

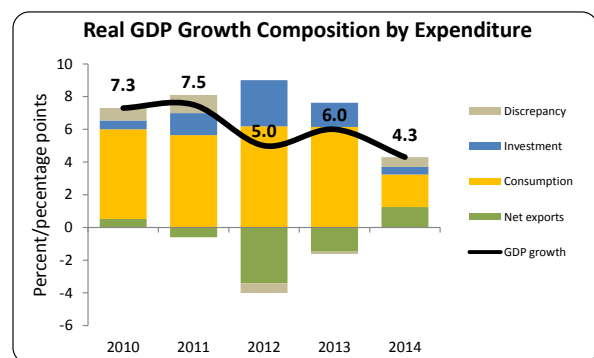


**World Bank Group – Kazakhstan**  
**Partnership Program Snapshot**  
**April 2015**

## RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

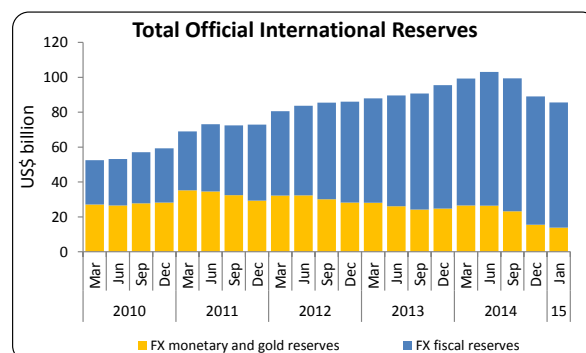
### Growth and External Performance

**Kazakhstan experienced slower growth and higher inflation in 2014.** Kazakhstan's real GDP growth slowed from 6 percent in 2013 to 4.3 percent in 2014, due to weaker domestic demand. This came as a consequence of the devaluation of the local currency in February 2014 and an oil price shock during the second half of the year, as well as weaker external demand from China and Russia for Kazakhstan's crude oil, iron ore, and metal products. Private consumption, in particular, was hit hard by the negative wealth effect after the devaluation, a tightening of lending conditions for consumer loans, and the delayed impact of the slower growth in real wages in 2013. Because of the devaluation, domestic inflation, as measured by the consumer price index (CPI), increased gradually from 4.5 percent year-on-year in January 2014 to 7.4 percent in December, due to higher imported input prices. During the second half of 2014, oil prices fell considerably and affected export and fiscal revenues as well as business confidence to invest in the Kazakh economy.



**The fall in oil prices affected the external trade balance and put pressure on the exchange rate.** As oil prices have softened considerably since June 2014, the trade balance surplus narrowed and led to a deficit in the current account in the second half of the year. Weaker demand from China and Russia has also contributed to the decrease in export revenues. Despite the fall in oil prices, the National Bank of Kazakhstan (NBK) kept tight control on the exchange rate, holding the tenge-dollar rate fairly stable. This pushed up devaluation expectations, as was reflected in the high demand for foreign currency and a rise of dollarized deposits in the banking system by year's end. To defend the pegged

exchange rate, in the second half of 2014 the NBK spent a record amount of its foreign exchange reserves (about US\$14 billion, two-thirds of the total) and tightened monetary policy by curbing tenge liquidity and allowing money market interest rates to soar by end-2014 (they averaged 33 percent in December 2014).



**Looking forward, as external uncertainties heighten and domestic policies create demand imbalances, Kazakhstan's economy will grow at a slower pace.** In the medium term, the growth outlook is dampened by weaker domestic demand, and consumer and investor sentiment have already started to deteriorate. Expectations of weaker external demand were maintained due to the anticipated slowdown in China and the recession in Russia. Based on an oil price assumption of US\$53 per barrel, Kazakhstan's GDP growth is projected to slow considerably from 4.3 percent in 2014 to 1.3 percent in 2015. Lower oil export revenues are expected to lead to deficits in both the current account and the overall fiscal balance.

**In the longer run, Kazakhstan's development objective of joining the rank of the top 30 most developed countries by 2050 will depend on its ability to sustain balanced and inclusive growth.** Enhancing medium- to long-term development prospects depends on Kazakhstan's success in diversifying its endowments, namely, creating highly skilled human capital, improving the quality of physical capital, and more importantly, strengthening institutional capital—all of the necessary ingredients for the development and expansion of the private sector in the country.

### Fiscal Policy and Public Financial Management

**The authorities are applying a countercyclical expansionary fiscal policy to support the**

**economy.** Immediately after the tenge devaluation and amid early indications of an economic slowdown, the Government launched an economic support program for 2014–15 of 1 trillion tenge, equivalent to US\$5.5 billion, used mainly to relieve credit problems in the banking sector by addressing a long-standing issue with nonperforming loans (NPLs) and providing subsidized loans to small- and medium-sized enterprises (SMEs). With oil prices sliding and external uncertainties heightening, the Government announced a supplemental five-year economic support program for 2015–19 centered on a major stimulus package of about US\$14 billion to be used for developing transport and utility infrastructure and building social housing and schools. At the same time, the 2015 government budget was optimized and rebalanced by cutting nonproductive expenditures and scaling up those expenditures that stimulate growth, while protecting previous social commitments from cuts. Assuming relatively stable external conditions, the fiscal stimulus is expected to have a positive impact on employment in the near term and on growth from 2016 onward.

**The Government has developed a new budget policy aiming to further strengthen the public financial management (PFM) system.** Following President Nursultan Nazarbayev's address to the nation in December 2012, the Government developed a concept on a new budget policy for Kazakhstan aiming to enhance budget efficiency during 2014–17 (phase I) and improve fiscal sustainability during 2018–20 (phase II). The budget efficiency phase envisages reforms across a large number of functions and objectives. The Government aims to streamline current expenditures by addressing the financial sustainability of the pension system; introducing per capita financing in education and health care; reforming the public service pay system; and improving the targeting of social assistance programs.

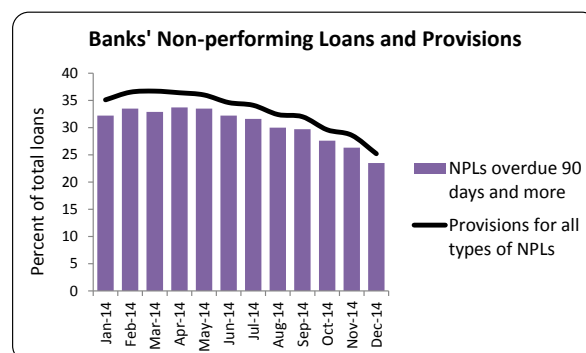
**The Government also hopes to achieve better capital expenditure efficiency** by improving the public investment system; developing new public-private partnership (PPP) mechanisms for infrastructure development; introducing public monitoring and oversight over the debt of the state-owned enterprise (SOE) sector; and reforming the intergovernmental targeted capital transfer system. In addition, the Government intends to further strengthen the inter-linkages between strategic

planning and results-based budgeting, and enhance the public audit function. There are also plans to improve the equity and neutrality of the tax system and increase the efficiency of the use of transfers from the Oil Fund. The subsequent phase will focus on expanded PPP implementation, the improved efficiency of local governments, and the enhanced functioning of the public audit system to improve fiscal sustainability.

**The Bank assists the public sector and PFM reforms in Kazakhstan through a range of activities,** including: the ongoing *Customs Modernization Project*, the *Tax Administration Reform Project*, the *Statistical Capacity Building Project*, and the recently launched *Justice Sector Institutional Strengthening Project*. An additional program is the Joint Economic Research Program (JERP), which involves technical assistance for improving the basic principles of results-based budgeting, reforming selected tax areas and the integration of fiscal agencies, strengthening the public debt management system, improving the insolvency system, and facilitating the Extractive Industries Transparency Initiative (EITI).

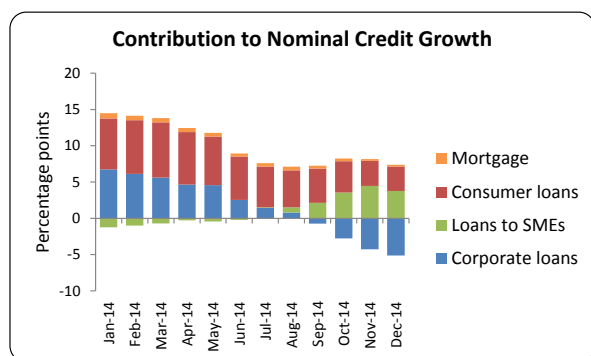
## Financial Sector Performance

**Kazakhstani banks benefit from the economic support program.** In 2014, economic support went mainly to the banking sector to relieve credit problems by addressing a long-standing issue with NPLs and providing subsidized loans to SMEs. The support program recapitalized the Problem Loans Fund by US\$1.4 billion in 2014 and US\$1.4 billion in 2015 in order to reduce NPLs, which constituted about 23.5 percent of total bank loans in December 2014. The authorities also extended tax exemptions for NPL write-offs. Nevertheless, the NPL ceiling (set at 10 percent by end-2015) remains too ambitious for several banks. This program of credit stimulus has been rolled over to 2015.





**Tighter monetary policy and targeted policy interventions impacted the rate of credit growth and its composition.** By year-end 2014, credit growth had slowed from double digits in the first half of the year to 2.3 percent year-on-year by the end. Credit to the corporate sector stagnated after monetary policy tightened. Growth of consumer credit fell from nearly 50 percent year-on-year in the beginning of 2014 to 17 percent in December, due to the NBK-imposed cap of 30 percent for each bank. Meanwhile, subsidized loans to SMEs grew from -9 percent year-on-year in January 2014 to nearly 33 percent in December, supporting a growth in credit overall.



**Non-bank financial institutions (NBFIs) can complement the activities of commercial banks by targeting specific market segments in which banks do not participate actively.** NBFIs are usually more effective than commercial banks in market segments delimited by the characteristics of borrowers (smaller firms, rural areas) or by type of financial products. In developed financial sectors, NBFIs account for a large proportion of the overall financing provided to private enterprises. In Kazakhstan, however, NBFIs are significantly underdeveloped compared to countries with comparable income levels. Similarly, the use of financial instruments that can enhance access to finance, such as leasing, factoring, and trade-credit financing, could be further promoted by introducing a more conducive legal and institutional framework.

**The World Bank is working with the Government on financial sector reforms through several technical assistance projects along with ongoing policy dialogue.** As part of the JERP, the Bank continues to work with the NBK on strengthening the stability of the financial sector through regulatory reforms. For a number of years, the Bank has been providing technical assistance to the Ministry of Finance on improving

the insolvency system in the country. It is expected that the new insolvency legislation, if soundly implemented, would produce significant results, such as: (i) the expansion of access to credit at affordable rates, particularly for SMEs; (ii) the efficient use of judicial resources; (iii) the encouragement of foreign and local investment; (iv) the preservation of jobs; and (v) improved overall financial stability and enhanced economic growth through the release of locked-up productive assets.

## Private Sector Performance

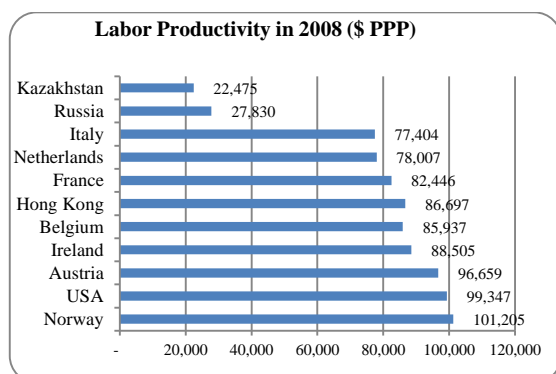
**The Government's strategy for the diversification and competitiveness of the economy is anchored in the recognition of the private sector's paramount role.** Though diversification toward non-extractive tradables has been part and parcel of Kazakhstan's development strategy, actual success has so far been limited. The economy was and remains highly resource dependent, with manufacturing accounting for 11 percent and agriculture for 5 percent of GDP. The diversification agenda proved difficult in the face of the booming commodity prices leading into the 2008 financial crisis. The Government's current development program puts a major emphasis on increasing the non-oil sectors' contribution to growth.

**Labor productivity in Kazakhstan has grown in recent years but much remains to be done in key sectors, especially agriculture and manufacturing.** Over the past decade, labor productivity has grown faster in the oil-extracting sectors/regions; the highest productivity growth was observed in the oil-extracting Atyrau region, where regional output per worker was four times higher than the average for the country and 11 times higher than in the agro-intensive Zhambyl region. Productivity growth in the oil-extracting regions was fueled by large capital investments associated with oil-extraction activities, while employment creation was limited. The agriculture sector, on the other hand, lags behind the global possibilities frontier; a domestic agricultural worker in Kazakhstan produces US\$3,000 worth of crops per year, while a farm worker in a developed country produces US\$50,000–\$70,000 worth of crops, or 17–23 times more.

**Improving productivity and competitiveness in Kazakhstan requires a mix of private initiative and public support** in order to (i) stimulate

investment in physical capital for the modernization of production processes, (ii) adopt and develop new technologies to accelerate the pace of technological change in the country, (iii) develop human capital to enhance managerial and technical skills, and (iv) promote public investment in basic infrastructure.

**The Government plans to address these challenges through structural reforms and selective financial support and investments.** The Government's medium-term agenda for stimulating private sector investment, productivity, and economic diversification is outlined in the State Program of Industrial and Innovative Development for 2015–2019, which is aimed at more focused support for the manufacturing industry through a combination of targeted industry/cluster support and systemic measures. SME development is also one of the top priorities of the Government. Kazakhstan has established several programs, instruments, and institutions to foster SME development, but with modest success so far. SMEs' contribution to GDP amounts to only 20 percent, and 30 percent to employment. In January 2014, the number of registered small enterprises (small companies, individual entrepreneurs, and farmers) reached 1.5 million; however, only 56.4 percent were economically active and the majority (over 70 percent) were in the form of individual entrepreneurship without the creation of a legal entity. Other efforts will be directed toward improving the business environment, strengthening market competition, modernizing large and medium-sized enterprises, and stimulating private sector innovation, particularly in new and high value added and export-oriented sectors.



