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**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

**INTERNATIONAL FINANCE CORPORATION**

**MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**PERFORMANCE AND LEARNING REVIEW**

**OF THE COUNTRY PARTNERSHIP STRATEGY**

**FOR**

**THE REPUBLIC OF KAZAKHSTAN**

**FOR THE PERIOD FY12–17**

**September 26, 2016**

Central Asia Country Management Unit  
Europe and Central Asia Region

The International Finance Corporation  
Eastern Europe and Central Asia Region

The Multilateral Investment Guarantee Agency

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The last Country Partnership Strategy was discussed by Executive Directors on May 1, 2012.

### **GOVERNMENT FISCAL YEAR**

January 1 to December 31

### **CURRENCY EQUIVALENTS**

Currency Unit = Kazakhstani Tenge (KZT)

US\$1 = KZT 337.52

(as of September 26, 2016)

### **WEIGHTS AND MEASURES**

Metric system

### **ABBREVIATIONS AND ACRONYMS**

ADB	Asian Development Bank
AIFC	Astana International Finance Center
AIIB	Asia Infrastructure Investment Bank
AML/CFT	Anti-money Laundering and Combating Financing of Terrorists
BAKAD	Big Almaty Ring Road
BEEPS	Business Environment and Enterprise Performance Survey
CAR	Central Asia Road
CAEWDP	Central Asia Energy and Water Development Program
CAMP4ASB	Climate Change and Mitigation for the Aral Sea Basin
CE	Citizen Engagement
CFR	Corporate Financial Reporting
CLR	Completion and Learning Review
CPE	Country Program Evaluation
CPF	Country Partnership Framework
CPI	Consumer Price Index
CPPR	Country Portfolio Performance Review
CPS	Country Partnership Strategy
CSO	Civil Society Organization
DPL	Development Policy Loan
EEU	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EITI	Extractive Industries Transparency Initiative
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIZ	German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
GRM	Grievance Redress Mechanism

HBS	Household Budget Survey
ICR	Implementation Completion and Results Report
IDF	Institutional Development Fund
IFC	International Finance Corporation
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
iNDC	intended Nationally Determined Contribution
IPSAS	International Public Sector Accounting Standards
IsDB	Islamic Development Bank
JERP	Joint Economic Research Program
KEGOC	Kazakhstan Electricity Grid Operating Company
MFTP	Microfinance Transformation Advisory Services
NFRK	National Fund of the Republic of Kazakhstan
NGO	Nongovernmental Organization
NPL	Non-performing Loan
OECD	Organization for Economic Co-operation and Development
PCB	Polychlorinated Biphenyls
PFA	Partnership Framework Arrangement
PLR	Performance and Learning Review
PMR	Partnership for Market Readiness
POPs	Persistent Organic Pollutants
PPP	Public-Private Partnership
RAS	Reimbursable Advisory Services
ROSC	Report on Observance of Standards and Codes
SCD	Systematic Country Diagnostic
SME	Small and Medium Enterprise
SOE	State-owned Enterprise
TA	Technical Assistance
TCO	Technology Commercialization Office
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development
WE-WC	Western Europe-Western China
WHO	World Health Organization
WTO	World Trade Organization

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**REPUBLIC OF KAZAKHSTAN**  
**Performance and Learning Review of the**  
**FY12–17 Country Partnership Strategy**

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## I. INTRODUCTION

1. **This Performance and Learning Review (PLR) assesses and updates progress in implementing the FY12–17 World Bank Group Country Partnership Strategy (CPS) for the Republic of Kazakhstan.** The CPS’ three main areas of engagement—improving competitiveness and fostering job creation, strengthening governance and public services, and ensuring development is environmentally sustainable—are aligned with the Government’s medium- and long-term strategies—*Development Strategy 2020* and *Kazakhstan 2050*—and are consistent with the World Bank Group’s twin goals of ending extreme poverty and boosting shared prosperity.

