	Agriculture and Rural Development
P096940	(JERP) TAX POLICY	FY07	Economic Policy
P104563	EDUC AND INNOV DEV (JERP)	FY07	Education
P102198	PENSION STUDY (JERP)	FY07	Social Protection
P106271	UTILITIES TARIFF REFORM (JERP)	FY07	Water
P110451	FSAP UPDATE	FY08	Financial and Private Sector Development (I)
P113888	JERP – MACRO-MODELING TA and KER 1&2	FY09	Economic Policy

Project ID	Project Name	Fiscal year	Sector Board
P107737	JERP - PFMR 1&2	FY10	Economic Policy
P113823	ICA (JERP)	FY10	Financial and Private Sector Development (I)
P112991	POVERTY MONITORING	FY10	Poverty Reduction
P119347	JERP - KER 3	FY11	Economic Policy
P122536	DeMPA ASSESSMENT	FY11	Economic Policy
P126209	JERP FY11 ECONOMIC REPORT 4	FY11	Economic Policy
P123561	JERP KZ DEV. OF FAIR COMPETITION	FY11	Financial Inclusion Practice
P119346	KAZ JERP FY10 - PFMR 3	FY11	Public Sector Governance
P119511	JERP IMPROVEMENTS IN SOCIAL SAFETY NET	FY11	Social Protection
P122613	ICR ROSC	FY12	Financial and Private Sector Development (I)
P128641	COUNRY ECONOMIC MEMORANDUM	FY13	Economic Policy
P129214	JERP STUDY TO IMPROVE INDUSTRIAL COMPETITIVENESS	FY13	Environment
P129162	SECTOR OR THEMATIC STUDY/NOTE	FY14	Economic Policy
P129345	SECTOR OR THEMATIC STUDY/NOTE	FY14	Agriculture and Rural Development
P133386	SECTOR OR THEMATIC STUDY/ NOTE	FY14	Environment
P143330	SECTOR OR THEMATIC STUDY/NOTE	FY14	Economic Policy
P143688	SECTOR OR THEMATICS STUDY/NOTE	FY14	Agriculture and Rural Development
P146035	SECTOR OR THEMATIC STUDY/NOTE	FY14	Energy and Mining
P147154	INTEGRATIVE FIDUCIARY ASSESSMENT	FY14	Procurement
P148276	SECTOR OR THEMATIC STUDY/NOTE	FY14	Environment

Source: World Bank Business Information Warehouse.
Note: AML = anti-money laundering; CFT = combating the financing of terrorism; CPAR = Country Procurement Assessment Review; FY = fiscal year; FSAP = Financial Sector Assessment Program; ICA = Investment Climate Assessment; ICR = Implementation Completion Report; JERP = Joint Economic Research Program; PEIR = Public Expenditure and Institutional Reviews; PFMR = Public Finance Management Review; ROSC = Reports on Standards and Codes; SOE=state-owned enterprise; TA = technical assistance.

Table E.6. Kazakhstan: Nonlending Technical Assistance, FY04–14

Project ID	Project Name	Fiscal year	Sector Board
P083406	ENERGY SECTOR TA (PHASE #2)	FY04	Energy and Mining
P079015	FIN & PRIV SECT TA	FY04	Financial and Private Sector Development (I)
P082501	(LKD)PPIAF: KZ WTO ACCESSION AND REFORM	FY04	Global Information/Communications Technology
P090048	WATER SECTOR STUDY TA	FY04	Water
P083571	(JERP) WTO ACCESSION TA	FY05	Economic Policy
P095545	OIL REV MGMT TA/POL DIALOGUE	FY05	Economic Policy
P090550	WATER & ENERGY CONSORTIUM/TA	FY05	Energy and Mining
P091159	WATER SECTOR DIALOG/TA	FY05	Water
P099510	PRIVATE-PUBLIC PARTNERSHIP	FY06	Financial and Private Sector Development (I)
P094173	TA ON PRIVATE SECTOR ACCT & AUDIT	FY06	Financial Management
P079077	HEALTH DIALOGUE/TA	FY06	Health, Nutrition and Population
P097855	HEALTH DIALOGUE	FY06	Health, Nutrition and Population
P104409	FODDER & PASTURE MGT STRATEGY	FY07	Agriculture and Rural Development
P101627	BRAINSTORMING KZ GOVT (JERP)	FY07	Economic Policy
P097536	EDUC POLICY DIALOGUE (JERP)	FY07	Education
P102829	PRIVATE PARTNERSHIP TA 1 (JERP) FY2007	FY07	Financial and Private Sector Development (I)
P102271	HEALTH CARE QUALITY TA (JERP)	FY07	Health, Nutrition and Population
P096848	MGMT & GOV OF STATE SHAREHOLD TA (JERP)	FY07	Public Sector Governance
P102001	E-GOVT PHASE 2 (JERP)	FY07	Public Sector Governance
P104078	KAZKAZH. CUSTOMS PEER-LEARNING VISITS	FY07	Public Sector Governance
P090555	TERRITORIAL DEVT TA	FY07	Urban Development
P104082	JERP ENHANCING COMPETITIVENSS	FY08	Economic Policy
P104202	(JERP) WTO ACCESSION TA	FY08	Economic Policy
P107474	BRAINSTORMING KZ GOVT - JERP (FY08)	FY08	Economic Policy

Project ID	Project Name	Fiscal year	Sector Board
P108530	DEVELOPMENT OF STATISTICAL MASTER PLAN	FY08	Economic Policy
P090494	PRIVATE PARTNERSHIP TA 2 (JERP) FY2008	FY08	Financial and Private Sector Development (I)
P108783	TECHNO-PARKS (JERP)	FY08	Financial and Private Sector Development (I)
P108938	SUPPLY CHAIN DEVELOPMENT (JERP)	FY08	Financial and Private Sector Development (I)
P109614	MARKETS WITH IMPERFECT COMPETITION	FY08	Financial and Private Sector Development (I)
P107930	IMPLEMENT. OF IFPS (JERP)	FY08	Financial Management
P102360	PUBLIC INVESTMENT & AUDITING (JERP)	FY08	Public Sector Governance
P102815	JERP TAX ADMIN.	FY08	Public Sector Governance
P105979	POLICY ADVICE ON PAR AND ECONOMIC POLICY	FY08	Public Sector Governance
P111105	JERP REVISION OF TAX CODE	FY08	Public Sector Governance
P108810	PENSION SYSTEM SUPPORT(JERP)	FY08	Social Protection
P111933	–SURVEY ON QUALITY OF GOVT SERVICES	FY08	Social Protection
P107949	UTILITIES TARIFF REFORM 2 (JERP)	FY08	Water
P113411	JERP – GENERAL BUDGET TRANSFERS	FY09	Economic Policy
P116297	ECONOMIC FORUM	FY09	Economic Policy
P117130	JERP – BRAINSTORMING (FY09)	FY09	Economic Policy
P114472	JERP-HIGHER EDUCATION	FY09	Education
P113805	COMPETITION AND POLICY WORK (JERP)	FY09	Financial and Private Sector Development (I)
P113817	FSAP FOLLOW UP (JERP)	FY09	Financial and Private Sector Development (I)
P114772	BRAINSTORMING ON FIN. VOLATILITY (JERP)	FY09	Financial and Private Sector Development (I)
P115387	ESTABLISHING AML/CFT SYSTEM	FY09	Financial and Private Sector Development (I)
P115729	DOING BUSINESS REFORM (JERP)	FY09	Financial and Private Sector Development (I)
P112839	IA (JERP) PEER LEARNING EVENT	FY09	Financial Management
P112840	PUBLIC FIN AUDIT SYSTEM (JERP)	FY09	Financial Management

APPENDIX E
LIST OF PROJECT AND ESW IN KAZAKHSTAN FY04–13

Project ID	Project Name	Fiscal year	Sector Board
P111702	JERP-SURVEY ON QUALITY OF GOVT SERVICES	FY09	Poverty Reduction
P116813	PEER LEARNING JERP – STUDY TOUR	FY09	Poverty Reduction
P112861	JERP REVIEW OF THE e-GOV PROGRAM	FY09	Public Sector Governance
P113409	JERP PUBLIC ADMINISTRATION REFORM	FY09	Public Sector Governance
P114164	JERP TAX ADMINISTRATION	FY09	Public Sector Governance
P116691	TAX PEER-LEARNING VISIT JERP	FY09	Public Sector Governance
P116757	PENSION SYSTEM SUPPORT JERP	FY09	Social Protection
P115189	WSS STRATEGY- TARIFF REVIEW	FY09	Water
P113843	JERP - REGIONAL DEVELOPMENT BRAINSTORMING	FY10	Economic Policy
P118882	JERP – BRAINSTORMING (FY10)	FY10	Economic Policy
P122034	JERP-STRENGTHENING STATISTICAL CAPACITY	FY10	Economic Policy
P120177	JERP-HIGHER EDUCATION	FY10	Education
P120943	JERP SECONDARY EDUCATION	FY10	Education
P104941	EITI - JERP	FY10	Energy and Mining
P119803	EITI - JERP	FY10	Energy and Mining
P112504	INSOLVENCY AND CORPORATE RESTRUCTURING	FY10	Financial and Private Sector Development (I)
P112735	PUBLIC-PRIVATE PARTNERSHIPS TA (JERP)	FY10	Financial and Private Sector Development (I)
P119266	JERP DOING BUSINESS REFORM	FY10	Financial and Private Sector Development (I)
P119565	JERP-DEVELOPMENT AML/CFT SYSTEM	FY10	Financial and Private Sector Development (I)
P119565	JERP COMPETITION POLICY	FY10	Financial and Private Sector Development (I)
P119496	JERP DEVELOPMENT OF A NEW SAMPLE OF HBS	FY10	Poverty Reduction
P118881	JERP FISCAL RISK MGMT FOR PPPs	FY10	Public Sector Governance
P119578	JERP – STATE PLANNING SYSTEM REVIEW	FY10	Public Sector Governance