**The Government has shown a commitment by accelerating reform efforts in the business-**

**enabling environment to attract needed investment in the non-oil industry.** The results of this commitment are visible in a variety of areas, resulting in an improvement in Kazakhstan's *Doing Business* ranking from 74 in 2010 to 50 in 2014,<sup>1</sup> placing it among the top reformers in improving the ease of doing business for entrepreneurs. Kazakhstan improved conditions for starting a business, getting credit, and protecting investors. The Government continues to improve the regulatory environment for SMEs with the aim of increasing their contribution to the economy. However, although positive legal reforms have been achieved, many obstacles remain in practice for enterprises. Similarly, although reforms supporting the business environment beyond *Doing Business* have taken place, they could be enhanced further in terms of implementation.

**The World Bank is working closely with the Government on this agenda by providing technical assistance under the JERP.** The World Bank assists with the implementation of reforms in the business environment; improvements in the insolvency regime; and reform of the permits system regulating business activities. Over the past fiscal year, the World Bank has also collaborated closely with the Ministry of Investments and Development in building the capacity of the national agency charged with attracting investments and promoting exports, and is engaging in policy dialogue to support a favorable environment for local exporters in the non-oil sectors.

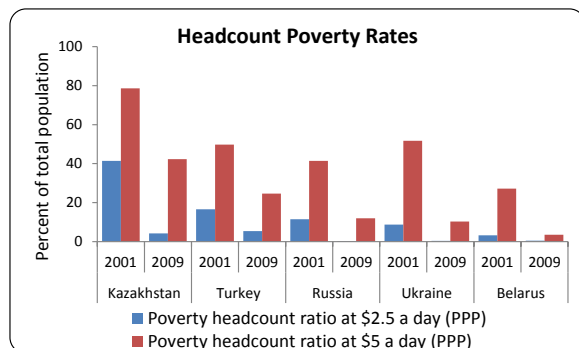
**The Bank's recently approved *SME Competitiveness Project* aims to strengthen the management capacity of SMEs to grow and create more and better jobs.** The project also focuses on increasing market linkages for SMEs in the non-extractive sectors with a market-based growth potential. The implementation of the five-year project will start after ratification by the Parliament.

## Poverty and Social Protection

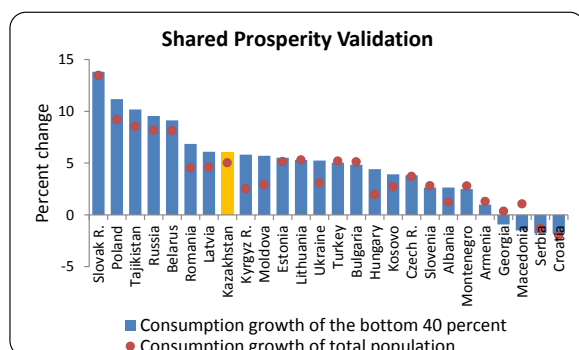
**The favorable external economic environment and fast per capita income growth have contributed to an impressive reduction in poverty in less than 10 years.** The share of the Kazakhstan population living in poverty went down

<sup>1</sup> The *Doing Business* methodology has evolved over 2010–14, therefore the rankings are not fully comparable.

from 47 percent in 2001 to about 3 percent in 2013, as measured by the national poverty line. Similarly, at the international poverty line, as measured by the purchasing power parity (PPP)-corrected US\$2.5 per capita per day, poverty in Kazakhstan fell from 41 percent in 2001 to 4 percent in 2009. However, against a benchmark of a higher poverty line at the PPP-corrected US\$5 per capita per day (which is more appropriate for countries with a higher level of income per capita), some 42 percent of Kazakhstan's population was still living in poverty in 2009, though down from 79 percent in 2001.



**A comparison of Kazakhstan's performance in the World Bank's indicator of shared prosperity with other countries in the region shows significant progress.** The shared prosperity indicator is measured by the growth rate of consumption per capita of the bottom 40 percent of the population. In Kazakhstan, the average consumption growth for all households was about 5 percent, while the growth rate of consumption per capita of the bottom 40 percent was about 6 percent during 2006–10. While Russia and Belarus outperformed Kazakhstan in per capita consumption growth, including the bottom 40 percent of the population, the Baltic countries and Turkey were behind.



**Overall, about 30 percent of the population receives some form of social assistance, which is low by the standards of upper-middle-income**

countries. This low coverage is related to the low value of the income-eligibility threshold, which is set per person at about US\$1 per day. Kazakhstan's social safety net consists of categorical and means-tested transfers. Categorical programs transfer about 60 percent of all their resources to the population in the two lowest quintiles of income distribution. The means-tested program is more cost efficient, transferring almost 90 percent of all resources to the two lowest quintiles. It has suffered from reductions in real budget outlays, however, and it now covers less than 1 percent of the population. To prevent it from contracting further, the program needs to be reformed to include activation elements that focus on graduating prime-aged, able-bodied recipients from relying on assistance to finding employment.

**Kazakhstan's pension system was transformed from a pay-as-you-go (PAYG) scheme to a contribution-based, fully funded accounts scheme in 1998.** Real returns remained low, given the risk aversion of the funds. Current pensioners continue to rely almost exclusively on state pensions, while lump-sum distributions from individual accounts remain small. In response to the decreasing purchasing power of pensions, a basic pension was introduced in 2005, and pensions continue to be augmented each year at a rate exceeding inflation. The Government is now considering further reform options.

**The World Bank's engagement with the Government of Kazakhstan in the social protection sector is underpinned by the JERP** and currently consists of two tasks. The first assists the Government of Kazakhstan in introducing elements of activation and conditional cash transfers, so that the resulting social safety net is flexible, incentive compatible, and proactive. The second technical assistance task focuses on helping the Government's efforts to improve the national pension system by ensuring its financial sustainability and transparency and that it maintains a socially acceptable income replacement ratio, and also by diversifying pension payment sources upon reaching the retirement age and expanding the coverage.

## Education

**Since 2010, Kazakhstan has ranked first on the UNESCO Education for All (EFA) Development Index by achieving universal primary education (99 percent), adult literacy (99**

percent), gender parity (99 percent), and a nearly 100 percent rate of transition from primary to secondary general education (confirmed by the latest EFA report 2013–14). Public expenditures on education have been on the rise (3.4 percent of GNP in 2013–14), though they are still lower than the average of the Organisation for Economic Co-operation and Development (OECD) benchmarks of 6–7 percent.

**Kazakhstan has demonstrated a strong commitment to improving student outcomes, with recent laudable achievements.** These include the rapid increase in access to preschool education (from 23 percent enrollment in 2005 to 74 percent in 2013), the introduction of innovative teaching and learning in secondary education through Nazarbayev Intellectual Schools (NIS), the development of per capita financing methods, and the establishment of Kasipkor Holding and Nazarbayev University to elevate technical, vocational, and higher education. The biggest challenge for the Ministry of Education and Science going forward is improving the quality of education. An important factor in this effort is ensuring that the education system allows for evidence-based decision making and has a strong linkage between intended policy goals and implementation.

**Kazakhstan participated in the Trends in International Mathematics and Science Study (TIMSS) in 2007 and twice in the Program for International Student Assessment (PISA) in 2009 and 2012.** Kazakh 4th-grade students scored relatively high in both mathematics (fifth place) and science (11th place) on the TIMSS. The PISA 2012 results show marked improvements in math and science compared to 2009 for both boys and girls, equivalent to almost one year of schooling. Improvements in reading were more modest. Despite these improvements, PISA scores remain below the OECD average, equivalent to 1.5 and 2.5 years of schooling in math and reading, respectively. Kazakhstan also spends the least per pupil on education in the Europe and Central Asia region. There was a dramatic decline in the share of students who are functionally illiterate in math, but little change in reading illiteracy. Kazakh students show more mastery of classical math and reading skills, but less so far of what could be referred to as “21st-century skills.”

**Over the next 10 years, Kazakhstan is embarking on further reforms across all education levels.** As delineated in the State

Program on Education Development for 2011–2020, the Government plans to achieve universal preschool education by 2020, complete the transition to a 12-year model, and introduce a per capita financing scheme and a Board of Trustees at the secondary level. Since Kazakhstan joined the Bologna process in 2010, a three-level degree system of higher education has been introduced in all higher education institutions. National universities will be granted autonomy in 2015, followed by autonomy for all universities in the country by 2016. Improving the quality of teaching, learning, and training and increasing funding at all levels, including for preschool, secondary, technical and vocational, and higher education, are among the remaining challenges, together with further systemic reforms focused on increasing quality.

**In recent years, Kazakhstan has shifted its focus to post-basic education.** One of the priorities is the modernization of technical and vocational education (TVE), which has not received due attention for some years. The introduction of the unified and centralized National University Entrance Test in 2004, with adaptation in 2012, along with the pilot launch of a new per capita financing approach in secondary education in 2014, has been helping to improve access and transparency.

**The World Bank supports the education sector in Kazakhstan** through a two-pronged approach: technical assistance implemented under the JERP and an investment project supporting the modernization of TVE. Building on the progress of JERP activities since 2005 on improving the quality of secondary education, a three-year programmatic technical assistance program for 2015–17 has been launched to raise the learning outcomes of general secondary education. In 2014, to help Kazakhstan rise to international educational benchmarks and promote well-performing school systems, the program used the PISA framework to stress teacher effectiveness, school autonomy, and best international practices in student assessment and school inspection. A benchmarking analysis of PISA 2012 results, along with ongoing capacity-building activities in inspection and country assessment, have enhanced the analytical and technical capacity of education policy makers in quality assurance in secondary education.

**The ongoing *Technical and Vocational Education Modernization Project (TVEM)* is**

**aimed at raising the efficiency, quality, and relevance of TVE** through an improved policy framework and institutional capacity. As a result, a national qualifications system and occupational standards have been developed, linking the needs of industries with education programs. Sixty-eight TVE colleges have received grants on a competitive basis to enhance institutional development and teacher training and to introduce a competency-based curriculum. In 2014, a per capita formula model and a project evaluation system were developed. By the end of 2015, the project aims to pilot a competency-based curriculum and extend the grants program to amplify the results and impact. To continue the efforts, the recently approved *Skills and Jobs Project* aims to improve the employment outcomes and skills of the current workforce as well as the relevance of technical and vocational education and training and higher education programs in Kazakhstan. The project will help align the national qualifications system with labor market demands to improve the quality assurance and relevance of pre-employment education and training.

**The Kazakhstan Youth Corps Project** is designed to promote young people's community engagement and life skills through community-based service learning programs, especially for vulnerable youth. The project's Grant Agreement is pending a signature by the Government and ratification by the Parliament, which is expected to be completed by September 2015. Overall, the project aims to reach 8,500 young people and about 150 youth-focused organizations over a three-year period.

## Health

**Kazakhstan is facing challenges in restructuring its health care system.** The country's health outcomes are lagging behind its rapidly increasing income. At 70.45 years in 2013, its life expectancy is low compared to other countries with similar incomes. Noncommunicable diseases such as cardiovascular diseases and cancers, as well as tobacco- and alcohol-related diseases and injuries, are major causes of adult mortality. However, notable progress has recently been achieved in maternal and child health. Infant mortality and under-five mortality rates, according to international estimates, were 16.7 and 18.7 per 1,000 live births in 2012, respectively, with the latter set on track to achieve the Millennium Development Goals (MDG) target of 18.0 per 1,000 live births by 2015. Similarly,

a national estimate of 12.6 per 100,000 live births in 2013 for the maternal-mortality ratio could indicate that the country has reaped the results of its efforts to reduce this ratio over the past couple of years and is on track to reach the related MDG target.

**The State Health Care Development Program for 2011–2015 recognizes health as one of the country's major priorities and a prerequisite to sustainable socioeconomic development.** The program aims to (i) enhance the effectiveness of intersectoral and interagency collaboration on public health issues; (ii) strengthen preventive services and improve the diagnostics, treatment, and rehabilitation of the main socially important diseases and injuries; (iii) upgrade the sanitary and epidemiological services; (iv) enhance the organization, management, and financing of health care services; (v) improve medical and pharmaceutical education and introduce innovative technologies in the health sector; and (vi) enhance the accessibility and quality of pharmaceuticals for the population and upgrade medical equipment in the health facilities.

**The World Bank supports health care system reform through a comprehensive *Health Sector Technology Transfer and Institutional Reform Project*.** The project helps introduce international standards into the health sector and build long-term institutional capacity in the Ministry of Health and related health institutions. It deals with all aspects of health sector reform, including: (i) health financing, budgeting, planning, and management; (ii) health care quality improvement; (iii) reform of medical education and medical science; (iv) health information system development; (v) pharmaceutical policy reform; and (vi) food safety and World Trade Organization (WTO) accession.

**The next state program for 2016–2020 aims to further build on the achievements of the ongoing program,** with particular attention to (i) strengthening disease prevention, (ii) improving the service delivery system with priority development of primary health care, (iii) enhancing the coverage and sustainability of the health system through implementation of a social health insurance system, and (iv) developing adequate human resources for the health care system. The World Bank will continue supporting implementation of the program through lending and technical assistance under the JERP.



## Agriculture and Irrigation

**Agriculture growth averaged 4.6 percent in 2001–13.** Although slower than the rest of the economy and uneven from year to year, the growth is robust. The agriculture sector accounts for only 4.5 percent of GDP, but it continues to employ almost one-fourth (24 percent) of the working population and is therefore critical to addressing poverty and food security, as well as to providing an important avenue for the diversification of the economy. Capital investments in agriculture are growing and reached almost US\$900 million in 2012. Yet, agriculture's share in total investment was only 2 percent in 2012, two times lower than the share in total GDP.

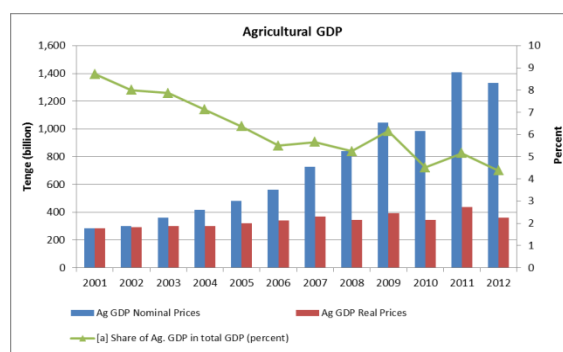
**A major part of agriculture exports comes from the exports of grain and flour, which totaled US\$2.7 billion in 2013.** The share of food and agriculture exports in total exports was 3.3 percent in 2013. The share of imports of agriculture/food products in total imports was 9.4 percent in the same year.

**Labor productivity in agriculture increased by almost 50 percent between 2001 and 2012, but not to the same extent as in other sectors (75 percent).** Consequently, the disparity between incomes in the agriculture sector and other sectors increased. Agricultural labor declined from 36 percent of total employment in 2001 to 24 percent in 2012. The majority of labor is concentrated in the small household sector, which produces 46 percent of agricultural output, including over 80 percent of livestock output.

**The sector is highly heterogeneous in terms of farm structure and productivity,** and thus average data across regions and farm types give quite limited information. The northern region is dominated by larger farms specializing in crop production, whereas smaller mixed farms, which include substantial meat and dairy production for the domestic market, predominate in the south. Large farms in the north are called agricultural enterprises and have forms of limited liability partnership and joint stock companies. Individual farms (or so-called peasant farms) have a special legal status that allows them to produce agricultural products, employ workers, and benefit from various tax privileges. Individual farms are present around the country. The household farm is a category of very small

farms that operate without legal registration and are involved mainly in subsistence farming.

**The Government recognizes the enormous untapped potential of the agriculture sector and is developing options for reform.** Facilitating structural change in the sector will require the creation of a more flexible land market. Improving the efficiency of the increased amount of subsidies and credit programs and aligning them with WTO accession requirements would release significant public funds for other important priorities. Livestock production has become a major priority for the Government's agriculture policy, and a significant share of subsidies was given to livestock producers in 2013.



**Key World Bank contributions include:** (i) the *Irrigation and Drainage Improvement Project (IDIP)*, which helped rehabilitate the irrigation infrastructure (a follow-up project *IDIP-2* will be launched in 2014); and (ii) the *Agricultural Post-Privatization Assistance Project* (Phases I and II, both completed), which supported the inflow of financial resources to the sector and provided technical assistance to the financial advisory network in the country and risk management to the agriculture sector. In addition, building on the 2010 Public Expenditure and Institutional Review (PEIR), which provided a qualitative critique of the agricultural subsidies programs, the JERP study, "Improvement of the Approach to Agricultural Strategy, Policy and Budget Formulation," provided a more detailed quantitative analysis of the impact of selected subsidies on tariff quota programs in terms of the distribution of costs and benefits for producers, consumers, and taxpayers, as well as economic losses and outputs. Finally, a high-level brainstorming session on "Economic Diversification and Rural Job Creation through Private Sector Investment in Agriculture" was held in Astana in February 2015 on the initiative of the

Prime Minister to consider international experience in agribusiness development with the aim of dealing with the challenges faced by Kazakhstan.

## Transport

**Although strategically Kazakhstan has the potential to connect the growing markets of Southeast Asia and China to Russia and Europe, the country ranks only 88th among the 160 economies** included in the trade logistics survey as presented in the Bank's 2014 report, "Connecting to Compete 2014: Trade Logistics in the Global Economy." Routes to and from dynamic growth poles such as Turkey, Russia, India, and China (accounting for more than half of the world's economic and trade growth) cross through the country. Improving internal road transit links is crucial for Kazakhstan's development in order to interact with and benefit from the economic growth adjacent to its borders. There are also nonphysical barriers to trade, including inefficiencies at border crossings, unofficial payments, and deficiencies in the harmonization of basic transit documents and regulations.

**Kazakhstan's current transport system includes 97,427 kilometers of roads, 14,000 kilometers of railways,** and numerous logistics centers, as well as free-trade zones to facilitate production, warehousing, and transportation. The road and rail networks account for the transportation of nearly 90 percent of total cargo volume.

**The total volume of goods in transit through Kazakhstan in 2012 amounted to 17.8 million tons, which amounted to more than US\$1 billion in income.** The majority of goods in transit are transported via the rail network (16.3 million tons), the rest by road (1.46 million tons) and water transport (0.16 million tons). Most of the items in transit originate in Russia, whose share was 50 percent in 2012. China accounts for 15 percent of the total goods in transit, with Georgia and Uzbekistan roughly 9 percent each. The main destination countries for transit cargo through Kazakhstan are countries in Central Asia (Uzbekistan, 36 percent; Kyrgyzstan, 19 percent; Tajikistan, 11 percent; and Turkmenistan, 8 percent), Afghanistan (13 percent), and Russia and China (5 percent).

The overall development objectives for the transport sector in Kazakhstan have been

**refined in the new State Program for Transport Infrastructure Development up to 2020 (Transport Strategy) with the assistance of the World Bank.** The Transport Strategy calls for more efficient transport infrastructure and logistics, with a greater focus on infrastructure at the local level, in terms of both improving basic accessibility and increasing connectivity throughout the country, including remote and sparsely populated regions, to provide access to social infrastructure and services. Among the key priorities are investment programs that include the rehabilitation of the national road network, one-fourth of which is in poor condition; the provision of selected additional infrastructure, particularly along the Central Asia Regional Economic Cooperation (CAREC) corridors; the development of the country's potential as a regional logistics hub in Central Asia and as a transit country between Europe and Asia (to double the transit traffic to reach 35 million tons of transit flow per year by 2020); and institutional and legislative changes.

**In the railways sector,** key reforms have been aimed at separating infrastructure from rail transport, largely eliminating above-rail tariff regulation, providing open access to infrastructure, and subsidizing unprofitable but socially important services. The National Railway Company "Kazakhstan Temir Zholy" defines its strategic role as a key logistics provider for transit traffic between Asia and Europe and takes measures to attract transit freight traffic through Kazakhstan.

**In the roads sector,** key institutional reforms are planned to improve road maintenance and to secure investments in highway infrastructure. The special organization "KazAvtoZhol" has been established to oversee the construction, management, and funding of the major republican road network.

**In the aviation sector,** the gradual liberalization of air transport regulation is planned, along with investments in infrastructure and significant measures to improve safety.

**In the water transport sector,** the emphasis is on the Aktau port and services infrastructure, expansion of the merchant fleet, maritime safety, and the development of human resources.

**The Government of Kazakhstan embarked on an ambitious roads development program in 2010, the Western Europe-Western China (WE-**

**WC) International Transit Corridor Project** (part of CAREC), to stimulate economic growth and reduce poverty in the poorest parts of the country by improving access to the regions and providing employment in the construction sector and related services. As part of the Government's plan to upgrade the 2,840 kilometers linking Europe and Russia to China through Kazakhstan, the World Bank supports the implementation of the *South-West Roads Project (SWRP)*, the largest infrastructure project in Central Asia and one of the largest single investment loans in the World Bank's history. Overall, about 85 percent of the total amount of the WE-WC project is cofinanced by the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Japan International Cooperation Agency (JICA), and the Islamic Development Bank (ISDB).

**Objectives of the SWRP include:** (i) upgrading and reconstructing 1,150 kilometers of road sections within the South Kazakhstan and Kyzylorda oblasts along the WE-WC corridor; (ii) strengthening the institutional capacity of the Ministry of Transport and Communications and the Committee of Roads; and (iii) improving road safety and road services. To date, more than two-thirds of the road length has been opened to traffic, the National Road Operating Company "KazAvtoZhol" has been created to optimize management of the national road network, and around 35,000 local jobs have been created under the project.

**The Government of Kazakhstan expanded its partnership with the Bank on the rehabilitation and development of the WE-WC corridor** by seeking the Bank's assistance on implementing the *East-West Road Project*, which is part of the Government's long-term strategy to stimulate sustained growth and improve competitiveness. This project will provide an efficient transport link from Khorgos, which is the primary road border crossing point between Kazakhstan and China, to the city of Almaty, one of the major economic centers of Central Asia. The project aims to increase the efficiency and effectiveness of modern highway operation and maintenance by scaling up road transport sector reform efforts initiated under the ongoing Bank-financed SWRP. It will also facilitate the more efficient movement of goods and people and enhance road safety by providing improved conditions for the growth of industrial, agricultural,

and commercial activities along the road and in adjacent towns and cities.

**As weaker global growth depressed oil prices and external demand, in late 2014, the President announced a new economic program "Nurly Zhol" (NEP)**, which charges the Government to implement road and rail transport projects connecting Astana at the center of the country with areas in the east, west, north, and south via rail, air, and road networks.

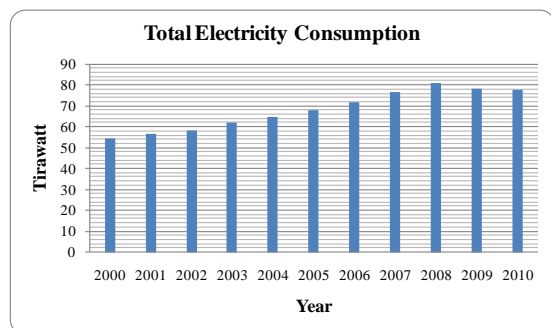
**The Government of Kazakhstan sees the Bank as a partner of choice to implement the NEP through the cofinancing of two important road corridors linking the center (Astana) with the west (Aktau) and the south (Almaty).** The Center-West Corridor is the main gateway to the west through the Caspian Sea and beyond, through the Caucasus to Europe, and to the east to the port of Lianyungang in the Pacific Ocean. The Center-South Corridor strategically connects Kazakhstan to Western China and Russia. These projects are intended to create an environment conducive to business-driven regional economic integration through enhanced factor and goods mobility that allows the formation of distributed production and delivery systems. Additional jobs and incomes generated by the proposed transport projects will help support domestic demand.

## Energy

**Kazakhstan's rapid economic growth in the past decade has led to a sharp upswing in electricity consumption.** As a result, the earlier generation's surplus has disappeared and the supply-demand situation has become extremely tight. Power shortages due to the increasing population and economic growth in urban areas, in particular in Astana and Almaty, have resurfaced in the winter periods of maximum electric loads, necessitating some restrictions on consumption that have had an adverse impact on regional economic development. The deteriorating state of regional electricity cooperation in Central Asia has further aggravated the supply deficit. Following the ongoing recovery from the economic slowdown in 2008–09, electricity consumption is expected to increase rapidly. A lack of investment to expand electricity capacity in the past two decades—and the fact that most of the coal-fired fleet, accounting for 84 percent of total generation, started reaching the end of its design life—threaten economic growth unless new

generation and transmission investments are undertaken in a timely manner.

**Kazakhstan ranks among the most advanced countries in the Former Soviet Union (FSU) in the area of power sector reforms.** Today, the electricity sector has a threefold structure: (i) the generation subsector, with all large power plants either privatized or transferred to strategic investors under concessionary agreements, (ii) the transmission subsector, with the electric power system and its management under the state-owned Kazakhstan Electricity Grid Operating Company (KEGOC), and (iii) the distribution subsector, with regional electricity distribution companies (REKs), most of them privatized, operating at the retail level as vertically integrated entities also engaged in generation and trade. Furthermore, Kazakhstan has established a two-tier electricity market that includes: a) the wholesale market primarily based on bilateral sale/purchase contracts; and b) the retail electricity market, which is not yet open to competition and is controlled by the REKs. On the organized electricity spot market (KOREM), short-term electricity transactions are conducted electronically.



**Although sector regulation has evolved over time, government intervention is still present.** In particular, retail tariff setting does not ensure the full recovery of justifiable expenses, including the cost of modernization. As a result, much of the distribution sector is stuck in technological obsolescence, which is chiefly the cause of the inadequate reliability of supply facing retail consumers.

**The Government, under its current sector development program, focuses on the expansion of generation capacity** through new investments and the modernization of existing capacity, as well as through the extension of related transmission capacity amid growing threats of debilitating power shortages. The program consists

of about a dozen major projects, including a large (2,640 megawatt) greenfield coal-fired power plant at the Balkhash Lake. To address the weaknesses in the investment climate on the generation side, the Government has adopted “incentive wholesale tariffs” whereby administered tariffs are given to new investors in exchange for investment commitments. A number of program documents and laws have been developed to define a road map to address the existing and expected challenges in the energy sector. A new Energy Efficiency Law, in effect since January 2012, provides a comprehensive legal, regulatory, and institutional framework. In August 2013, an ambitious Energy Efficiency Program 2020 was approved, aiming to reduce the energy intensity of the national economy by 10 percent by 2015 and 25 percent by 2020. A new Energy Sector Development Strategy has also been adopted, and an electricity capacity market is to be introduced in 2016 to stimulate new investments through an auction-based market mechanism.

**Since 1999, the Bank’s support has focused on the large-scale modernization and extension of the high-voltage transmission sector through four projects:** (i) the *Electricity Transmission Rehabilitation Project*; (ii) the *North-South Electricity Transmission Project*; (iii) the *Moinak Electricity Transmission Project*; and (iv) the *Alma Electricity Transmission Project*. Under the projects, major transmission sector reforms were successfully carried out, including transmission tariff rationalization and the construction of over 1,000 kilometers of overhead transmission lines (OHTL), the adoption of a modern grid code, and the establishment of an organized spot market. KEGOC has become a financially strong company as a result of a series of institutional capacity-building measures introduced with World Bank assistance. The new *Energy Efficiency Project* will focus on energy-efficient investments in public and social facilities along with technical assistance to create an enabling environment for sustainable energy financing. In addition to investment projects, the Bank provides technical assistance under the JERP on the integration of renewables into the power market of Kazakhstan, modernization and financing mechanisms for the district heating sector, and the development of a renewable energy market. Support is also rendered for the development of Kazakhstan’s domestic Emissions Trading Scheme under the Partnership for Market Readiness (PMR).



## Water and the Environment

**Kazakhstan has made commendable progress on modernizing its post-Soviet regulatory and institutional framework for environmental management,** but challenges remain in adequately managing the environmental impact of industries. Air and water pollution is significant, and since environmental monitoring systems are not sufficiently funded, environmental statistics do not reflect the current pollution load on the environment.

**Kazakhstan has inherited a legacy of significant environmental problems related to pollution and natural resource use by heavy industries.** The environmental impacts of the extraction and manufacturing industries that Kazakhstan inherited from the Soviet era are sometimes associated with excessive pressures on scarce water and other environmental resources and significant public health damage.

**One other significant environmental challenge for Kazakhstan is the desiccation of the Aral Sea, formerly one of the four largest lakes in the world.** Rapid irrigation developments in Kazakhstan and Uzbekistan over the past 40 years have resulted in serious economic, social, and environmental damage to the sea and to the adjacent region. The shrinking of the sea (and its consequences) has been described by many environmentalists as the worst environmental disaster in recent history.