Project ID	Project Name	Fiscal year	Sector Board
P119579	JERP – IMPROVEMENT OF NATIONAL FUND MGMT.	FY10	Public Sector Governance
P119580	JERP – ADVISORY SUPPORT TO MINISTRY OF JUSTICE	FY10	Public Sector Governance
P119582	JERP FY11–KZ2020 Brainstrmg Sess1 (FY10)	FY10	Public Sector Governance
P119510	JERP PENSION SYSTEM	FY10	Social Protection
P118879	JERP HCS / WATER & SANITATION	FY10	Water
P121978	JERP WATER TARIFFS LAC WORKSHOPS	FY10	Water
P123669	JERP EXPANSION OF ENTERPRISES IN GVC	FY11	Competitive Industries Practice
P123670	JERP TECH. MOD. AND RESTRUCTURING OF ENTERPRISES	FY11	Competitive Industries Practice
P119581	JERP FY11–3rd ASTANTA ECONOMIC FORUM (ConFY10)	FY11	Economic Policy
P121378	Kazakh SMP UPDATE	FY11	Economic Policy
P123799	JERP-STUDY OF INT'L PRACTICE INTEG. UNION	FY11	Economic Policy
P124682	JERP - SSC – PHASE 2 STUDY TOUR	FY11	Economic Policy
P128784	FY12 JERP IMPROVEMENT OF COMPETITIVENESS	FY11	Economic Policy
P122958	JERP - EITI (FY11)	FY11	Energy and Mining
P124784	JERP- MINING STRATEGY DEVELOPMENT TA	FY11	Energy and Mining
P118069	JERP COMPETITION POLICY INTERNSHIP	FY11	Financial and Private Sector Development (I)
P118622	#8135 STRENGTHENING CATASTROP.	FY11	Financial and Private Sector Development (I)
P123559	JERP TECH. INNOVATIONS	FY11	Financial and Private Sector Development (I)
P123638	JERP DOING BUSINESS REFORMS	FY11	Financial and Private Sector Development (I)
P123668	JERP COMPETITION PROT AND DEV GOODS MKT	FY11	Financial and Private Sector Development (I)
P124686	JERP – FURTHER DEVELOPMENT OF FMS	FY11	Financial and Private Sector Development (I)
P127167	JERP KZ DB STUDY TOUR	FY11	Financial and Private Sector Development (I)
P108724	FINANCIAL SECTOR MONITORING	FY11	Financial Systems Practice
P123680	JERP INSOLVENCY SYSTEM IMPROVEMENT	FY11	Financial Systems Practice

APPENDIX E
LIST OF PROJECT AND ESW IN KAZAKHSTAN FY04–13

Project ID	Project Name	Fiscal year	Sector Board
P121252	JERP SMALL BUSINESS TAXATION	FY11	Public Sector Governance
P123800	JERP FY11–BRAINSTORMING-CONTINGENT LIABILIITY	FY11	Public Sector Governance
P125614	JERP – BRAINSTORMING DECENTRALIZATION	FY11	Public Sector Governance
P125839	JERP -E-GOVERNANCE ASSESSMENT	FY11	Public Sector Governance
P125840	JERP – TOP CIVIL SERVICE PAY	FY11	Public Sector Governance
P114645	JERP – PROST	FY11	Social Protection
P114771	JERP-OPTIONS FORMALIZATION SELF EMPLOYMENT	FY11	Social Protection
P125650	JERP – COMPARATIVE ANALYSIS OF SSN	FY11	Social Protection
P123735	JERP-ADV ASST. ON FIN INITIATIVE IN RK	FY11	Transport
P121184	JERP-SOVEREIGN WEALTH FUND KNOWLEDGE	FY12	Economic Policy
P128786	FY12 JERP PUBLIC DEBT MANAGEMENT (INCL. SOES)	FY12	Economic Policy
P118983	JERP DEV. OF POST-GRADUATE EDUCATION	FY12	Education
P120886	JERP MODERNIZATION OF NATIONAL TEST SYSTEM	FY12	Education
P131808	JERP STUDY TOUR	FY12	Environment
P123589	JERP - IFRS FOR SME TRAINING	FY12	Financial Management
P128811	JERP - IFRS APPLICATOIN FOR SMEs – 2	FY12	Financial Management
P127564	KZ FINANCIAL SECTOR MONITORING	FY12	Financial Systems Practice
P128737	AML/CFT, JERP	FY12	Financial Systems Practice
P127984	JERP - ENHANCING PRODUCTIVITY AND COM	FY12	Innovation, Tech. & Entrepreneurship Practice
P127982	JERP -DEVT OF NEW ENTERPRISE INSOLVENCY	FY12	Investment Climate Practice
P127983	JERP - ENHANCEMENT OF BUSINESS ENVIRONMENT	FY12	Investment Climate Practice
P123590	JERP - DEV E-PROC SYSTEM	FY12	Procurement
P130926	FY13 JERP CIVIL SERVICE REFORM	FY12	Public Sector Governance

Project ID	Project Name	Fiscal year	Sector Board
P127945	JERP CCT	FY12	Social Protection
P128690	JERP PENSIONS	FY12	Social Protection
P123734	JERP-ESTABLISHING FIN. MECHANISM FOR HCS	FY12	Urban Development
P144885	TRANSPORT STRATEGY 2020	FY13	Administrative and Client Support
P132681	JERP – ENHANCING PRODUCTIVITY AND COMPETITIVENESS	FY13	Competitive Industries Practice
P143222	JERP GOVT SECURITIES YIELD CURVE ISSUES	FY13	Economic Policy
P145164	JERP EDUCATION STUDY TOUR	FY13	Education
P145450	JERP STUDY TOUR-ENVIRONMENT	FY13	Environment
P143003	FY13 JERP - RBB	FY13	Financial Management
P132518	–FINANCIAL SECTOR MONITORING	FY13	Financial Systems Practice
P132696	JERP – IMPROVEMENT OF INSOLVENCY SYSTEM	FY13	Investment Climate Practice
P128783	JERP INTER-GOVERNMENTAL RELATIONS	FY13	Public Sector Governance
P133165	JERP MODERNIZATION OF SOCIAL SPHERE	FY13	Social Protection
P128985	JERP - TA TO SUPPORT PPP DEVT	FY13	Transport
P144776	PPP ADVISORY	FY13	Transport
P106391	BOTA	FY14	Social Protection
P128341	JERP - EITI	FY14	Energy and Mining
P128785	JERP RESULTS- BASED BUDGETING	FY14	Public Sector Governance
P129034	JERP-PISA-SABER BENCHMARKING	FY14	Education
P131313	PM BS ON INDIVIDUAL RESPONSIBILITY IN HEALTH	FY14	Health, Nutrition and Population
P131386	PM BS ON PENSION REFORM	FY14	Social Protection
P131935	INTERNAL AUDIT TA (JERP)	FY14	Financial Management
P132680	JERP – ENHANCEMENT OF BUSINESS ENVIRONMENT	FY14	Investment Climate Practice
P133809	LEGISLATIVE REGULATION OF MINING SECTOR	FY14	Energy and Mining