**The Bank's support to Kazakhstan's environment sector** has been through the *Nura River Clean-up Project* (closed), which helped provide access to safe, reliable, and affordable water by cleaning up the mercury pollution in the river-adjacent areas; the ongoing *Forest Protection and Rehabilitation Project*, supporting forest rehabilitation and preventing land degradation in the Irtysh Pine Forest and Dry Aral Seabed; and the *Ust-Kamenogorsk Environmental Remediation Project*, addressing groundwater pollution and strengthening institutional mechanisms for groundwater quality monitoring, as well as providing technical assistance on reducing gas flaring. The World Bank helps the Government to improve the timely availability of water for productive purposes, including irrigated agriculture, fisheries, and industry, while at the same time reviving the Northern Aral Sea (NAS) through the upcoming *Second Irrigation and Drainage*

*Improvement Project* (IDIP-2) and the *SyrDarya Control and Northern Aral Sea Project Phase II* (SYNAS-II). SYNAS-I focused on the most urgent investments needed to reduce water losses in the Kazakh part of the basin and to capture that water in the NAS, with impressive results.

**The Bank also supports Kazakhstan's water and environment sectors under the JERP engagements.** The Bank provides technical assistance to the Ministry of Energy to inform government policy and identify regulatory changes for improved solid waste management. The Bank is also engaged in a nationwide assessment to analyze the impact of climate change on different regions of the country in various sectors of the economy and to provide input on the formulation of mitigation and adaptation strategies. The Bank actively works with the Committee for Water Resources to develop a road map for strengthening water management for improved water efficiency and security. Particular activity is focused on an assessment of the system of bulk water pricing and financial sustainability at the macro-sector level and a review of the institutional framework to identify ways to increase efficiency and financial self-sustainability. Technical work also includes support to identify a road map for policy reform and public investments to improve water use efficiency in irrigation, increase agriculture productivity, and achieve water savings to meet the growing non-agriculture water demands.

**The Bank also continues its advisory assistance to Kazakhstan** on reducing gas flaring to broaden and deepen the benefits of the existing gas utilization program.

## THE WORLD BANK PROGRAM IN KAZAKHSTAN

**Kazakhstan joined the World Bank in 1992.** Since then the Bank has approved 41 loans to the country for a total amount of more than US\$6.8 billion, of which about 73 percent, or over US\$5 billion, has been disbursed.

**The Country Partnership Strategy (CPS), approved on May 1, 2012, was designed to ensure continued strong government ownership of the Bank-supported programs,** and to allow the Bank to adjust to changing government priorities and country circumstances, thereby maximizing the Bank's contribution to Kazakhstan's

development. The CPS concentrates on the Government's key priorities of competitiveness and jobs; strengthened governance in public administration and service delivery; and the safeguarding of the environment. In contrast to earlier CPSs, the current CPS is programmatic by interlinking knowledge interventions through sequenced products in a multiyear framework to maximize impact. The CPS targets key areas of lagging performance as revealed by country development strategies or the Bank's assessment tools, including international comparative analysis.

**In May 2014, the World Bank and the Government of Kazakhstan embarked on a new Partnership Framework Arrangement (PFA),** which is being guided by the CPS and aims to support the Government's efforts to ensure more sustainable development and inclusive growth that is widely shared and benefits the lower-income groups. Implementation of this PFA will be conducted through technical assistance activities and investment and institutional capacity-building projects along the following thematic areas of cooperation: (i) attracting investments into the economy and developing PPPs; (ii) facilitating sustainable environmental (greener and energy-efficient) development; (iii) increasing the role of the private sector in the economy by fostering the development of SMEs and improving the business climate; (iv) providing implementation support to institutional reforms; (v) developing job skills for the labor market; (vi) promoting regional cooperation and economic integration; (vii) fostering science and innovation; and (viii) strengthening the financial sector.

**With the signing of the PFA, the Bank has significantly extended its advisory and analytical services (AAA) to the Government provided under the JERP.** The JERP is an instrumental tool for providing policy analysis, strategic planning expertise, and good practice options to assist the Government with the reform agenda in the field of economic and social development. It also helps to further strengthen the institutional capacity of the Government to conduct economic and sectoral work.

**As of March 2015, the Kazakhstan portfolio consisted of 17 operations** (15 IBRD loans and two large grants funded from the Recipient Executed Trust Fund), with a total net commitment of US\$3.8 billion, of which US\$2 billion has been

disbursed. While over 80 percent of the commitments are concentrated in the two big South-West Road and East-West Road projects, the portfolio remains diverse, with two-thirds of the projects focused on institutional building in the areas of education, health, innovations, and the revenue administration agenda.

**The pipeline in Kazakhstan includes a number of projects at various stages of preparation.**

These include: (i) the *Elimination of Persistent Organic Pollutant Wastes Project*; (ii) the *Support to Social Modernization: Health Insurance Project*, (iii) the *Education Modernization Project*; (iv) the *Center South Road Corridor Project*; (v) the *Center West Regional Development Corridor*; (vi) the *Forestry Development Project*; (vii) the *Kazakhstan Solid Waste Management Project*; (viii) the *Syr Darya Control and Northern Aral Sea Project, Phase 2*, (ix) the *Modernization and Rehabilitation of Irrigation and Drainage Project*; (x) the *Climate Change Mitigation Project*; (xi) and *Support to Attracting and Retaining Investments in high-potential sectors*.

**Overall, Bank operations in Kazakhstan enjoy strong government ownership.** However, several projects have experienced slow disbursements, reflecting a somewhat slow start-up. The performance of Bank operations in the country have also been affected by a number of country system aspects, including rapid staff turnover at both the mid-management and working levels, a rigid regulatory environment, and limited interagency coordination.

**As part of the 2014 Country Portfolio Performance Review (CPPR),** the Bank and the Government agreed to complete the 14-point Action Plan that was adopted to address the systemic issues slowing down the portfolio performance. As of September 2014, all actions had been successfully implemented, in part by streamlining the specific Government procedures that can sometimes lead to preparation and effectiveness delays. Given that the PFA program is expected to be implemented in a very short time frame, further measures are required to streamline the internal government procedures. A set of recommendations were proposed at the PFA Coordination Council meeting in March 2015 and agreed to by the Government to allow for faster decisions during the negotiations stage and to expedite the preparation of all projects under the PFA. In addition, the Prime Minister endorsed the

preparation timeline for all the investment projects, with specific deadlines for signing and ratification. The Bank and the Government continue a joint monitoring of the problem projects and those potentially at risk of not achieving their development objectives by i) improving implementation performance, and ii) ensuring that new projects build on lessons learned from previous operations.

### **The International Finance Corporation**

**Kazakhstan became a member of the International Finance Corporation (IFC) in 1993.** IFC began operating in the country by pioneering advisory services focused on private sector development. Since the beginning of investment operations in 1997, IFC has invested more than US\$1.66 billion, including US\$300 million in syndicated loans, to support 61 private sector projects in the financial, oil and gas, agribusiness, and manufacturing sectors.

**As of June 30, 2014, IFC's total committed portfolio in Kazakhstan amounted to US\$264 million** in 14 projects in financial markets, agribusiness, retail, construction materials, and the railway sector.

**In line with the CPS, IFC's strategy in Kazakhstan focuses on improving access to infrastructure, strengthening the financial sector, and supporting the diversification and competitiveness of the economy.** In addition to direct investments, IFC is providing advisory services to improve corporate governance, help the government structure PPPs, and bring food safety standards to international levels.

**IFC supports the country's financial sector development** through providing a full range of investments to financial institutions and thus expanding access to finance for micro, small, and medium-sized enterprises (MSMEs). Nearly US\$900 million in investments was provided to Kazakhstan via equity participation, quasi-equity products, senior debt, and trade finance products to a number of commercial banks, including microfinance and leasing companies.

**In the real sector, IFC focuses on key industries that form the foundation of sustainable growth** and that provide affordable goods and services to consumers, create jobs, contribute to government revenue, and stimulate the growth of local SMEs. In Kazakhstan, priority real sector subsegments include agribusiness and food processing, construction materials, and a broad range of consumer service industries such as retail, affordable housing, health care, and education. Recently financed projects include a cement plant, a medical insurance company, and a shopping mall.

**IFC has identified infrastructure development as one of the critical components of promoting sustainable development in Kazakhstan.** IFC intends to facilitate infrastructure development through PPP advisory work and direct investments with both private sector and subnational sponsors. Specific focus areas include the logistics and transportation sectors to improve connectivity and trade. IFC has recently provided financing to Eastcomtrans to help expand its railcar fleet, broadening commercial logistics services and helping develop the country's infrastructure for trade and industry. In addition to investments, IFC, jointly with EBRD, is advising the Government of Kazakhstan on its first large-scale PPP project for the Almaty Ring Road.

## KAZAKHSTAN: FORESTRY PROTECTION AND REFORESTATION PROJECT

### Key Dates:

**Approved:** November 29, 2005

**Effective:** July 12, 2007

**Closing:** June 30, 2015

### Financing in million US Dollars\*:

| Financier                | Financing   | Disbursed | Undisbursed |
|--------------------------|-------------|-----------|-------------|
| IBRD Loan                | 30.0        | 28.9      | 1.1         |
| Government of Kazakhstan | 28.8        |           |             |
| GEF Grant                | 5.0         | 4.97      | 0.03        |
| Total Project Cost       | <b>63.8</b> |           |             |

\*as of March 25, 2015

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



Kazakhstan possesses a significant forest resource of 11.5 million hectares of forested land, which in absolute terms is the third-largest forest area in the Europe and Central Asia region. These forests are home to a biodiversity of global significance and play an important role in preserving the soil, wildlife and watershed management, and tourism. They are also a key to protecting the watershed of the Aral Sea Basin and to reducing the desertification and siltation of waterways and reservoirs. About 300,000 people directly depend on the sector, while an estimated 2.5 million live in or rely on the forests for fuel, fodder, and other resources. Kazakhstan's forests, like the rest of its vast natural resources, have been subject to various challenges associated with the transition. The threats to forests have intensified in recent years as government funds have dwindled, hindering even the most basic forest management activities.

**The Project Development Objective** is to develop and initiate ways of cost-effective and sustainable environmental rehabilitation and management of forest lands and associated rangelands, with a focus on the Irtysh Pine Forest, the Dry Aral Seabed (DAS), and the saxaul rangelands (saxaul is a plant growing in Central Asian deserts). The development objective is both local and global in nature.

The project will address a range of forestry sector issues through the following components:

1. Reforestation activities and the purchase of fire management equipment in the Irtysh Pine Forest
2. Amelioration of the Dry Aral Seabed
3. Capacity building of the national forestry institution

### Implementation Status and Key Results:

- About 40,600 hectares in the Irtysh Pine Forest have been planted to help rehabilitate the forest and reverse fire degradation trends.
- Land degradation has been prevented on the Dry Aral Seabed, with 56,500 hectares of dry seabed area covered with vegetation, including 47,100 hectares planted with project resources.
- Rangeland management activities on 20 demonstration sites have been fully completed. Some 168,000 hectares benefit from the improved access to water for livestock.
- To date, about 7,000 people have been employed under other project activities (planting, construction works, competitive grants, etc.).
- Construction of the Nursery and Seed Complex is nearing completion and scheduled to be operational in June 2015.
- Five councils for participatory forest management were created and are operational in the Irtysh Pine Forest.
- The capacity of forestry authorities significantly increased through improved knowledge of modern planting and fire management technologies and natural resource dynamics and also through management gained from project activities, study tours abroad, and inland trainings.

**Key Partners:** the Ministry of Agriculture of the Republic of Kazakhstan, Committee for Forestry and Hunting.

**Key Development Partners** included the Global Environment Facility (GEF), which financially contributed to the project, providing a US\$5 million grant for technical assistance and a competitive grant program.



## KAZAKHSTAN: SECOND IRRIGATION AND DRAINAGE IMPROVEMENT PROJECT

### Key Dates:

**Negotiated:** May 14–16, 2013

**Approved:** June 27, 2013

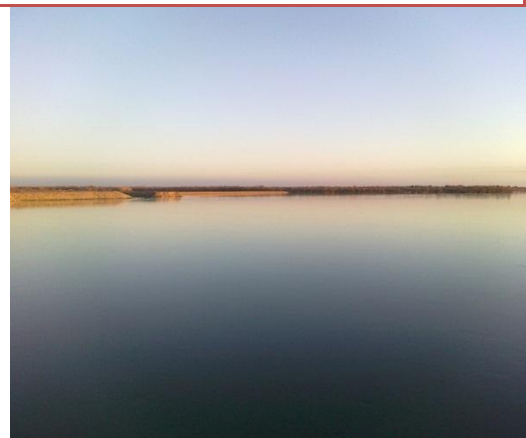
**LA signed:** April 29, 2014

**Effective:**

**Closing:**

### Financing in million US Dollars\*:

| <i>Financier</i>          | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|---------------------------|------------------|------------------|--------------------|
| IBRD Loan                 | 102.90           | 0                | 0                  |
| Government of Kazakhstan  | 240.10           | 0                | 0                  |
| Other Donors (EC)         | 0                | 0                | 0                  |
| <b>Total Project Cost</b> | <b>343.00</b>    | <b>0</b>         | <b>0</b>           |



The project responds to the government strategy to accelerate the improvement of irrigated land, improve the efficiency of water use in agriculture, and reduce demands on scarce surface water resources. Better use and management of irrigation infrastructure will help develop the agricultural sector to benefit the national economy and people in rural areas. **The Project Development Objective** is to improve irrigation and drainage (I&D) service delivery to support farmers in the project areas. This will be achieved through rehabilitation and modernization of I&D systems; improved management, operation, and maintenance (MOM) of these systems; and more efficient use of associated irrigated lands, all with the improved participation of users in developing and managing the rehabilitated/modernized systems.