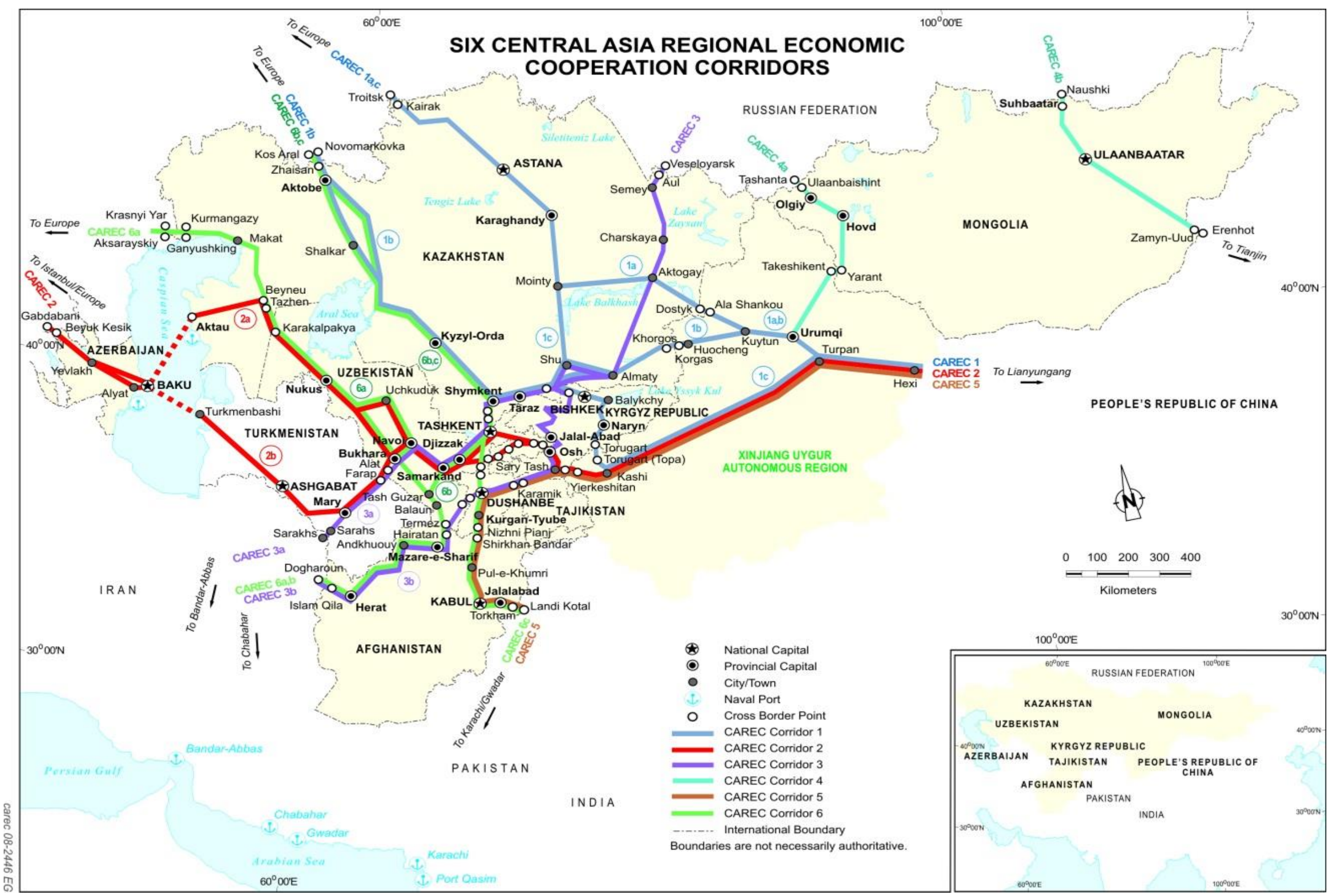
APPENDIX E
LIST OF PROJECT AND ESW IN KAZAKHSTAN FY04–13

Project ID	Project Name	Fiscal year	Sector Board
P143065	IMPROVEMENNT OF SOCIAL SAFETY NET SYSTEM	FY14	Social Protection
P143221	JERP LOGISTICS IMPROVEMENT	FY14	Transport
P143337	TA JERP 2013 PROGRAM	FY14	Financial Systems Practice
P145116	PENSION TA	FY14	Social Protection
P145286	KZ JERP SSN STUDY TOUR	FY14	Social Protection
P146424	KZ SOCIAL MODERNIZATION BRAINSTORMING	FY14	Social Protection
P147259	IMPROVEMENT OF SOCIAL SAFETY NET SYSTEM	FY14	Social Protection
P147383	JERP– RESULTS-ORIENTED BUDGETING	FY14	Public Sector Governance
P147387	JERP, CIVIL SERVICE REFORM	FY14	Public Sector Governance
P147452	e-LEARNING	FY14	Education
P147770	JERP COMPETITION PROTECTION POLICY	FY14	Competitive Industries Practice
P147775	AML/CFT COMPONENT-JERP	FY14	Financial Systems Practice
P147790	JERP IMPROVEMENT OF INSOLVENCY SYSTEM	FY14	Financial Systems Practice
P147791	JERP IDENTIFICATION OF CONSTRAINTS TO INDUSTRIES	FY14	Competitive Industries Practice
P148036	JERP GOVT SECURITIES FOLLOW-ON TA	FY14	Economic Policy
P148101	JERP FODDER PRODUCTION-ANIMAL NUTRITION	FY14	Agriculture and Rural Development
P148109	MIGRATION POLICY ADVICE	FY14	Economic Policy
P148225	–TAX POLIC ADVICE TO MEBP	FY14	Public Sector Governance
P148364	SUPPORT FOR MANDATORY INSURANCE LAW	FY14	Urban Development
P149368	SOCIAL SAFETY NET IMPROVEMENT STUDY TOUR	FY14	Social Protection
P149812	JERP SOCIAL MODERNIZATION STUDY TOUR	FY14	Social Development
P150421	JERP STUDY TOUR-IHWMS	FY14	Environment

Source: World Bank Business Information Warehouse.

Note: AML = anti-money laundering; CCT = conditional cash transfers; CFT = combatting the financing of terrorism; EITI = Extractive Industries Transparency Initiative; FSAP = Financial Sector Assessment Program; FY = fiscal year; HBS = household budget survey; HCS = Housing and Communal Services; IFRS = International Financial Reporting Standard; JERP = Joint Economic Research Program; MEBP = Ministry of Economy and Budget Planning; PPIAF = Public-Private Infrastructure Advisory Facility; PPP = public-private partnership; RBB = results-based budgeting; SABER = Systems Approach for Better Education Results; SME = small and medium enterprise; SMP = statistical master plan; SSN = social safety net; TA = technical assistance; WSS = water supply and sanitation; WTO=World Trade Organization.

Appendix F. Map of the Six Central Asian Regional Economic Cooperation (CAREC) Corridors



Appendix G. Guide to IEG's Country Program Evaluation Methodology

This methodological note describes the key elements of IEG's Country Program evaluation (CPE) methodology.

CPEs Rate the Outcomes of World Bank Group Assistance Programs, Not the Country's Overall Development Progress

A World Bank Group assistance program needs to be assessed on how well it met its particular objectives, which are typically a subset of the country's development objectives. If a Bank Group assistance program is large in relation to the country's total development effort, the program outcome should be similar to the country's overall development progress. However, most Bank Group assistance programs provide only a fraction of the total resources devoted to a country's development by development partners, stakeholders, and the government itself. In CPEs, IEG rates only the outcome of the Bank Group's program, not the country's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

The experience gained in CPEs confirms that Bank Group program outcomes sometimes diverge significantly from the country's overall development progress. CPEs have identified Bank Group assistance programs that had:

- Satisfactory outcomes matched by good country development;
- Unsatisfactory outcomes in countries which achieved good overall development results, notwithstanding the weak Bank Group program; and,
- Satisfactory outcomes in countries that did not achieve satisfactory overall results during the period of program implementation.

Assessments of Assistance Program Outcome and Bank Group Performance Are Not the Same

By the same token, an unsatisfactory Bank Group assistance program outcome does not always mean that Bank Group performance was also unsatisfactory, and vice versa. This becomes clearer in considering that the Bank Group's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the joint impact of four agents: (a) the country; (b) the Bank Group; (c) partners and other stakeholders; and (d) exogenous forces (for example, events of nature, international economic shocks, and so forth). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three and lead to an unsatisfactory outcome.

IEG measures Bank Group performance primarily on the basis of contributory actions the Bank Group directly controlled. Judgments regarding Bank Group performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank Group's lending and financial support interventions, the scope, quality and follow-up of diagnostic work and other AAA, the consistency of the Bank Group's lending and financial support with its nonlending work and with its safeguard policies, and the Bank Group's partnership activities.

Rating Assistance Program Outcome

In rating the outcome (expected development impact) of an assistance program, IEG gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank Group do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The Country Assistance Strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. IEG's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, as well as whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

For each of the main objectives, the CPE evaluates the relevance of the objective; the relevance of the Bank Group's strategy toward meeting the objective, including the balance between lending and nonlending instruments; the efficacy with which the strategy was implemented; and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank Group's program achieved a particular Bank Group objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank Group's products and services (lending, analytical and advisory services, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank Group, other development partners, the government and exogenous factors.

Evaluators also assess the degree of country ownership of international development priorities, such as the Millennium Development Goals, and Bank Group corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key country development constraints. In either case, the consequences could include a diminution of program relevance, a loss of country ownership, and unwelcome side effects such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

IEG utilizes six rating categories for outcome, ranging from highly satisfactory to highly unsatisfactory:

Highly satisfactory:	The assistance program achieved at least acceptable progress toward all major relevant objectives, and had best practice development impact on one or more of them. No major shortcomings were identified.
Satisfactory:	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
Moderately satisfactory:	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
Moderately unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, or made acceptable progress on all of them, but either (a) did not take into adequate account a key

	development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, and either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Highly unsatisfactory:	The assistance program did not make acceptable progress toward any of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

The **institutional development impact** can be rated at the project level as *high*, *substantial*, *modest*, or *negligible*. This measures the extent to which the program bolstered the country's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- The soundness of economic management
- The structure of the public sector, and, in particular, the civil service
- The institutional soundness of the financial sector
- The soundness of legal, regulatory, and judicial systems
- The extent of monitoring and evaluation systems
- The effectiveness of aid coordination
- The degree of financial accountability;
- The extent of building capacity in nongovernmental organizations
- The level of social and environmental capital.

IEG is, however, increasingly factoring institutional development impact ratings into program outcome ratings, rather than rating them separately.

Sustainability can be rated at the project level as *highly likely*, *likely*, *unlikely*, *highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience to risk of the development benefits of the country program over time, taking into account eight factors:

- Technical resilience
- Financial resilience (including policies on cost recovery)
- Economic resilience
- Social support (including conditions subject to safeguard policies)
- Environmental resilience
- Ownership by governments and other key stakeholders
- Institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness)
- Resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

At the program level, IEG is increasingly factoring sustainability into program outcome ratings, rather than rating them separately.

Risk to development outcome. According to the 2006 harmonized guidelines, sustainability has been replaced with a "risk to development outcome," defined as the risk, at the time of evaluation, that development outcomes (or expected outcomes) of a project or program will not be maintained (or realized). The risk to development outcome can be rated at the project level as *high, significant, moderate, negligible to low,* and *non-evaluable.*

Appendix H. Kazakhstan Country Partnership Strategies

Table H.1 Kazakhstan Country Partnership Strategies

Instrument	Ongoing activities (FY04)	FY05 Business Plan 1/	Program Areas in Future Years	Expected Direct Contribution to Kazakhstan
Pillar 1. Managing the Oil-Windfalls and Improving Public Sector Institutions				
Lending JERP	· Programmatic CEM (Management of oil windfalls and competitiveness)	· CEM (continued) · Programmatic PEIR	· Management of oil-windfalls · Local governments · Customs ·Public resource management (procurement & financial mgmt.) · Civil service (2nd generation) · Transparency and corruption	· Promote dialogue on (I) efficient use of oil revenues; (2) optimal public spending paths; (3) prioritization of public spending; and (4) intergovernmental finance · Contribute to improving the capacity of key government institutions, including local governments, procurement, financial management, and the civil service
Pillar 2. Building an Appropriate Role of the Government to Promote Competitiveness				
Lending	·IBRD: none · IFC: (I) SME facility (with EBRD); (2) Ispat-Karmet SME Facility; (3) Small Equity Fund (with ISDB)	·Second agricultural post-privatization support (APPAP-2) – FY05 · Agricultural competitiveness Project—FY05 · IFC: Possible fund for SME	· Agricultural policies and Institutions · R&D, innovation, and technology commercialization ·SMEs development · Telecommunications · Linkages for oil and non-oil sectors (IFC and EBRD) . Financial sector deepening	· Promote dialogue on productive vehicles to support economic diversification and promote R&D · Directly support the introduction of innovative pilots to support non-oil sectors, especially for the agricultural sector ·Improve food standards and, with this, the potential of higher exports of agricultural products ·Facilitate WTO accession process
JERP	· WTO Accession · Agriculture Competitiveness (Fisheries and Livestock)	·IBRD: WTO Accession TA (continued)		

		·IFC: (I)TA on mortgage; (2) TA on leasing	(leasing, mortgage, insurance, pensions)	
Pillar 3. Investing in Human Capital and Infrastructure				
Lending	· IBRD: (I) Irrigation; (2) Syr-Darya Control; (3) Road Transport; (4) Electricity Rehabilitation · IFC: none	· Irrigation & Drainage 2 -- FY06	· Poverty assessments ·Territorial development · Health system development · Education reform · Water supply · Railway reform ·Road management · Irrigation and drainage 2	· Assist GOK in laying out strategic directions and improvements to improve health and education systems ·Increase the level of understanding about poverty vulnerabilities, particularly across regions · Assist GOK in defining best strategy to maximize the Country's transit potential ·Assist with the creation of mechanisms that can be used for a steady improvement of drinking water
JERP	· Health Issues · Pension Policy · Programmatic Poverty Assessment	· Education sector study · Health sector strategy ·Territorial development (incl. Transport Sector Strategy) · Programmatic Poverty assessment (continued)		
Pillar 4. Safeguarding the Environment				
Lending	· IBRD: Drylands Management (GEF); (2) Nura River Clean-up; (3) Uzen Oil Field Rehabilitation · IFC: none	·Forestry Project -- FY06	. Forestry, dryland management · Environment policy, and Institutions · Remediation	· Greater understanding of the environmental impact of future growth, and introduction of key measurement systems -Support remedial actions in selected areas (e.g. dry lands/forestry or regions (e.g., Ust-Kamenogorsk) · Increase the value and sustainability of environmental resources such as forests, bodies of water and rangelands
JERP	· Natural Resources ·Water Note	· Environment: Monitoring and strategic assessment ·Regional water/energy consortium		

Source: World Bank KAZAKHSTAN: Country Partnership Strategy (CPS), 2004.
Note: CEM = Country Economic Memorandum; EBRD = European Bank for Reconstruction and Development; GEF = Global Environment Fund; IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; ISDB = Islamic Development Bank; JERP = Joint Economic Research Program; PEIR = Public Expenditure and Institutional Reviews; R&D = research and development; SME = small and medium enterprise; WTO = World Trade Organization.

Table H.2 Country Partnership Strategy, FY2012–17– Results Framework: Ongoing and Confirmed Program

Institutional Outcomes in the Government Strategy to be supported by the CPS	Milestones and Outputs	CPS Outcomes	Instruments and Partners
	AREA OF ENGAGEMENT 1: IMPROVING COMPETITIVENESS AND FOSTERING JOB CREATION		
	Country Development Goal: Achieve competitiveness gains through macro-stability and international integration		
Strengthening fiscal discipline and trade openness/integration	A medium term debt management strategy based on a cost-risk analysis adopted and gradually broadened to include fiscal risks from SOE activities. National services-trade statistics aligned with Manual on Statistics in International Trade in Services (OECD). A regulatory impact assessment for non-tariff measures adopted and conducted on a regular basis.	Prudent management of oil revenue is maintained with the government net financial worth (as measured by the difference between stock of National Fund assets and sovereign debt) is above its 2012 level of 20 percent of GDP by 2017.	Bank JERP: Fiscal Policy for Growth; Improvement of Public Debt Management, including Mechanisms of Monitoring Debt of SOE Sector; Improvement of Competitiveness Through Reduction of Trade Barriers Bank Study: Country Economic Memorandum on Growth Agenda Partners: IMF, EC, USAID
Expanding non-oil sector exports and employment	A new Law on Permits System adopted, setting framework for risk-based, streamlined inspections and technical regulations. Institutional framework for corporate financial reporting (CFR) strengthened, as measured by improvement in A&A ROSC indicators, showing higher degree of: (i) alignment of the forthcoming new CFR legislation with the international standards; (ii) compliance of financial information of corporate entities with international standards (International Financial Reporting Standards, and Standards on Audit).	Improved regulatory environment as measured by Doing Business ratings (up from 46 in 2011 to below 30 in 2017), and Business Environment and Enterprise Performance (BEEPs; percent of firms identifying business licensing and permits as a major constraint down from 25.2 percent in 2009 to below 15 percent by 2017). Share of firms with female participation in ownership increased from 34.3 percent in 2009 to above 40 percent by 2017 and with a female top manager increased from 24.7 percent in 2009 to above 30 percent by 2017 (BEEPs). Technology Commercialization Office established, awarding annually not less	Bank JERP: Enhancement of the Business Environment; Enhancing Productivity and Competitiveness through Enterprise Modernization Support Mechanisms; Corporate Financial Reporting: IFRS for SMEs adoption and implementation; Bank Study: Accounting and Auditing Reports on the Observance of Standards and Codes (A&A and ROSC) Bank Lending: Technology Commercialization Project (FY08–12) IFC Investments: Real sector investments (manufacturing, agribusiness, and services)