### The project comprises the following components:

- Rehabilitation and Modernization of I&D Systems Infrastructure** (US\$323.38 million). Subcomponent A will support the rehabilitation and modernization of I&D infrastructure on approximately 113,000 hectares. Subcomponent B will provide technical assistance for the design and supervision associated with the rehabilitation and modernization of I&D infrastructure, including preparing Site-specific Dam Safety Plans.
- Sustainable Management, Operation, and Maintenance of I&D Systems** (US\$6.93 million) will support: (a) developing and strengthening RCCs and water management organizations through: (i) supporting the establishment of the enabling training and support units (Rural Support Units, RSUs); (ii) supporting Participatory Irrigation Development and Management (PIDM) activities, including related water sector studies and access to credit and leasing resources; and (iii) enhancing MOM activities, including water monitoring tools; (b) modernizing and strengthening on-farm water management (at the RCC level); and (c) modernizing and strengthening the MOM of the main irrigation and drainage system.
- Agricultural Development** (US\$9.80 million) will support: (a) strengthening of farmer capacity through: (i) improving farm management and land use; (ii) supporting knowledge transfer on innovative agro-techniques; and (iii) supporting agro-cooperatives, including establishing and strengthening the enabling farmer services centers (FSCs); (b) farming and irrigation mechanization through: (i) developing water saving techniques, (ii) facilitating access to maintenance equipment for the on-farm irrigation systems, and (iii) strengthening the related advisory facilities.
- Project Management, Technical Assistance, and Training** (US\$2.89 million) will include operational support for the Project Management Unit (PMU) to be established within the Committee for Water Resources.

### Implementation Status and Key Results:

- The Executive Directors of the Bank approved the project on June 27, 2013. A Legal Agreement was signed by both parties on April 29, 2014, and ratified by the Parliament of Kazakhstan on December 26, 2014.
- Project implementation has been started. The procurement process of the largest irrigation consultancy contracts on integrating irrigation system design, participatory management, construction supervision, and safeguards management is ongoing.

**Key Partners:** the Ministry of Agriculture of the Republic of Kazakhstan, responsible for overall implementation through the Committee for Water Resources.

## KAZAKHSTAN: ALMA ELECTRICITY TRANSMISSION PROJECT

### **Key Dates:**

**Approved:** November 16, 2010

**Effective:** March 2, 2011

**Expected Closing Date:** April 30, 2015

### **Financing in million US Dollars\*:**

| <i><b>Financier</b></i> | <i><b>Financing</b></i> | <i><b>Disbursed</b></i> | <i><b>Undisbursed</b></i> |
|-------------------------|-------------------------|-------------------------|---------------------------|
| IBRD Loan               | 78.0                    | 71.4                    | 6.6                       |
| Other Borrower          | 122.9                   |                         |                           |
| Total Project Cost      | 200.9                   |                         |                           |

\*as of March 25, 2015

**Note:** *Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**The Project Development Objective** is to improve the reliability and quality of the electricity supply to consumers in the Almaty region in an environmentally responsible and financially sustainable manner. This objective will be achieved by expanding the capacity of the Almaty oblast transmission network in order to provide additional capacity and redundancy in the system for an uninterrupted supply of electricity. The aim of the project is the construction of a new bulk supply point—the Alma substation—for the Almaty region. Other related components include the reconstruction and extension of related substations and the construction of overhead transmission lines (OHTLs). Specifically, the main project subcomponents are classified under the following groups:

### **Project Component Part 1 - Construction of OHTLs**

- (a) 500-kilovolt (kV) OHTL from YuKGRES substation to Alma substation
- (b) 500-kV OHTL from Almaty substation to Alma substation
- (c) 220-kV OHTL from Alma substation to Kensai substation
- (d) cross connection lines (220 kV OHTL)

**Project Component Part 2 - Construction, Extension, and Modernization of Substations:** construction of 500-kV Alma substation, extension and modernization of 500-kV Almaty substation, and extension and modernization of 500-kV YuKGRES substation.

The Bank is financing component Part 1(a) of the project, i.e., construction of a 500-kV OHTL from YuKGRES substation to Alma substation. The Bank is also financing procurement and project management consulting services for the construction of a 500-kV OHTL from YuKGRES substation to Alma substation.

### **Key Expected Results:**

- Increased reliability of supply measured by reduced outages (maximum of 10 outages) in Almaty branch of KEGOC
- Increased capacity by 1,000 MVA (MegaVolt Ampere) to supply Almaty oblast measured by the capacity of 500-kV transformers that tie to the high-voltage network
- Increased capacity to supply Almaty oblast, measured by 70 percent overload of Almaty substation transformers

### **Implementation Status:**

- Project implementation is completed, with construction works finished and the Alma Substation and transmission line put into operation. The project was restructured and the Project Results Framework updated. The unutilized balance of US\$6,643,638.65 was cancelled at KEGOC's request.
- The project was found to have satisfactorily complied with the environmental safeguards. The compensation payments have been fully paid off as per the Land Acquisition Plan.
- The Project Implementation Completion and Results Report is under way.

**Key Partners:** Joint Stock Company “Kazakhstan Electricity Grid Operating Company” (KEGOC), the borrower.

## KAZAKHSTAN: ENERGY EFFICIENCY PROJECT

### Key Dates:

Approved: May 22, 2013

Effective:

Closing: June 2017

### Financing in million US Dollars\*:

| <i>Financier</i>   | <i>Financing</i> | <i>Disburse</i> | <i>Undisburse</i> |
|--------------------|------------------|-----------------|-------------------|
|                    | <i>g</i>         | <i>d</i>        | <i>d</i>          |
| IBRD Loan          | -                |                 |                   |
| Local governments  | 1.3              |                 |                   |
| Trust Fund         | 21.7             |                 |                   |
| Total Project Cost | 23               |                 |                   |



Kazakhstan ranks among the top 10 most energy-intensive economies in the world and uses more than three times as much energy per unit of GDP as the countries in the European Union (EU). This high energy intensity results in significant costs for the country in terms of economic competitiveness, public health, and the environment. Reducing the inefficient use of energy would allow Kazakhstan to save up to US\$1.3 billion per year in energy expenditures in the public and private sectors.

International experience shows that public buildings can readily achieve 20–40 percent energy savings through cost-effective retrofits. To this end, the project will support investments in energy-efficient upgrades in about 75 public and social buildings throughout the country. These improvements are expected to enhance the working conditions of more than 30,000 pupils, teachers, hospital patients, children, doctors, and others benefiting from improved indoor comfort levels in these buildings.

**The Project Development Objective** is to improve the energy efficiency in public and social facilities and the enabling environment for sustainable energy financing. The project will address a range of energy-efficiency issues through the following components:

1. The upgrading and modernization of public and social facilities, such as schools, kindergartens, clinics/hospitals, and street lighting;
2. Technical assistance to help address the existing financial, technical, institutional, and legislative barriers that are preventing the public sector from tapping into its large energy savings potential.

### **Implementation Status and Key Results:**

- Following the signing of the grant and project agreements on July 18, 2014, the Law on the Ratification of the Project passed the Parliament and was submitted to the President for approval.
- All of the project's effectiveness conditions have been met, including the following: the Steering Committee has been set up, the Subsidiary Agreement has been signed, the Project Operational Manual was adopted, the project implementation unit (PIU) has been set up and staffed, and the Memorandum of Understanding between MID, EEDI, and Akimats oblast have been signed, as well as the project agreement between EEDI and the social facilities.
- The project implementing agency (EEDI) has commenced the project implementation activities. Nineteen subprojects in Atyrau, Mangistau, Karaganda, Kyzylorda, Pavlodar, and East Kazakhstan oblasts have been selected for the first year of implementation. The procurement of an energy audit and the designing and hiring of supervision consultants is ongoing.
- Three technical assistance activities were included in the first year of project implementation: (i) a comprehensive energy-efficiency market assessment of Kazakhstan; (ii) computerization of the State Energy Registry; and (iii) a public outreach campaign.

**Key Partners:** the Ministry of Investment and Development (MID), JSC "Institute for the Electricity and Energy Saving "KazakhEnergoExpertise" (EEDI), local authorities, and private energy service providers.

## KAZAKHSTAN: UST-KAMENOGORSK ENVIRONMENTAL REMEDIATION PROJECT

### **Key Dates:**

**Approved:** February 1, 2007

**Effective:** December 15, 2008

**Closing:** December 31, 2015

### **Financing in million US Dollars\*:**

| <i>Financier</i>          | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|---------------------------|------------------|------------------|--------------------|
| IBRD Loan                 | 24.3             | 5                | 19.3               |
| Government of Kazakhstan  | 15.8             | 1.6              | 14.2               |
| Other Donors ( EC)        | 4.5              | 4.5              | 0                  |
| <b>Total Project Cost</b> | <b>44.6</b>      | <b>6.1</b>       | <b>38.5</b>        |

\* as of March 25, 2015

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The project will address the environmental pollution in Ust-Kamenogorsk City, linked to industrial hazardous waste accumulated before 1990. The project will optimize the design and implementation of a program for groundwater cleanup and the remediation of waste disposal sites in Ust-Kamenogorsk based on technical, economic, financial, social, and ecological assessments. In addition, the project will cover investments and activities to control groundwater downstream of treatment sites and the development of a long-term Groundwater Quality Monitoring System.

**The Project Development Objective** is to prevent contaminated groundwater from becoming a risk for residential areas, drinking water resources, and the Irtysh River, and to strengthen the institutional mechanisms for groundwater quality monitoring.

### **The Project comprises the following components:**

1. Containment of high-priority sources of groundwater contamination (US\$19.36 million). This component will develop immediate cleanup activities to prevent further infiltration into the aquifer of contamination from the identified high-risk waste dumps and slurry ponds located within or near the city, mostly in the area of the Central Industrial Complex.
2. Remediation of Current Contaminated Groundwater Sites (US\$20.13 million). This component includes two subcomponents: (i) a pump and treat groundwater remediation system; and (ii) a groundwater quality monitoring network. This component will support the interception, treatment, and monitoring of contaminated groundwater in the project area and prevent the further migration of groundwater with unacceptable contamination levels to sensitive areas, groundwater users, and the Irtysh River.

### **Implementation Status and Key Results:**

- Investigation program to assess the contamination level of seven industrial high-priority waste dumps in Ust-Kamenogorsk was concluded, and the detailed design for remediation of these industrial waste dumps developed. State approval for the detailed design has been obtained for six out of seven industrial waste dumps.
- Civil works started in April 2013. The rehabilitation of four industrial waste dumps is about to be fully completed, work on two other industrial waste dumps is pending the Ministry of Agriculture's facilitation, and one waste dump was already remediated with public funding when the design work for the other waste dump remediation was carried out.
- Telemetry, leak detection, and other equipment has been supplied at the Vodokanal. The water leakage reduction program in Ust-Kamenogorsk is being implemented. Laboratory equipment to measure heavy metals and organic chemicals in the ground, surface water, and soil in Ust-Kamenogorsk has been successfully installed, and laboratory staff trained.
- Detailed sampling and analysis have been undertaken in the Capacitor sludge pond for laboratory analysis to determine the precise concentration of polychlorinated biphenyls (PCBs) and required remediation technologies in line with the Stockholm Convention. Technical options of the treatment system confirmed and tested; works are completed.
- The Groundwater Monitoring Program for the groundwater remediation component is being implemented. Twenty-two multilevel monitoring wells drilled and installed. The design of the groundwater treatment system has been finalized, reviewed, and actively discussed by all parties concerned.

**Key Partners:** the Ministry of Agriculture of the Republic of Kazakhstan, responsible for overall strategy planning through its Committee for Water Resources.

**Key Development Partners:** the European Commission (EC) and the Government of Japan.



## KAZAKHSTAN: SOUTH-WEST ROADS PROJECT: WESTERN EUROPE-WESTERN CHINA INTERNATIONAL TRANSIT CORRIDOR

### **Key Dates:**

**Approved:** April 30, 2009

**Effective:** December 9, 2009

**Expected Closing Date:** June 30, 2015

### **Financing in million US Dollars\*:**

| <i>Financier</i>          | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|---------------------------|------------------|------------------|--------------------|
| IBRD Loan                 | 2,125            | 1,67             | 446.1              |
| Government of Kazakhstan  | 375              |                  |                    |
| <b>Total Project Cost</b> | <b>2,500</b>     |                  |                    |

**\*as of March 25, 2015**

**Note:** *Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



<http://europe-china.kz>

Kazakhstan is the ninth-largest country in the world, with a land area equal to that of Western Europe. The upgrade of the Western Europe-Western China (WE-WC) Road Corridor is among the top priorities of Kazakhstan's infrastructure development agenda. It is the main road corridor crossing Kazakhstan from the border with China in the southeast, through Almaty, Taraz, Shymkent, Kyzylorda, and Aktobe, to the border with Russia (a total of 2,787 kilometers). The construction of the corridor started in 2009. The World Bank is financing the rehabilitation of a section of the corridor in the south of Kazakhstan.

**The Project Development Objective** is to increase transport and trade efficiency along the 1,150-kilometer road section from the border of Aktobe/Kyzylorda oblasts to the border of South Kazakhstan (SKO) and Zhambyl oblasts, and to improve road management and traffic safety in Kazakhstan. The project will boost Kazakhstan's (and its neighbors') trade, competitiveness, logistics, and infrastructure connections with the world, while providing an artery for regional economic cooperation. The upgrading of the corridor will facilitate a more efficient movement of goods and people and improve road safety. It will also facilitate industrial, agricultural, and commercial activities, with improved trade and services along the road and in adjacent towns and cities.

### **The Project comprises five components:**

1. Upgrade and reconstruction of road sections (788.5 kilometers, two-lane infrastructure north of Kyzylorda and four-lane infrastructure south of Kyzylorda) within Kyzylorda oblast.
2. Upgrade and reconstruction of road sections within SKO (361.5 kilometers of four-lane infrastructure).
3. Assistance to the Committee for Roads (CR) with the management of activities associated with the projects funded by other international financial institutions.
4. Institutional development and preparation of action plans to improve road safety and road services.
5. Supervision of civil works.

### **Implementation Status and Key Results:**

More than two-thirds of the road length is open to traffic, with 90 percent of the works completed.