Institutional Outcomes in the Government Strategy to be supported by the CPS	Milestones and Outputs	CPS Outcomes	Instruments and Partners
		than 10 small technology commercialization grants (pre- commercialization, joint research with industry, international patenting, industrial internship for scientists) and facilitating above 15 groups of scientists to perform high quality research	Partners: USAID, ADB, EBRD
Re-invigorating the financial sector	A new Law on Insolvency introduced and institutional capacity of the insolvency and financial rehabilitation system improved, facilitating faster resolution of nonperforming loans.	Share of nonperforming loans in total loans (32.6 percent in 2012) are at least halved by 2017 and remained well provisioned.	Bank JERP: Improvement of the Insolvency System IFC Investments: Financial sector investments; trade finance lines and credit lines for SMEs Partners: IMF
Country Development Goal: Bolster human capital			
Building skills for employment	Postgraduate education standards are updated towards better alignment with the Bologna Process. An innovative program of service learning and life skills training initiated in 2013, benefiting 5,000 Kazakhstani youth.	Share of technical vocational education programs revised in accordance with the new competency standards (to be introduced from 2013) is at least 20 percent by 2017, better equipping graduates with skills demanded in the labor market.	Bank JERP: Education System Analysis towards Improving Quality; Post-Graduate Education Development Bank Lending: Technical and Vocational Education Modernization Project (FY11–13) Swiss TF: Youth Corps Project Partners: EC, GIZ
Country Development Goal: Boost employment in agriculture			
Strengthening knowledge for sustained growth in agriculture	Weather/area indexed insurance system introduced on a pilot basis to strengthen the crop insurance regime. Input subsidies in the total government spending on agriculture reduced with increased spending on alternative forms of agricultural support schemes such as irrigation during 2012–17.	New applied technologies in farming (e.g. conservation agriculture, new methods of vet diseases testing), resulted in increase in crop/fodder production, supporting 50 percent increase in meat production (0.94 million/tons in 2010) by 2017.	Bank JERP: Strengthening Agricultural Strategy and Livestock Policy Bank Lending: Agricultural Post-Privatization Productivity Assistance Project II (FY04–11); Agriculture Competitiveness Proj. (FY04–12); Irrigation and Drainage Project II (FY12–19)

Institutional Outcomes in the Government Strategy to be supported by the CPS	Milestones and Outputs	CPS Outcomes	Instruments and Partners
			IFC Investments: Lending to agribusiness companies (food processing, food retail)IFC Advisory: Food Safety Advisory, Resource Use Efficiency JSDF Grant: Community Based Aral Sea Fisheries Management and Sustainable Livelihoods **Partners: GIZ**
Country Development Goal: Develop infrastructure connectivity to reduce economic distance			
Improving energy transmission to poor areas		Power transmission capacity (KEGOC) increased from 34,000 MVA by 5 percent between 2012 and 2017 to alleviate the existing and projected power deficiencies in the Southern and Eastern part of the country.	Bank Lending: Moinak Electricity Transmission Project (FY10–12); Alma Electricity Transmission Prj (FY11–15); North-South Electri. Transm. Prj III (FY13–16) Partners: EBRD, USAID
Building transport connectivity, lowering costs	Road users survey introduced to assess the service satisfaction levels along the 1,062 km section of the Western Europe-Western China (WE-WC) Road Corridor (between Shymkent and the border of Kyzylorda Oblast with Aktobe Oblast), with the number of users interviewed by the Committee for Roads (nil in 2012) increasing gradually to reach 500 by 2017.	Increased transport efficiency through reduction in road user costs and the rate of road crash fatalities along the same 1,062 km section of the WE-WC Road Corridor by at least 10 percent, respectively, by 2013 (road users cost is US$ 0.26 per vehicle-km in 2007; and road crash fatalities are 11 per 100 million vehicle-km in 2007).	Bank Study: Rail Trade Logistics Study Bank Lending: South-West Roads Project (FY09–3); East-West Roads Project (FY12–15) Bank-IDF Grant (SWRP): Enhancement of the Monitoring and Evaluation System in the Road Administration IFC Investments: Private and sub-national infrastructure projects IFC Advisory: Transaction Advisory Project Partners: ADB, EBRD

Institutional Outcomes in the Government Strategy to be supported by the CPS	Milestones and Outputs	CPS Outcomes	Instruments and Partners
AREA OF ENGAGEMENT 2: STRENGTHENING GOVERNANCE AND IMPROVING EFFICIENCY IN PUBLIC SERVICES DELIVERY			
Country Development Goal: Improve public financial management and fight corruption			
Improving governance	Civil Service ethics/code of conduct provisions strengthened in the Civil Service Law. Law on Combating Legalization of Illegally Gained Income and Financing of Terrorism amended in accordance with international standards.	Physical inspections of import declarations by customs reduced from 70 percent in 2007 to 20 percent by 2017; and average customs processing time at border posts (2 hours in 2010) reduced by 75 percent by 2017 as evidenced from client surveys.	Bank JERP: Civil Service Reform; Supporting the Extractive Industries Transparency Initiative (EITI); Improvement of Financial Monitoring System (AML/CTF) Bank Lending: Customs Devel. Prj (FY08–12); Tax Administration Reform Project (FY10–14) Partners: EC, UNDP, USAID, GIZ
Strengthening budget and accounting institutions	Links between ministry budgets and the medium term strategic and policy objectives of government improved by introduction of non-financial results indicators to assess budget proposals and monitor performance; roll out of the new system to sub-national governments initiated. International Public Sector Accounting Standards (IPSAS) adopted. Audit system strengthened to perform financial and performance audits in accordance with good practice norms.	E-procurement transactions (25,000 in 2012) increased by 20 percent by 2017, and efficiency of the e-procurement system enhanced by introduction of an electronic reverse auction system by2014. Quality and efficiency of public spending improved through introduction of targeted reviews of selected areas of public on a rolling basis, with at least first 4 reviews completed during 2013–16. International standard user satisfaction survey on quality and reliability of statistical data introduced in 2012 with satisfaction rates reaching 80 percent by 2017.	Bank JERP: Improved Approach to Results-Oriented Budgeting; Improvement in Intergovern. Fiscal Relations; Development of Public e-Procurement System; Expenditure Efficiency reviews Bank Lending: Statistical Capacity Building Project (FY12–17) Bank-SAFE Grant: Capacity Building for Public Sector Accounting Reform Bank-IDF Grants: Public Sector Audit Capacity Building; Building Capacity in Procurement Audit Agency (linked with SWRP) Partners: EC, UNDP, USAID, GIZ

Institutional Outcomes in the Government Strategy to be supported by the CPS	Milestones and Outputs	CPS Outcomes	Instruments and Partners
Country Development Goal: Raise efficiency in delivering critical public services			
Reforming social protection system	Regulations governing mandatory defined contribution to the pension fund are revised to improve sustainability of the system.	Conditional cash transfers are piloted in at least two regions of the country; and depending on need, gender parity is targeted in activation support services utilization.	Bank JERP: Improvement of Social Safety Net System; Strengthening Pension System Partners: UNICEF
Sharpening strategic approach to health reforms	Food safety regulation and norms aligned with WTO requirements. Interventions with proven success to positively affect male life expectancy are piloted.	Population's out-of-pocket health payments in total health expenditures (32.9 percent in 2010) declined by 10percent by 2016.	Bank Lending: Health Sector Technology Transfer and Institutional Reform Project (FY09–13) Partners: WHO, USAID, UNICEF, EC
AREA OF ENGAGEMENT 3: ENSURING DEVELOPMENT IS ENVIRONMENTALLY SUSTAINABLE			
Country Development Goal: Fight climate change with a cleaner environment			
Safeguarding the environment	The built-up of hazardous pollutants from prioritized sources in the Ust-Kamenogorsk city's groundwater (outside the industrial zone) stopped, and rehabilitation of PCB contaminated sites underway. Clustering-based gas utilization approach introduced in Kyzylorda oblast leading to gas flaring reduction, and reliable supply of processed gas for local household and industrial needs.	Reforestation works on 44,000 ha completed; and damage (9 ha per 1 case of fire on average during 2009–11) from forest fire in Irtysh Pine Forest reduced by 50 percent by 2017. Water supply systems rehabilitated in 113,000 ha covering 4 southern Oblasts, bringing water distribution by service providers to levels demanded by farmers.	Bank JERP: Improving Industrial Competitiveness through Greener Production Bank Lending: Forest Protection and Reforestation Project (FY05–14); Ust-Kamen. Environ. Remediat. Prj (FY07–13); SyrDarya II (FY13–18); Persistent Organ. Pollut. Manag. Prj (FY13–14) GEF Grants: Forest Protect. and Reforest. Prj; Persistent Organic Pollutants Management Prj Partners: EC, GIZ, UNDP, GEF

Institutional Outcomes in the Government Strategy to be supported by the CPS	Milestones and Outputs	CPS Outcomes	Instruments and Partners
Raising energy efficiency	Comparative energy consumption in targeted public and residential sectors reduced by at least 10 percent between 2012 and 2017 (baseline will be established as part of the project preparation).		<u>Swiss TF:</u> Energy Efficiency Proj. (FY12–16) <u>IFC Investments:</u> Credit lines to banks for Energy Efficiency loans <u>IFC Advisory:</u> Resource Use Efficiency <u>Partners:</u> EBRD

Source: World Bank KAZAKHSTAN: Country Partnership Strategy, FY2012–17.
Note: ADB = Asian Development Bank; AML = anti-money laundering; CDP = Customs Development Project; CPS = Country Partnership Strategy; CFT = combatting the financing of terrorism; EBRD = European Bank for Reconstruction and Development; EC = European Community; GIZ = German Agency for International Cooperation; IDF = Institutional Development Fund; IFC = International Finance Corporation; IFRS = International Financial Reporting Standard; IMF = International Monetary Fund; JERP = Joint Economic Research Project; JSDF = Japan Social Development Fund; KEGOC = Kazakhstan Electricity Grid Operating Company; OECD = Organization for Economic Co-operation and Development; SME = small and medium enterprise; SOE = state-owned enterprise; SWRP = South-West Road Project; UNDP = United Nations Development Programme; UNICEF = United Nations Children’s Fund; USAID = United States Agency for International Development.

Appendix I. Persons Interviewed

Former Government Officials	
Nina Gor	Former Head, State Regulation Department
Kazi Hasan	Former head of Project Management Consultants (PMC) for transport projects
Magauya Kulzhanov	Former PMU Director, Nura River Cleanup Project
Ruslan Sorokin	Former Project Management Unit (PMU) Director for Technical and Vocational Education Modernization (TVEM)
Current Government Officials	
Ministry of Transport and Communications	
Satzhan Ablaliev	Acting Chairman of the Roads Committee
Nurlanbek Omirbayev	Head of Department for Strategic Development and Investment Policy (former Road Project Director), KazAutoZhol JSC
Zamir Saginov	Executive Secretary
Ministry of Oil and Gas	
Akzhol Ospanov Department	Deputy Head of Gas Industry Development
Ministry of Energy	
Sungat Esimkhanov	Director, Power and Coal Industry Department, Ministry of Industry and New technologies (MINT)
Sergei Katyshev	Department Director and Advisor to the Chairman of the Board, Kazakhstan Electricity Grid Operating Company (KEGOC)
Yuri Maroulin	PMD KEGOC
Ministry of Education and Science (MES)	
Meiram Akchulakov Unit	Former Head for APPAP Project Implementation
Kadyrbek Boribekov	Deputy Chairman, KASIPKOR Holding (former DD of vocational education)
Essengazy Imangaliyev	Deputy Minister, Education and Science (MES)
Serik Irsaliyev	President, Information Analytical Center Ministry of Agriculture (MoA)
Alpamys Omarov KAZAGRO	Director, Strategy and Analysis Department,
Nurken Sharbiyev	Managing Director
Amangeldy Taskuzhin	1st Deputy General Director, Phyto-Sanitaria JSC (former head of Investment Department, Ministry of Agriculture, who supervised World Bank projects)

Arman Yevniyev	Executive Secretary, MoA (formerly VM in MoA supervising World Bank projects)
Ministry of Environment and Water Resource (MEWR)	
Jomart Aliyev	Deputy Chairman, Committee for Environmental Regulation and Control
Bagdat Azbayev	Chairman, Forestry Committee
Yerlan Badashev	PMU Director, Committee for Water Resources, MEWR (Ust-Kamenogorsk Project)
Bolat Bekniyaz	Deputy Chairman
Yerlan Nyssanbayev	Vice Minister
Gulmira Sergazina	Director, Climate Change Department
Ministry of Economy and Budget Planning (MEBP)	
Sara Alpysbayeva	Director, Macroeconomic Analysis Department, Economic Research Institute
Vagiz Khizmatullin	Director, Budget Policy Department
Oskar Japarkulov	Manager, Division for Macroeconomic Forecasting
Ministry of Industry and New Technology	
Ruslan Baimishev	Chairman, Extractive Industries Transparency Initiative (EITI) Secretariat under Committee of Geology and Subsoil Use
Sungat Esimkhanov	Director, Power and Coal Industry Department
Erlan Sagadiev	Vice-Minister, Ministry of New Technologies of the Republic of Kazakhstan
Ministry of Regional Development	
Baurzhan Bekishev	Director
Yerlan Buzurbayev	Deputy Director
Ministry of Finance	
Duisen Adilkhanov	Director, Department for State Asset Management
Nailya Askarova	Unit chief, Department for State Debt Management
Zaifun Ernazarova	Director, Department for Budget Methodology
Anar Kaimoldinova	Unit Chief, Department for Budget Methodology
Lyudmila Kharlamova	Deputy Director, Department for State Budget
Elena Motovilova	Unit chief, Department for State Asset Management
Aida Tatibekova	Unit chief, Department for State Debt Management
Ministry of Labor and Social Protection	
Mairash Kozzhanova	Director, Pension Reforms Department
Arman Umerbayev	Director, Department for Social Assistance

APPENDIX I
PERSONS INTERVIEWED

Azaman Umertayev	Unit Chief, Pension Reform Department
Civil Service Agency	
Sayan K. Akhmetzhanov	Vice-chairman, Agency for Civil Service Affairs
Alikhan Baimenov	Chairman
Accounts Committee	
Aigul Mukhametkarim	Member
Altai Zeinelgabdin	Advisor to the Chairman
Presidential Administration	
Bolatbek Abdrassilov	Rector, Academy of Public Administration, under the President of the Republic of Kazakhstan
Yerlan Abil	Deputy Head, the Department of Economic Governance in Economics, Academy of Public Administration under the President of the Republic of Kazakhstan
Yerbol T. Orynbayev	Assistant to the President of the Republic of Kazakhstan
Sholpan Yessimova	Vice-Rector for Science and International Relations, Lecturer, Academy of Public Administration under the President of the Republic of Kazakhstan
Majilis Parliament	
Aigul Solovyeva	Member of Committee on Economic Reform, Parliament of the Republic of Kazakhstan
National Bank of Kazakhstan	
Toty R. Kaliaskarova	Deputy Director, Research and Strategy Department
Olzhas T. Kizatov	Deputy Director
Vitaliy A. Tutushkin	Deputy Director, Financial Stability Department
Government Agencies	
Dauliet Adjilbekhov	Head of Non-Monopolistic Activity, Competition Protection Agency
Aktoty Aitzhanova	Deputy CEO, National Analytical Center
Anuar Buranbayev	Chairman, Kazakhstan Industry Development Institute (KIDI) JSC
Seitgali Galiyev	Deputy-Chairman, KIDI JSC
Anara Makatova	Deputy CEO, National Analytical Center
Galym Orazbakov	Chairman, Competition Protection Agency

Irina Rubashina	Director, Department of Strategic Planning, National Analytical Center
Yerbol Suleimenov	Chairman of the Board, Science Fund
Alexander Tsoy	Managing Director, Science Fund
Zhanna Tuyenbayeva	Managing Director, Science Fund
Urazaliyeva	Director, Department of Sectoral Economic Research, National Analytical Center
Vladislav Yezhov	Chief Executive Officer (CEO), National Analytical Center
Private Sector	
Daniyar Akiyanov	Director of Treasury and Trade Solutions, Citibank, Kazakhstan
Rzabek Artygaliev	General Manager, TengizChevroil
Ksenia Babushkina	Partner, Head of Central Asian Advisory Practice, Ernst & Young LLP
Eric Baillergeau	Chief Financial Officer, Jambyl Cement Production Company LLP
Botagoz Bassanova	Accounting Consultant, Ernst & Young LLP
Azamat Batyrkhoza	Director, PMU, Technology Commercialization Project
Eugeny Bolgert	Head, Secretariat of the Committee of Mines and Metallurgy of NCE
Doris Bradbury	Executive Director, American Chamber of Commerce
Pietro Cala	General Representative in Kazakhstan, VIGIER Management AG
Paul Cohn	Partner, Assurance, Ernst & Young LLP and American Chamber Board member
Aliya Dzhapayeva	Partner Tax & Law Practise Ernst & Young Kazakhstan LLP
Kurbanbayeva Gulnar	Member of the Management Board, Deputy Chairman of the Board, National Chamber of Entrepreneurs of Kazakhstan
Gordon Haskins	CEO of Country office, Royal Bank of Scotland (RBS)
Ziyash Kiyakbayev	Director, Gas Distribution Systems Control Department, KazTransGaz

Murat Kobeisinov	Chief Business Development Officer, "Like" Brand agency and consulting company
Maxim Kononov	Association of Mining Enterprises
Asset Magauov	Director, KAZENERGY Association
Ruta Makarevicute	Executive Director Advisory Services, Ernst & Young Baltic UAB
Vadim Malakhov	General Director, Eastcomtrans LLP
Turlan Mynbayev	Head of Trading, JSC Citibank, Kazakhstan
Zhanna Tamenova	Partner, Ernst & Young LLP
Zhanar Zhubaniyazova	Director, Small and Medium Business Department,
	Eurasian Bank - beneficiary of APPAP

National Companies

Samruk-Kazyna National Welfare Fund

Yelena Bakhmutova	Deputy Chairperson of the Board

Higher Education

Bakhitzhan Aitmuhambetov	Consultant, the former Consultant of ACP (Completive Grant System)
Halit Gasanov	Associate Professor, Candidate of Science (Technical) Agrarian University
Aup Iskakov	Head of KazNAU Administration, PhD of Biology, Professor, the former Head of the Coordination Center, Project Coordinator
Professor Alexei Rau	Academician, Manager of ACP subprojects
	National Academy of Sciences
	KazNAU (Kazakh National
Shigeo Katsu	Rector, Nazarbayev University
Dennis de Tray	Advisor
Zhamilya Utarbayeva	Coordinator, KIMEP University