- Works are ongoing on the additional 80 kilometer section, a four-lane highway along the same road corridor (east of Shymkent), which became part of the project after its first restructuring in 2012.
- In 2014, the Borrower requested to restructure the project for the second time to allow the financing of one more additional section of 85 kilometers and to commit US\$217 million of accrued savings, resulting from the lower cost and more efficient procurement of civil works and also the devaluation of the Kazakhstan tenge.
- To date, the project has provided up to 35,000 jobs for local people.
- In an effort to strengthen accountability and transparency, an external monitoring mechanism agreed to by the Government and executed by civil society organizations (CSOs) was established in 2012: the National Expert Council for Transparency and Sustainable Development, comprised of the Roads Committee, Project Management Consultants, Supervision Consultants, and CSOs. Land acquisition monitoring has been included as a priority activity in the work program.
- The Government has initiated reform in the roads sector and created an autonomous Roads Agency, the JSC KazAvtoZhol, to optimize management of the national road network.
- While civil works continue, institutional strengthening activities (road safety, road services, and road asset management) are being implemented jointly by the CR and the KazAvtoZhol.

**Key Partners:** the Ministry of Investment and Development, the Committee for Roads, and KazAvtoZhol.

**Key Development Partners** include the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Japan International Cooperation Agency (JICA), and the Islamic Development Bank (ISDB).

## KAZAKHSTAN: EAST-WEST ROADS PROJECT WESTERN EUROPE-WESTERN CHINA INTERNATIONAL TRANSIT CORRIDOR

### **Key Dates:**

**Approved:** May 1, 2012

**Effective:** June 14, 2013

**Expected Closing Date:** June 30, 2017

### **Financing in million US Dollars\*:**

| <i>Financier</i>          | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|---------------------------|------------------|------------------|--------------------|
| IBRD Loan                 | 1,068            | 247,3            | 820,7              |
| Government of Kazakhstan  | 188              |                  |                    |
| <b>Total Project Cost</b> | <b>1,256</b>     |                  |                    |

**\*as of March 25, 2015**



The East-West Roads Project is part of the Government's plan to upgrade and improve the international transit corridor linking Europe and Russia to China through Kazakhstan (a total of 2,787 kilometers). The Bank has been helping to upgrade 1,150 kilometers of the corridor through the financing of the ongoing South-West Roads Project. The East-West Roads Project is expected to provide an efficient transport link from Almaty—one of the major economic centers of Central Asia—to Khorgos, the primary road border crossing point between Kazakhstan and China, thereby completing the upgrade of the WE-WC Road Corridor.

**The Project Development Objectives** are to increase transport efficiency along the section of the WE-WC Road Corridor within Almaty oblast and to modernize highway management on sections of the WE-WC Road Corridor.

The project will provide an efficient transport link from Almaty to Khorgos, thereby completing the upgrade of the WE-WC Corridor. The upgrading of this 305-kilometer long section of the WE-WC Road Corridor in Almaty oblast would facilitate a more efficient movement of goods and people and improve road safety. It would also facilitate industrial, agricultural, and commercial activities, with improved trade and services along the new road and in adjacent towns and cities.

### **Long-Term Development Impact:**

The project will focus on increasing the quality of services provided to road users, including a reduction in road user costs and improved road safety and services, by undertaking pilot operation and maintenance activities along the WE-WC Road Corridor. Additionally, a study will be launched to review different user pay mechanisms, such as tolling options, to help the Government to recover costs for the operation and maintenance of parts of the corridor. Based on the experience of the pilot activities, the study will also develop realistic cost estimates for the operation and maintenance of the other road corridors in Kazakhstan.

### **The Project comprises two components:**

1. Upgrade and construction of the road section of the WE-WC Road Corridor within Almaty oblast
2. Modernization of highway management on sections along the WE-WC Road Corridor

### **Implementation Status and Key Results:**

- Procurement for all eight lots, civil works, and the supervision consultancy was completed by the time the project became effective to fully utilize the construction season.
- JSC KazAvtoZhol National Roads Operating Company has been authorized to implement day-to-day management and operation functions under the project, with the Roads Committee responsible for overall project implementation. Institutional strengthening activities are being procured to support the development of a tolling strategy for the road section from Almaty to Khorgos and to support the development of a concept and instruments for operation and maintenance of the road network.
- In 2014, the Borrower requested to restructure the project to allow the financing of one more additional section of 98 kilometers between the border with Uzbekistan and Almaty toward the border with Kyrgyzstan and to commit US\$213 million of accrued savings, resulting from the lower cost and more efficient procurement of civil works and also the devaluation of the Kazakhstan tenge.

**Key Partners:** the Ministry of Investment and Development, the Roads Committee, and KazAvtoZhol.

**Key Development Partners** include ADB, EBRD, JICA, and ISDB.

## KAZAKHSTAN: HEALTH SECTOR TECHNOLOGY TRANSFER AND INSTITUTIONAL REFORM PROJECT

### Key Dates:

**Approved:** January 15, 2008

**Effective:** December 15, 2008

**Closing:** December 31, 2015

### Financing in million US Dollars\*:

| <i>Financier</i>         | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|--------------------------|------------------|------------------|--------------------|
| IBRD Loan                | 117.7            | 58.21            | 59.49              |
| Government of Kazakhstan | 178.4            | 69.98            | 108.42             |
| Total Project Cost       | <b>296.1</b>     | 128.19           | 167.91             |

\*as of March 25, 2015

**Note:** *Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



<http://www.healthproject.kz/>

**The Project Development Objective** is to introduce international standards and build long-term institutional capacity in the Ministry of Health (MOH) and related health institutions in support of key health sector reforms pursued by the Government of Kazakhstan. This comprehensive project deals with all aspects of health sector reform, including: (i) health financing, budgeting, planning, and management, (ii) health care quality improvement, (iii) reform of medical education and medical science, (iv) health information system development, (v) pharmaceutical policy reform, and (vi) food safety and World Trade Organization (WTO) accession.

### **Implementation Status and Key Results:**

Project implementation is approaching its last year with noteworthy progress, including:

- Twelve technical centers/structures established to support the health system in accreditation, economic research, planning and investment monitoring, management, standardization, health information management, and innovative education.
- Modern provider payment methods (comprehensive capitation rate for primary/outpatient care and diagnosis-related groups for inpatient care) introduced. New qualifications standards for managers based on British Occupational Standards developed and tested.
- Health network master plans for all 16 regions developed based on new facility planning standards and adopted through regional prospective plans for health infrastructure development for 2015–25.
- Strategies for enhancing provider autonomy and a number of health management training programs, including a master's degree course, developed and implemented.
- The upgraded National Hospital and Outpatient Accreditation Standards are certified by the International Society for Quality in Health Care and used in the annual accreditation process. 90 international standard Clinical Practice Guidelines adapted and being gradually introduced into the clinical practice and medical education process.
- A state-of-the-art E-Health Concept was approved and implementation of the Road Map launched.
- Regional drug information centers opened in 16 regions, with Call-Center services increasingly demanded by health professionals and the population at large; National Pharmaceutical Policy, Formulary, and Strategy “Outpatient Drug Benefit 2020” developed; and the National Drug Quality Testing Center fully equipped and preparing for international accreditation.
- National food safety strategy implemented, with European Union (EU)-standard food safety regulations adopted for the whole Customs Union in 2013, and food safety control capacity gradually strengthened through the use of modern research methods and the establishment of the Central Asian Training Center on Food Safety in early 2014.
- Over 92,500 health professionals and managers received overseas and in-country training. Applied bachelor's educational program in nursing specialty and three simulation training courses for health specialists and trainers developed. Strategy for capacity building of health managers and researchers until 2020 has been developed.

**Key Partners:** the Ministry of National Economy, the Ministry of Finance, and the Ministry of Health and Social Development.

**Key Development Partners:** World Health Organization (WHO), EC, United Nations Children's Fund (UNICEF), United Nations Population Fund (UNFPA), U.S. Agency for International Development (USAID), and Centers for Disease Control and Prevention (CDC).



## KAZAKHSTAN: TECHNICAL AND VOCATIONAL EDUCATION MODERNIZATION PROJECT

### Key Dates:

Approved: July 8, 2010

Effective: August 9, 2011

Expected Closing Date: December 31, 2015

### Financing in million US Dollars\*:

| Financier                | Financing | Disbursed | Undisbursed |
|--------------------------|-----------|-----------|-------------|
| IBRD Loan                | 29.2      | 25.5      | 3.7         |
| Government of Kazakhstan | 4.0       |           |             |
| Total Project Cost       | 33.2      |           |             |

\*as of March 25, 2015

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



Kazakhstan, a fast growing middle-income country, has a vision of becoming an industrialized country by 2025, but low work force productivity and huge gaps in skills are major impediments to increased competitiveness. The present technical and vocational education (TVE) system in Kazakhstan has been engineered to support a command economy and therefore today, suffers from a lack of linkages to a market economy and faces daunting challenges in terms of relevance, management, quality, and internal efficiency.

**The Project Development Objective** is to raise the relevance, quality, and efficiency of TVE through an improved policy framework and institutional capacity. In the long term, the project will help (i) improve the employability of TVE graduates, as the quality of TVE rises and “new quality” TVE graduates are more demanded in the labor market; (ii) increase rates of returns to TVE as the skills and competencies of the graduates of the new TVE system are significantly enhanced and match the requirements of the dynamic labor market; and (iii) increase workforce productivity and competitiveness as a result of the increased supply of new skills that are of high quality and relevance.

The project aims to assist Kazakhstan in linking the supply of skills to the demands of industries and employers and focuses on: (i) developing the National Qualifications System and occupational standards in selected priority sectors and upgrading the assessment of the qualifications and institutional accreditation of TVE institutions; (ii) modernizing the governance, management, and financing policies and structures for TVE; and (iii) strengthening the skills delivery capacity of TVE institutions through competitive financing of the institutional development of both public and private providers.

### Implementation Status and Key Results:

- Project implementation accelerated in 2013, attributable to the progress on policy development and the strengthening of the institutional capacity of TVE institutions, resulting in total disbursement at 64 percent.
- As a result of policy development, the National Qualification System, 13 sector qualifications frameworks, and 147 occupational standards covering 10 economic sectors were adopted by the Government. Close coordination and partnership between the Ministry of Education, Ministry of Labor and Social Protection, sector ministries, employers, and the business community represent a significant achievement at the institutional and policy level.
- The financing mechanisms of the TVE system have been revisited to reflect best international practices on funds distribution through a per capita financing model. Pilots will be launched in two regions, complemented by the training of local government officials and college administrators.
- The educational capacity of TVE institutions has increased as a result of the professional development of teachers in support of a competency-based modular curriculum. The second round of competitive grants was carried out in 2014. Forty-one colleges (in addition to the 27 in 2012) from the remaining nine regions received grants to enhance institutional development, provide teacher training, develop a competency-based curriculum, and strengthen social partnerships through dual-system training programs at the plants. The last round of grants is planned in 2015 to strengthen the collaboration of 15 colleges with industry representatives and to finalize the pilot of new education standards.
- The development of new education standards and a core curriculum linked to occupational standards is under way, with methodology developed in 2014 and standards planned for piloting in 2015.

**Key Partners:** Ministry of Education and Science of the Republic of Kazakhstan.

**Key Development Partners:** European Union (EU), European Training Foundation, German Society for International Cooperation (GIZ), British Council, and International Labour Organization (ILO).



## KAZAKHSTAN YOUTH CORPS PROJECT

### **Key Dates:**

**Approved:** March 25, 2014

**Effective:** Expected by June 2015

**Expected Closing Date:** February 28, 2018

### **Financing in million US Dollars\*:**

| <i>Financier</i>   | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|--------------------|------------------|------------------|--------------------|
| Total Project Cost | \$21.763         |                  |                    |

Youth development is regarded as an important national issue in Kazakhstan, which is reflected in the ratification of the first Law on State Youth Policy in the Republic of Kazakhstan in 2004. Three domains appear to be important for positive youth development in Kazakhstan: (i) **community engagement/service**, to promote concern for the welfare of others and enhance young people's integration into society, (ii) **skills development**, in particular behavioral/life and technical skills that are needed to make the transition from school to productive employment, and (iii) **initiative**, to tap into young people's naturally inventive, creative, and enterprising characteristics. The proposed project supports the Government's various policies related to youth, particularly the Concept of State Youth Policy 2020. The project is also aligned with the overarching objectives of the Country Partnership Strategy (CPS), specifically "improving competitiveness and fostering job creation."

**The Project Development Objective (PDO)** is to promote positive youth development in Kazakhstan through service learning opportunities that serve the community while enhancing youth initiative and life skills. The project is expected to also bring about wider recognition among the public that youth can be both an asset and part and parcel of the building blocks of a just society.

### **1. Expected beneficiaries of the project are:**

- **Young people participating in the community-based service learning and skills development program:** Youth (aged 14–29) will benefit from opportunities to participate in a community-based service learning and life skills development program. A cohort of youth will also benefit from access to entrepreneurial training and capital to launch their own community-based service learning activities. In total, the project is expected to benefit 8,500 young people, of which approximately 5,100 (60 percent of total direct beneficiaries) will be vulnerable youth.
- **Youth-focused organization staff and Ministry of Education and Science officials:** Some 150 youth-focused organizations will benefit from opportunities to implement community-based service learning programs with youth. They will receive training and become part of a network of organizations that focus on youth issues. Technical assistance to the Ministry of Education and Science (MOES) will help enhance the policy institutional framework and fiduciary and monitoring capacity.

### **2. Expected key PDO level results of the proposed project include:**

- Share of subgrant programs rated satisfactory at completion
- Share of youth project beneficiaries who feel able to make a positive contribution to their community
- Share of youth project beneficiaries who demonstrate an improvement in defined noncognitive skills
- Direct project beneficiaries, of whom (i) vulnerable youth – 60 percent, (ii) female – 55 percent, and (iii) youth with disabilities – 5 percent

### **3. The project comprises three components:**

- Subgrants for Community-Based Service Learning and Life Skills Development (US\$20 million)
- Institutional Development for Youth Policy Implementation (US\$0.763 million)
- Project Management, Monitoring, and Evaluation (US\$1 million)

### **Implementation Status and Key Results:**

- The project was approved by the World Bank's Europe and Central Asia Regional Vice President on March 25, 2014. The next steps are Grant Agreement signing and project effectiveness.
- To start implementation of the project, subsequent ratification of the Grant Agreement by the national parliament is required. This step is expected to be completed by the Government of Kazakhstan by June 2015.