Civil Society

Jamila Asanova	CEO, Development through Regional Cooperation

Akhmet Gasanov	Head, Beneficiary of Subproject Development of Milk Processing Infrastructure on Cooperative Basis, and Greenhouse Project
	"Ak-Sut," Manager of ACP subproject
Sergey Gulyayev	Decenta Foundation
Janar Jandosova	President Sange Research Center,
	Sociological Research
Oraz Jandosov	President RAKURS Center for Economic Analysis
	International Maize and Wheat Improvement Center
	(CIMMYT)
Zein Kabykeyev	Director, Biodiversity Fund
Murat Karabayev	(implementer of conservation agriculture subprojects in ACP)
Anna Yan and Askar Kushkunbayev	Soros Foundation
	Regional Environmental
Pavel Lobachev	Director, ECHO
Meruert Makhmutova	Director, Public Policy Research Center, PPRC
Nailya Mustayeva	Center for Central Asia (CAREC)
Nelya Salikhanova	Chairwoman, Agricultural Consumers Cooperative (ACC)
	Peasant farm "Mamed,"
Bakhyt Tumenova	President, Aman Saulyk NGO
Svetlana Ushakova	Director, Institute for National
	and International Development Initiatives
Natalya Yantsen	Director, Tax Culture Fund
Donors	
Jamila Asanova	Chief Executive Officer, Civil Society, Development Association, USAID Implementing Partner Development
	through Regional Cooperation
Asem Chakenova	Associate Project officer (infrastructure)

APPENDIX I
PERSONS INTERVIEWED

Assel Changysheva	Acting Country, Director ADB – Asian Development Bank
Michael Dixon	Political-Economic Counselor
Agnessa Gladkikh	Deputy Chief of Party, Development Association
Janet Heckman	Country Director European for Reconstruction
	and Development (EBRD) Kazakhstan
Manshuk Nurseitova	Economics Officer
John Ordway	Ambassador, US Embassy
Tatyana Tyo	Senior Banker, Financial Institutions
Kamen Velichkov	Deputy Chief Representative, EU – European Commission

Consultants

Robert Conrad	Professor, Duke University
Hayk Davtyan	Consultant in Strategic Planning
Victor Zafra	Results-Based Budgeting and Civil Service Expert

World Bank Staff

Adalyat Abdumanapova	Corporate Governance Officer, IFC, Country Office, Kazakhstan
Sebnem Akkaya	Country Manager, Astana
Mirlan Aldayarov	Senior Energy Specialist
Bakyt Arystanov	Operations Officer for environmental projects
Rakhymzhan Assangaziyev	Country Officer, Senior Economist, Country Office, Kazakhstan
Yeraly Beksultan	FPD Development Specialist
Aliya Bizhanova	Education Specialist, Country Office, Kazakhstan
Jaques Bure	Lead Transport Specialist
Susan Caceres	IEG, Consultant
Francisco Galrao Carneiro	Lead Economist
Annette Dixon	former Country Director
Karén Grigorian	Senior Operations Officer
Dingyong Hou	Senior Education Specialist

Saule Imanova	Investment Officer, Manufacturing, Agribusiness and Services, ECA, (IFC)
Mr. Aknur Jumatova	Associate Investment Officer, ECA (IFC)
Mr. Munawer Khwaja	Lead Public sector Specialist, Task Team Leader for Customs and Tax Reform projects
Victoriya Kim	Investment Officer, Manufacturing, Agribusiness and Services ECA, (IFC)
Johannes Linn	former Vise President,
John Litwack	former Lead Country Economist
Dorsati Madani	Country Economist
Gary McMahon	Senior Mining Specialist, SEGOM
Joseph W. Mik	Investment Officer, Team Leader, Transaction Advisory Central Asia, (IFC)
Mr. Amitabha Mukherjee	Senior Public Sector Specialist
Mr. Oksana Nagayets	Senior Economist, IFC
Agata E. Pawlowska	Country Manager for Turkmenistan, Lead Operations Officer Central Asia
Pedro Rodriguez	Lead Economist
Emanuel Salinas	Representative for Central Asia, Private Sector Development, Financial Sector Development
Ilyas Sarsenov	Senior Economist, Country Office, Kazakhstan
Tatiana Sedova	EITI Consultant
Jitendra (Jitu) Shah	ECA, Climate Change Advisor, Environment, Natural Resources Management and Land, Sustainable Development Department
Sergei Shatalov	former Country Manager
Ahmed Shawky	Senior Water Resources Specialist
William Sutton	Senior Agriculture Economist
Tomasz Telma	former IFC country director, current, Director, CEUDR
Adiba Turaeva	Associate Investment Officer, Infrastructure and Natural Resources, ECA (IFC)
Mr. Talimjan Urazov	Operations officer for Agriculture
Katelijn van den Berg	Senior Environmental Economist

APPENDIX I
PERSONS INTERVIEWED

Ekaterine T. Vashakmadze	former Senior Country Economist
Arman Vatyan	Senior Financial Management Specialist

IMF Staff

Natan Epstein	Senior, Economist
Gohar Minasyan	Economist
Hossein Samiei	IMF Mission Chief

Academia

Bob Conrad	Professor at Duke University

Bibliography

Arezki, Bruckner, Hamilton and Kazimov. 2011. Resource Windfalls, Macroeconomic Stability and Economic Growth. IMF Working Paper No. 11/142. Washington, DC: International Monetary Fund.

Barma, Kaiser, Le, and Vinuela. 2012. Rents to Riches? The Political Economy of Natural Resource-Led Development. Washington, DC: World Bank.

Barnett and Ossowski. 2003. Operational Aspects of Fiscal Policy in Oil- Producing Countries. IMF Working Paper No. 02/177. Washington, DC: International Monetary Fund.

Baunsgaard, Villafuerte, Poplawski-Ribeiro, and Richmond. 2012. Fiscal Frameworks for Natural Resource Intensive Developing Countries, IMF Staff Discussion Note No. 12/04. Washington, DC: International Monetary Fund.

Berg, Portillo, Yang, and Zanna. 2012. Public Investment in Resource Abundant Low-Income Countries. Washington, DC: International Monetary Fund.

Bhattacharyya and Collier. 2011. Public Capital in Resource-Rich Economies: Is there a curse? CSAE Working Paper 2011–14. Oxford: Center for the Study of African Economies.

Boakye, Dessus, Foday, and Oppong. Investing Mineral Wealth in Development Assets: Ghana, Liberia and Sierra Leone. World Bank Policy Research Paper No. 6089. Washington, DC: World Bank.

Bornhorst, Gupta, and Thornton. 2009. Natural Resource Endowments, Governance, and the Domestic Revenue Effort. *European Journal of Political Economy* 25(4): 439–446. Amsterdam.

BP (British Petroleum). 2011. Statistical Review of World Energy. http://eiti.org/Kazakhstan.

———. 2014. Statistical Review of World Energy. http://eiti.org/Kazakhstan.

Brahmbhatt, Canuto, and Vostroknutova. 2010. “Natural Resources and Development Strategy after the Crisis,” in The Day after Tomorrow: A Handbook on the Future of Economic Policy in the Developing World, editors, Canuto, and Giugale. Washington, DC: World Bank.

Cherif and Hasanov. 2012. Oil Exporters’ Dilemma: How Much to Save and How Much to Invest. IMF Working Paper 12/4. Washington, DC: International Monetary Fund.

Coady, El Said, and Flamini. 2011. Welfare Impact of Price Subsidy Reform in Jordan. Washington, DC: International Monetary Fund.

Collier. 2011. Savings and Investment Decisions in Low-Income Resource-Rich Countries. Oxford: Center for the Study of African Economies.

———. 2012. Savings from Natural Resource Revenues in Developing Countries: Principles and Policy Rules. Mimeo: Oxford University.

Collier, van der Ploeg, Spence, and Venables. 2010. Managing Resource Revenues in Developing Countries. Staff Papers, International Monetary Fund, Vol. 57, No. 1, pp. 84–118. Washington, DC: International Monetary Fund.

Dabla-Norris, E., J. Brumby, A. Kyobe, Z. Mills, and C. Papageorgiou. 2011. Investing in Public Investment: An Index of Public Investment Efficiency. IMF Working Paper 11/37. Washington, DC: International Monetary Fund.

Daniel, Phillip, Michael Keen, and Charles McPherson. 2010. The Taxation of Petroleum and Minerals: Principles, Problems and Practice. New York: Routledge.

Di Giovanni, Julian and Andrei Levchenko. 2008. Trade Openness and Volatility. IMF Working Papers. Washington, DC: International Monetary Fund.

Diop, N., D. Marotta, and J. de Melo. 2012. Natural Resource Abundance, Growth, and Diversification in the Middle East and North Africa: The Effects of Natural Resources and the Role of Policies. Washington, DC: World Bank.