**Key Partners:** Ministry of Education and Science of the Republic of Kazakhstan.

## KAZAKHSTAN: JUSTICE SECTOR INSTITUTIONAL STRENGTHENING PROJECT

### Key Dates:

**Approved:** March 19, 2014

**Effective:** October 22, 2014

**Closing:** December 31, 2018

### Financing in million US Dollars\*:

| Financier                | Financing         | Disbursed | Undisbursed |
|--------------------------|-------------------|-----------|-------------|
| IBRD Loan                | 36,000,000        |           |             |
| Government of Kazakhstan | 24,000,000        |           |             |
| Total Project Cost       | <b>60,000,000</b> |           |             |

*\*as of March 25, 2015*

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



Kazakhstan stands on the doorstep of a new stage of social and economic modernization and political democratization. The Government foresees the creation and strengthening of the rule of law and judicial institutions as an essential component of this new stage of modernization for Kazakhstan. That is the main reason that Kazakhstan's authorities envisage the Justice Sector Institutional Strengthening Project (JSISP) as a strategic instrument to strengthen the institutional capacity and performance of core justice sector entities and deliver measurable results; because of the importance of this agenda, the Presidential Administration itself is overseeing project preparation.

**The Project Development Objectives** are to (a) strengthen the institutional capacity of selected agencies for effective implementation of selected laws and (b) improve the efficiency and transparency of and access to select public services in the justice sector.

**The project** will address a range of justice sector issues through the following components:

4. Strengthening the Implementation of Key Elements of the Legal and Institutional Framework
5. Improving Ministry of Justice Service Quality and Responsiveness
6. Strengthening Judicial Efficiency and Professionalism
7. Promoting Project Implementation, Coordination, and Fellowships

### Key Expected Results:

- Strengthened institutional capacity of designated agencies for effective implementation of selected laws measured by private sector satisfaction level with the implementation of the Commercial Code, a new Law on Self-Regulatory Professional Organizations, and the Administrative Offenses Code.
- Improved efficiency of selected justice services measured by JSISP-supported pilot court-users' satisfaction level with the quality of judicial services.
- Improved transparency of selected justice services.
- Improved access to selected justice services measured by the growth in the number of eligible persons, including women beneficiaries, provided with legal aid.
- Strengthened professionalism of judges and other public servants of the justice system.

**Key Partners:** Ministry of Justice (implementing agency), Supreme Court, selected high-volume courts

**Key Development Partners:** EU, USAID, GTZ, and the American Bar Association Rule of Law Initiative (ABA-ROLI).

## KAZAKHSTAN: CUSTOMS DEVELOPMENT PROJECT

### Key Dates:

**Approved:** November 27, 2007

**Effective:** March 24, 2009

**Expected Closing Date:** December 31, 2015

### Financing in million US Dollars\*:

| Financier          | Financing | Disbursed | Undisbursed |
|--------------------|-----------|-----------|-------------|
| IBRD Loan          | 14.5      | 7.4       | 7.1         |
| Government         | 43.5      |           |             |
| Total Project Cost | 58.0      |           |             |

\*as of March 25, 2015

**Note:** Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The **Project Development Objective** is to increase the efficiency, effectiveness, and accountability of the Customs Control Committee (CCC) in order to: (i) promote internationally acceptable practices for the expeditious processing of international trade flows so as to further integrate the country into the world economy and improve the investment climate and competitiveness, (ii) improve taxpayer compliance with the Customs Code and thereby increase revenue collection, and (iii) support the transparency of customs operations in order to reduce the potential for corruption and increase predictability for traders.

### The project comprises the following components:

1. Institutional Development, Governance, and Human Resource Management
2. Customs Operations
3. Information and Communications Technology

### Key Expected Results:

- 75 percent reduction in average customs processing time at border posts and clearance time at inland posts (based on client surveys);
- Reduction in physical inspections of import declarations by customs and number of documents required for border and customs clearance for imports;
- Increased effectiveness of total customs revenue collection (as per CCC staff);
- Establishment of client service standards covering key customs outputs with improved performance on an annual basis;
- Improved perception of traders and other stakeholders regarding the frequency of unofficial payments to customs officials as measured by periodic surveys.

### Implementation Status:

- Implementation of project activities is under way, focusing on: (i) the institutional improvement of the customs service through development of the organizational structure, human resource management, and anticorruption activities; (ii) a strategy for the complex modernization of strategic and financial management methods and for the creation of a modern information system; and (iii) the modernization of core customs operations.
- Three operation centers with modern surveillance equipment have been established in Shymkent (for the Kyrgyz and Uzbek borders), Almaty (for the China border), and Mangistau (for the borders with Turkmenistan and Uzbekistan) to ensure the efficiency of customs procedures at entry points and the rapid response to an emergency when controlling the movement of goods and vehicles.
- The Regional Training Institute delivers courses for all customs officials in order to upgrade the professional skills of customs staff, learn best international practices, and exchange knowledge.
- Integrated Tariff Automated System has been developed and will be operational by the end of 2015.
- As a result of business process reengineering, the number of documents required for customs clearance has decreased from 14 in 2009 to three in 2013, while the average customs processing time at the border posts has dropped from 1.3 days to 13.9 hours.
- Physical inspections of import declarations by customs have dropped from 70 percent in 2007 to 39.8 percent in 2013.

**Key Partners:** State Revenue Committee under the Ministry of Finance of the Republic of Kazakhstan.

**Key Development Partners** include USAID, German Agency for Technical Cooperation (GTZ), and EC delegation.

## KAZAKHSTAN: TAX ADMINISTRATION REFORM PROJECT

### Key Dates:

**Approved:** February 16, 2010

**Effective:** February 17, 2011

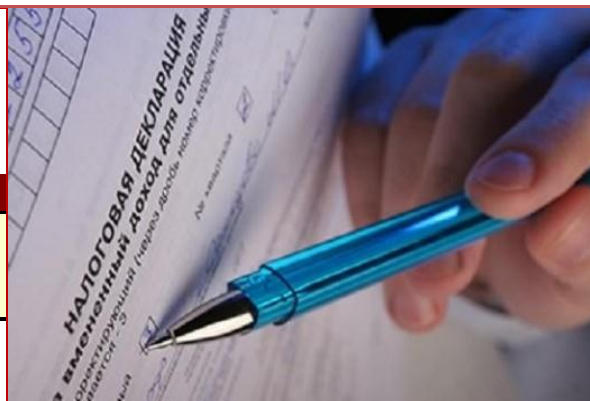
**Expected Closing Date:** December 31, 2016

### Financing in million US Dollars\*:

| Financier          | Financing | Disbursed | Undisbursed |
|--------------------|-----------|-----------|-------------|
| IBRD Loan          | 17.0      | 2.5       | 14.5        |
| Government         | 39.7      |           |             |
| Total Project Cost | 56.7      |           |             |

\*as of March 25, 2015

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**The Project Development Objective** is to reform and strengthen tax administration in the Republic of Kazakhstan in order to improve the level of voluntary taxpayer compliance with tax regulations, enhance effectiveness to fight tax evasion, and increase administrative efficiency and reduce the potential for corruption.

### The project consists of three components:

1. Institutional development is aimed at optimizing the structure of tax administration, increasing institutional efficiency, and improving human resources (HR) management practices.
2. Operational development aims to improve and further develop core tax administration operations.
3. Information technology infrastructure development attempts to develop a comprehensive and integrated tax management system.

### Key Expected Results:

- Increase in non-oil tax/GDP ratio
- Increase in total number of registered taxpayers by 10 percent each year
- Increase in average tax revenue collected by each tax official by 10 percent each year
- Increase in adjustments made as a result of tax audits per auditor by 5 percent each year
- Increase in percentage of field audits selected by automated procedure to reach 50 percent by 2014
- Reduction in cumulative stock of arrears as a percentage of total tax collected in a year by 5 percent each year
- Increase in percentage of electronic filing to reach 80 percent by 2014
- Reduction in average time taken by taxpayers to comply with tax obligations by 50 percent (as evidenced from surveys) by 2014
- Improvement in perception of taxpayers regarding level of professionalism and honesty in tax administration

### Implementation Status and Results:

- Introduction of universal filing and reform of excise taxation is under way.
- The establishment of two Data Centers in Kazakhstan, including establishment of a modern Call Center with the appropriate database at the Central Data Processing Center, is progressing.
- The Tax Committee is building the capacity of tax officials through learning from the experiences of advanced and developing tax administrations.

**Key Partners:** Committee of State Revenues of the Ministry of Finance of the Republic of Kazakhstan.

**Key Development Partners:** USAID.



## KAZAKHSTAN: TECHNOLOGY COMMERCIALIZATION PROJECT

### Key Dates:

Approved: January 15, 2008

Effective: December 15, 2008

Closing: December 31, 2015

### Financing in million US Dollars\*:

| <i>Financier</i>          | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|---------------------------|------------------|------------------|--------------------|
| IBRD Loan                 | 13.4             | 10.3             | 3.1                |
| Government of Kazakhstan  | 61.6             |                  |                    |
| <b>Total Project Cost</b> | <b>75.0</b>      |                  |                    |

\*as of March 25, 2015

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Technology Commercialization Project (TCP) was designed to revamp the way science is conducted and perceived and contributes to social and economic development in Kazakhstan. Owing to several innovative design features, the TCP is well positioned to effectively restore important productive linkages between scientific research and the private sector, thereby contributing to improved innovation and commercialization outcomes. It is aligned with the Government's efforts to diversify and improve the regional and international competitiveness of the Kazakhstani economy.

**The Project Development Objective** is to demonstrate the significantly improved scientific performance and commercial relevance of research performed by interdisciplinary teams of scientists selected through transparent competitive processes in line with international best practice. By using merit-based selection procedures, the project will help to rebuild, strengthen, and restructure segments of Kazakhstan's research and development (R&D) base. The project will also help to link this rejuvenated R&D capacity to integrate into national and international technology markets.

### Project components include:

1. Competitive grant program selected and overseen by the International Science and Commercialization Board to finance high-quality R&D projects conducted by groups of senior scientists and junior researchers, and to develop a world class research infrastructure in the International Materials Science Center (IMSC);
2. Technology Commercialization Office (TCO) to finance and broker partnerships between Kazakhstani scientists and local and international technology markets.

**Performance Indicators:** Some notable markers of success with regard to the project development objectives will include: (i) establishment of Senior Scientist Groups (SSG) and Junior Researcher Groups (JRG), encouraging the participation of graduate students; (ii) establishment of the IMSC; (iii) establishment of the TCO and awarding of grants for technology commercialization; (iv) completion of technology audits and legislative and regulatory reviews; (v) subsequent implementation of policy recommendations and revisions to legislation; and (vi) an increase in the number of licenses sold with the help of the TCO.

### Implementation Status:

- The R&D grants program for senior and junior scientists, developed in line with international practice, is reaching its completion. Within three selection rounds, 33 scientific groups received funding for research activities, with a high potential for commercialization. The grant program's tangible results so far: 10 scientific groups have reached or are very near to entering the commercialization stage, including six that have made their first sales; scientists have published articles in international peer-reviewed scientific journals; and one group has attracted foreign equity investment, another group has established an operational pilot production line for its products, and another group is running field tests in cooperation with a potential buyer of the technology.
- The IMSC is operating on the site of Karagandy State Technical University, under close guidance of the International Science and Commercialization Board.
- The TCO is working in partnership with a reputable international technology commercialization contractor, CRDF Global, and has run several knowledge-sharing and capacity-building workshops in Kazakhstan and one in the United States in addition to completing two selection rounds of grant applications for technology commercialization grants for prototype development and proof of concept.

**Key Partner:** the Ministry of Education and Science of the Republic of Kazakhstan.

## KAZAKHSTAN: KAZSTAT: STRENGTHENING THE NATIONAL STATISTICAL SYSTEM PROJECT

### Key Dates:

Approved: March 31, 2011

Effective: February 24, 2012

Closing: April 30, 2017

### Financing in million US Dollars\*:

| <i>Financier</i>         | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|--------------------------|------------------|------------------|--------------------|
| IBRD Loan                | 20.0             | 9.6              | 10.4               |
| Government of Kazakhstan | 2.8              |                  |                    |
| Total Project Cost       | 22.8             |                  |                    |

\*as of March 25, 2015

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**The main objective** of the project is to improve the efficiency and effectiveness of the national statistical system to provide relevant, timely, and reliable data, in line with internationally accepted methodology and best practices. The project will upgrade the conceptual, methodological, and analytical skills of the Agency of Statistics of the Republic of Kazakhstan (ASRK) and other data producers and user agencies in the country. This will position the ASRK to respond quickly and effectively to the new needs and priorities that will arise in the future. The main beneficiaries of the project outcomes are the ASRK, the Government, and the general public, as well as international development partners.

**The principal outcome** of this project will be an improved national statistical system that can inform the Government's decision-making process by providing timely and accurate economic and social data and can also help monitor progress toward national development goals.

### Key Expected Results:

- Improved institutional framework that will encourage statistical development
- Improved IT infrastructure
- Strengthened human resources through training in statistical operations
- Improved statistical infrastructure through application of internationally accepted methodologies and data quality standards
- Developed statistical production system that continuously adapts to the evolving needs of society and the economy through user-producer dialogues
- Institutionalized core statistical activities, including poverty monitoring
- Increased output of reliable statistics by consolidating and strengthening existing surveys and administrative sources and by designing and conducting new data-generating activities
- Timely dissemination, information sharing, and use of data for policy decisions

Achievement of project objectives will support the overall goal by reducing the cost of information supply, increasing the demand, and making the coordination of statistical activities, financing, and execution more effective. It will be also be beneficial to the statistics departments of line ministries through improved institutional interaction between statistics agencies and the training of the relevant staff.

### Implementation Status:

- A twinning arrangement has been established between the Agency and a consortium of statistical agencies, led by the German Federal Statistical Office (Destatis), since September 2012. Around 50 percent of activities have been completed as part of the technical assistance provided by the consortium.
- Procurement of some IT equipment for regional offices has been completed.
- Mid-term review of the project has been conducted by an international expert and the draft report states that the project has so far been fully successful and satisfactory.