Felipe, Jesus and Changyong Rhee. 2013. Policies for the Industrial and Services Diversification in Asia in the 21st Century: Report to the Government of Kazakhstan. Asian Development Bank. October 2013.

Frankel. 2012. The Natural Resource Curse: A Survey of Diagnoses and Some Prescriptions. Harvard University Working Paper No. 12–014. Cambridge, MA: John F. Kennedy School of Government.

Friedrichs, J. and O.R. Inderwildi. 2013. "The carbon curse: Are fuel rich countries doomed to high CO_2 intensities?" Volume 62, November 2013. Amsterdam: Energy Policy

Gelb, A. and C. Decker. 2011. Cash at Your Fingertips: Biometric Technology for Transfers in Developing and Resource-Rich Countries. Working Paper 253. Center for Global Development, Washington, DC.

Gill, I., I. Izvorski, and W. van Eeghen. 2014. Diversified Development. Washington, DC: World Bank.

International Institute for Environment and Development. 2013. EITI and Sustainable Development – Lessons and New Challenges for the Caspian Region.

IMF (International Monetary Fund). 2011. *Beyond the Curse: Policies to Harness the Power of Natural Resources*. Washington, DC: International Monetary Fund.

———. 2012. *Macroeconomic Policy Framework for Resource- Rich Developing Countries.* Washington: DC. International Monetary Fund.

———. 2013. *Leveraging Oil Wealth for Development in Kazakhstan: Opportunities and Challenges*. Washington, DC. International Monetary Fund.

International Working Group of Sovereign Wealth Funds. 2008. "Sovereign Wealth Funds: Generally Accepted Principles and Practices—Santiago Principles." Available at http://www.iwg-swf.org/pubs/eng/santiagoprinciples.pdf

Morsy, H., K. Hamilton, and K. Kazimov. 2011. Resource Windfalls, Macroeconomic Stability and Growth: The Role of Political Institutions. IMF Working Paper 11/142. Washington: DC. International Monetary Fund.

OECD (Organisation for Economic Co-operation and Development). 2013. Review of National Policy for Education in Kazakhstan.

Republic of Kazakhstan. 1997. The Strategy "Kazakhstan 2030" – Prosperity, Security and Ever Growing Welfare of all the Kazakhstanis – Message of the President of the Country to the People of Kazakhstan.

———. 2008a. Tax Strategy Paper.

———. 2008b. Tax Administration Reform and Modernization.

———. 2009. Public Finance Management Assessment. Based on the PEFA Framework.

———. 2010a. Strategic Plan for Development 2020. http://www.akorda.kz/en/category/gos_programmi_razvitiya

———. 2010b. Accelerated Industrial–Innovative Development of the Republic of Kazakhstan, 2010–2014. http://www.mfa.kz/index.php/en/

———. 2012. Address by the President of the Republic of Kazakhstan, Leader of the Nation, N. Nazarbayev "Strategy Kazakhstan-2050": New Political Course of the Established State." http://strategy2050.kz/en/

Taxpayer Association of Kazakhstan. 2013. Annual Report.

Van der Ploeg, F. 2011. "Natural Resources: Curse or Blessing?" *Journal of Economic Literature* 49(2): 366–420. Pittsburgh. .

———. 2010. "Aggressive Oil Extraction and Precautionary Saving: Coping with Volatility." *Journal of Public Economics* 94(5–6): 421–433. Amsterdam.

Van der Ploeg, F. and A.Venables. 2011. "Harnessing Windfall Revenues: Optimal Policies for Resource-Rich Developing Economies." *The Economic Journal* 121(551): 1–30. Amsterdam. .

———. 2010. Absorbing a Windfall of Foreign Exchange: Dutch Disease Dynamics. OxCarre Research Paper, No. 52. Oxford: Centre for the Analysis of Resource-Rich Economies.

Villafuerte, M. and P. Lopez-Murphy. 2010. Fiscal Policy in Oil Producing Countries During the Recent Oil Price Cycle. IMF Working Paper 10/28. Washington: DC. International Monetary Fund.

USAID (United States Agency for International Development). 2010. Gender Assessment USAID/ Central Asian Republics. (http://pdf.usaid.gov/pdf_docs/PNADS880.pdf)

World Bank. 2001a. World Bank. Proposed Second Public Sector Resource Management Adjustment Loan (PSRMAL II), Initiating Concept Memorandum. Washington, DC: World Bank.

———. 2001b. Kazakhstan—Country Assistance Evaluation. Washington, DC: World Bank.

———. 2003. Vietnam's Petroleum Sector: Technical Assistance for the Revision of the Existing Legal and Regulatory Framework. Washington, DC: World Bank.

———. 2004. Country Partnership Strategy. Washington, DC: World Bank.

———. 2006a. *Case Study of the Aral Sea Water and Environmental Management Project – An Independent Evaluation of the World Bank's Support of Regional Programs.* Independent Evaluation Group. Washington, DC: World Bank.

———. 2006b. Republic of Kazakhstan, Joint Economic Research Program. Minimizing Environmental Impacts of Industrial Growth: Case study of petrochemical industry in Kazakhstan. Washington, DC: World Bank.

———. 2007a. Natural Resources: Neither Curse nor Destiny. Washington, DC: World Bank.

———. 2007b.World Bank and OECD. Reviews of National Policies for Education: Higher Education in Kazakhstan. Washington, DC.

———. 2007c. Republic of Kazakhstan, Joint Economic Research Program. Higher Education and Innovative Development. Washington, DC: World Bank.

———. 2008. Country Partnership Strategy – Progress Report for the Republic of Kazakhstan. Washington, DC: World Bank.

———. 2009. Petroleum Exploration and Production Rights: Allocation Strategies and Design Issues. Working Paper 179. Washington, DC: World Bank.

———. 2010. The World Bank's Evolutionary Approach to Mining Sector Reform. Extractive Industries for Development Series #19. Washington, DC: World Bank.

———. 2011a. Sharing Mining Benefits in Developing Countries. Extractive Industries for Development Series #21. Washington, DC: World Bank.

———. 2011b. National Oil Companies and Value Creation. Working Paper 218. Washington, DC: World Bank.

———. 2011c. Comparative Study on the Distribution of Oil Rents in Bolivia, Colombia, Ecuador, and Peru. Report 304/05. Washington, DC: World Bank.

———. 2011d. Kazakhstan—Debt management performance assessment (DeMPA). Debt management performance assessment (DeMPA). Washington, DC: World Bank.

———. 2011e. Performance Assessment Report for Kazakhstan (in the context of the Evaluation of World Bank Support for Revenue Policy Reform in Eastern Europe and Central Asia). Independent Evaluation Group. Washington, DC: World Bank.

———. 2011d. Pension Reform in Kazakhstan: Options for Policy Reform. Washington, DC: World Bank.

———. 2012a. Country Partnership Strategy Completion Report Review. Independent Evaluation Group. Washington, DC: World Bank.

———. 2012b. Increasing Local Procurement by the Mining Industry in West Africa. Road-test version. Report No. 66585–AFR. Washington, DC: World Bank.

———. 2012c. Country Partnership Strategy. Washington, DC: World Bank.

———. 2012d. Republic of Kazakhstan, Joint Economic Research Program. Modern Companies, Healthy Environment: Improving industrial competitiveness through potential of cleaner and greener production. Washington DC: World Bank.

———. 2013a. Evaluation Knowledge-Based Country Programs. Independent Evaluation Group. Washington, DC: World Bank.

———. 2013b. World Development Report on Jobs. Washington, DC: World Bank.

———. 2013c. Beyond Oil: Kazakhstan's path to greater prosperity through diversifying. Washington, DC: World Bank.

———. 2013d. Oil Rules: Kazakhstan's Policy Options in a Downturn. Washington, DC: World Bank.

———. 2013e. Republic of Kazakhstan, Joint Economic Research Program. Towards Cleaner Industry and Improved Air Quality Monitoring in Kazakhstan. Washington DC: World Bank.

———. 2014a. Kazakhstan, The World Bank Group Country Survey FY 2014, Report of Findings. Washington, DC: World Bank.

———. 2014b. Republic of Kazakhstan, Joint Economic Research Program. Overview: Analysis of the Impact of Selected Agricultural Support Programs in Kazakhstan—Subsidies and Import Tariffs in the Poultry Meat, Beef and Aquaculture Sectors Report No: ACS10804. Washington, DC: World Bank.

———. 2014c. Report on the State Planning System in the Republic of Kazakhstan. Washington, DC: World Bank.

———. 2014d. Republic of Kazakhstan, Joint Economic Research Program. Report No: AUS8335. Modernization of Housing and Utilities Sector. Washington, DC: World Bank.

———. 2014d. Republic of Kazakhstan, Joint Economic Research Program. ICT Development in Education in Kazakhstan: Current Status and Development Outlook. External Assessment of the E-Learning System. Washington, DC: World Bank.

World Economic Forum. 2012. Global Gender Gap Report. http://www3.weforum.org/docs/WEF_GenderGap_Report_2012.pdf.