**Key Partner:** the Agency of Statistics of the Republic of Kazakhstan.

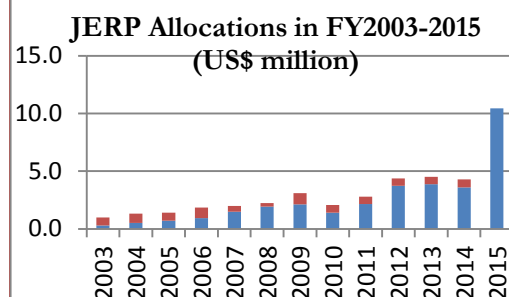
## KAZAKHSTAN: JOINT ECONOMIC RESEARCH PROGRAM

### Key Dates:

**Approved:** December 6, 2002 (the first three-year program was signed)

**Effective:** December 6, 2002

**Closing:** June 30, 2015



In 2003, the World Bank and the Government of Kazakhstan embarked on a **Joint Economic Research Program** (JERP), a key instrument in responding to the country's core priorities in the medium-term development agenda. Thirteen years on, the program has proved to be an innovative solution, with a client-driven knowledge agenda and Bank-selected work, bringing in and building up international experience while developing wider lessons of a public good character. The JERP is structured around the Country Partnership Strategy pillars focusing on development gaps in growth, governance, and the public service delivery agenda. The JERP is a unique program of analytical work and technical assistance aimed at building up the capacity to adapt the knowledge transferred. The program is designed to ensure strong government ownership while enhancing the Bank's contribution to the country's development in a way that goes beyond funding. In order to maximize its effectiveness as a knowledge service instrument, the JERP was transformed into a programmatic structure in mid-2011 with activities developed as multiyear and interconnected engagements. The new structure proved to be more effective in increasing and tracking the impact of the JERP by improving the strategic focus of the program and providing more room to fully exploit analytical insight, capacity support, and synergies between sector works. Programming as part of the JERP continued in 2015 with the inclusion of blocks of activities arranged by thematic groups as identified in the Partnership Framework Arrangement (PFA).

A highlight of the JERP—the brainstorming session, co-chaired by the Prime Minister—brings the highest level of Government, World Bank management, and experienced practitioners together for in-depth discussions on key development issues. Since 2003, 18 brainstorming sessions have provided direct input into the Government's ambitious reform agenda.

The JERP for FY15 comprises 12 standard JERP activities that include a number of ongoing programmatic tasks as well as one-year tasks requested by various government agencies that are not a part of the PFA program for a total of US\$1.95 million, and 21 PFA technical assistance activities, aligned by eight thematic groups, for a total of US\$7.845 million.

**Key Achieved Results:** In terms of results, the JERP has informed policies and built capacity in wide-ranging areas of the Government's reform program, such as macroeconomic management; public financial management; education, health, and social protection; financial sector supervision; and private sector development. In some of these sectors, Kazakhstan has become a leader in the region and a source of good practices for other countries.

Among the key JERP-supported results:

- Advisory support on public resource management led to improvements in public investment planning followed by a full assessment of budget/financial management systems, resulting in a new Budget Code, a new multiyear budget preparation system, an effective treasury system, and other efficiency-improving measures.
- Review of Kazakhstan's tax policy and administration framework translated into the development of a new Tax Code based on JERP recommendations.
- Advisory services helped the Government to avoid fiscally risky general bailout strategies in the wake of the financial sector crisis and to balance macroeconomic and monetary stability with sustainable growth objectives while continuing to provide advisory support to maintain prudent management of oil revenues. Design of a countercyclical fiscal policy helped assess and improve the cyclicity of the Government's economic policies.
- The Bank provided advisory assistance toward the establishment of a Committee for Financial Monitoring under the Ministry of Finance to lead efforts in Anti-Money Laundering and Combating Terrorism Financing.
- Assistance with civil service reform, enhancement of the public sector audit system, and implementation of the Extractive Industries Transparency Initiative contributed to increased transparency and accountability in public sector operations through the introduction of new legislation, regulations, and institutional arrangements.
- In the social protection area, policy advisory support is translating into a new employment program and social safety net system with a Conditional Cash Transfer component to improve the balance between the protection and promotion objectives of the Government's interventions.
- In the health sector, analytical work initiated under the JERP has evolved into a comprehensive joint project

(covering health program planning, financial management, quality improvement, reform of medical education and pharmaceutical policy, and food safety measures) that is now building international standards and institutional capacity in the health sector.

- Advisory support to the development of a new social modernization strategy informs the Government's evolving program on the financing and delivery of social services for accelerated improvement of human capital outcomes.
- Assistance with business environment reforms has facilitated (i) a steady improvement in business entry and exit conditions, payment of taxes, and protection of investment rights, leading to an accelerated improvement in Kazakhstan's overall *Doing Business* rating to 50th in 2014 from 74th in 2010; and (ii) the simplification of the licensing and permits regime through the development of a risk-based methodology.
- Assistance to Kazakhstan's Export Promotion and Foreign Direct Investment (FDI) Attraction Agency helped strengthen its institutional capacity to support local exporters and potential foreign investors toward establishing sustainable, long-term partnerships in foreign markets.
- A JERP assessment to strengthen national statistics supported the development of a Statistical Master Plan, which is now being implemented through a joint project as well as other government interventions.
- JERP analytical work on the improvement of industrial competitiveness through cleaner and greener production helped with an assessment of the economic and health costs of air pollution and the subsequent design of air pollution monitoring and emission registration systems.
- Technical assistance on agricultural reform helped deepen the analysis of specific subsidies programs and supported the development of impact monitoring and evaluation tools for the necessary reform.

**Key Partners:** the Prime Minister's Office, the Ministry of National Economy, and other line ministries.



## IFC ADVISORY SERVICES IN KAZAKHSTAN

**The International Finance Corporation (IFC)**, a member of the World Bank Group, provides advisory support to help private sector clients in Kazakhstan attract investment by promoting resource efficiency, strengthening corporate governance, and improving risk management practices. IFC also supports microfinance institutions in expanding access to finance for micro entrepreneurs and helps food processing firms to improve safety standards.



### Helping Companies and Banks Improve Corporate Governance

**The Challenge:** Corporate governance continues to be a subject of significant market concern in the Europe and Central Asia (ECA) region. Many companies and banks in ECA remain vulnerable to corporate governance challenges and lack the experience needed to strengthen their corporate governance practices. Local institutions are also not sufficiently developed to be able to deliver full-fledged corporate governance services independently.

**The IFC Approach:** The IFC Corporate Governance Program in ECA (i) assists individual companies and banks in implementing good corporate governance practices, leading to improved performance and increased investment attractiveness; (ii) strengthens the capacity of local partner institutions; and (iii) contributes to the development of laws, codes, regulations, and other corporate governance tools.

**Key Achievements:** Since 2012, the project has helped local partner institutions raise nearly US\$412,000 in sales revenue through corporate governance work; assisted in improving the performance of 37 companies; helped 19 companies access financing in the amount of US\$437 million; and contributed to the drafting and adoption of 19 laws and regulations.

### Strengthening Microfinance

**The Challenge:** To grow further and in a sustainable manner, microfinance institutions in Kazakhstan need to expand their reach to attract more clients with a diverse product and service range supported by a stronger funding base. To build a stronger funding base, microfinance institutions can transform into a wider financial organizations, deposit-taking institutions, or even banks.

**The IFC Approach:** IFC is working with selected microfinance institutions in Kazakhstan to strengthen and build capacity by developing a modular package of fee-based advisory services. The modules cover such areas as financial management, assets and liabilities management, funding strategies, treasury, development of deposit products, and risk management.

**Key Achievements:** IFC helped Arnur Credit microfinance institution to strengthen its human resources management and corporate governance. IFC facilitated US\$2 million in financing for Arnur Credit. The developmental impact is far reaching in terms of economic support to entrepreneurs in Kazakhstan, especially in rural areas. IFC helped small entrepreneurs to access finance and build business assets across the country.

### Helping the Food Industry Improve Safety Standards

**The Challenge:** Improved food safety systems and practices can help food producers in Central Asia increase exports and become more competitive.

**The IFC Approach:** IFC advises food producers in implementing HACCP (Hazard Analysis Critical Control Point), the international food safety management system. Together with Metro Cash & Carry, IFC is also raising awareness about best practices in food safety across the entire agro supply chain.

**Key Achievements:** The program trained more than 30 food industry participants and partnered with the Entrepreneurship Fund DAMU and Kazakhstan Food Producers Union to stimulate the development of local institutional capacity and help food businesses implement food safety standards.

### Increasing the Resource Efficiency of Private Firms

**The Challenge:** Efficient use of power, energy, raw materials, and water along a company's value chain not only helps conserve resources and reduce waste, pollution, and greenhouse gas emissions, but can also reduce operating costs. Yet many firms in ECA remain unaware of the potential cost savings and environmental benefits and are reluctant to invest.

**The IFC Approach:** The IFC ECA Resource Efficiency Program works at the firm and sector levels to stimulate investment into resource-efficient technologies and practices. It helps improve management and operational practices in industry across all sectors; raises awareness among decision makers; and drives market transformation through sector studies such as benchmarking and assessment tools.

**Expected Results:** In ECA, the program will facilitate the investment of around US\$90 million (including US\$60 million from IFC) and a reduction of CO<sub>2</sub> emissions by 1.2 million tons.

**Donor Partners:** The Governments of Austria, the Netherlands, and Switzerland.

## KAZAKHSTAN: EASTCOMTRANS

### Key Dates:

**Approved:** April 13, 2012

**Signed:** March 13, 2012



### IFC financing (million US Dollars):

| <i>Financier</i> | <i>Amount</i> | <i>Fiscal Year</i> |
|------------------|---------------|--------------------|
| Loan             | 30.0          | 2012               |
| Equity           | 20.0          | 2012               |

Eastcomtrans is one of the largest private railway operators in the transport market of Kazakhstan and has been operating since 2003. It provides a full range of freight railway services for export, import, and domestic traffic. The company has been a leader in providing oil product transportation services by railway. Eastcomtrans, with a fleet of about 8,350 railcars, also provides railcars to major Kazakh and Russian companies on an operating lease basis.

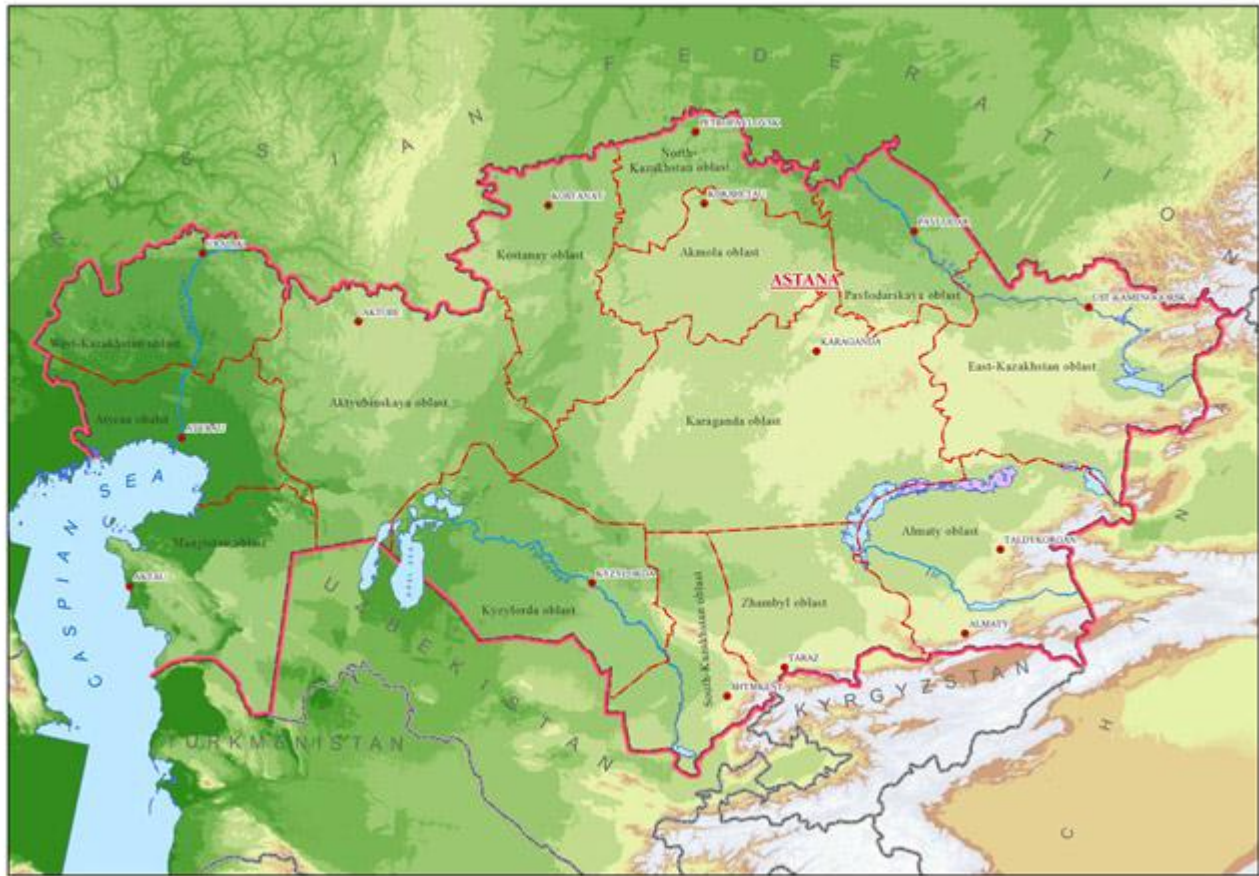
IFC provided Eastcomtrans with long-term financing to help expand its railcar fleet, broadening commercial logistics services and helping develop the country's infrastructure for trade and industry. The investment will help Eastcomtrans to expand its operations and meet the growing demand for new and reliable railcars in the country.

IFC's investment will enable Eastcomtrans to continue its growth and assist it in diversifying its fleet and client base, while also allowing it to continue to grow its proprietary freight forwarding business. This is IFC's first investment in the country's railway sector, helping increase the quality and availability of rail transportation, reduce costs, and increase transport reliability in Kazakhstan.

### Key Expected Results:

The project's anticipated development impact would be:

- Supporting the continued development of a key player in the still nascent private rail sector.
- Contributing to the development of the transportation and logistics sectors in Kazakhstan.
- Helping renew Kazakhstan's aged railcar fleet and helping avoid a supply crisis over the next 5–10 years, as about half of the existing fleet needs to be retired.



Contact info:

12 Samal, Astana Business Tower  
14 floor, 010000, ASTANA  
KAZAKHSTAN  
Tel.: +7 (7172) 691-440

[www.worldbank.org.kz](http://www.worldbank.org.kz)