2. **Overall, implementation of the CPS to date has been broadly satisfactory and the Kazakhstan-World Bank Group partnership has strengthened.** The Government reacted to the adverse impact of large shocks to Kazakhstan’s economy commencing 2014 with a set of fiscal, monetary, and exchange rate measures designed to facilitate macroeconomic adjustment. The demands of the latter also triggered additional World Bank Group policy advisory and lending support.

3. **While the program’s three focus areas remain highly relevant, two adjustments to its choice and mix of instruments were necessary to enable the World Bank Group to respond appropriately to the country’s significantly changed macroeconomic stance and outlook.** The first was the transition from a reliance on knowledge products as the main instrument in FY12–13 toward a more balanced mix of analytics, lending, and technical assistance (TA) that characterized World Bank Group activities in FY14–16, and is planned for FY17. The second is the large increase in planned Bank lending—from the US\$2 billion over six years (FY12–17) originally envisaged to the US\$4.2 billion now anticipated, including a US\$1 billion development policy loan (DPL). At the same time, the erstwhile Joint Economic Research Program (JERP) has evolved gradually into a Reimbursable Advisory Services (RAS) program.

4. **With less than a year remaining, no extension of the original CPS period is proposed.** Instead, a Systematic Country Diagnostic (SCD) and a Completion and Learning Review (CLR) are planned for FY17 as input for the next CPF commencing FY18.

## II. CHANGES IN COUNTRY CONTEXT

### A. External Environment

5. **During the last 3–4 years, several regional trends that were already part of the country context at the outset of the CPS have come into sharper focus—and may in due course influence the nature and scope of future Kazakhstan-World Bank Group engagement.** First is the emergence of China as a leading development partner in Central Asia, including in Kazakhstan. Its *One Belt, One Road* program to build road and rail routes, gas and oil pipelines, and other communications infrastructure, once fully defined, could mean significant new investment in Central Asia, as could its Silk Road Fund and the recently established multilateral Asia Infrastructure Investment Bank (AIIB). Second, effective January 1, 2015, the customs union that Belarus, Kazakhstan, and the Russian Federation formed in 2010 became the Eurasian Economic Union (EEU). Later in that year, Kazakhstan signed an Enhanced

Partnership and Cooperation Agreement with the European Union (EU), which should help boost trade and foster foreign direct investment (FDI). Third, effective November 30, 2015, Kazakhstan became the 162nd member of the World Trade Organization (WTO), which commits it to a liberal tariff regime. The accession to WTO is expected to improve the country's investment climate and further open its goods and services markets to foreign investors. Meanwhile, the Astana International Finance Center (AIFC), a special economic zone offering tax incentives to investors, was launched in early 2016. Finally, together with its immediate neighbors, Kazakhstan has become an active participant in three World Bank Group-supported Central Asia regional initiatives in climate change, connectivity, and energy and water.<sup>1</sup> In addition, since 2013, it has been a technical partner to the Partnership for Market Readiness (PMR) in support of its Carbon Emissions Trading Scheme. The most important and unexpected changes in the country context, compared to 2012 at the launch of the CPS, were the large shocks affecting Kazakhstan's macroeconomic environment and outlook that are discussed below.

## B. Recent Economic Developments

6. **Commencing 2014, a deteriorating external environment and exchange rate adjustments led to an economic slowdown and higher inflation.** Gross domestic product (GDP) growth declined from 5.8 percent in 2013 to 4.1 percent in 2014 and 1.2 percent in 2015 (Table 1). Private domestic demand was negatively affected by the 19 percent devaluation of the tenge in relation to the U.S. dollar in February 2014, declining industrial exports to China and Russia, the sharp drop in international oil prices starting mid-2014, and the move to a floating exchange rate régime in August 2015. The latter led to a further sharp depreciation of the tenge, fueling inflation which, according to the consumer price index (CPI), rose from 5.8 percent in 2013 to an estimated 6.6 percent in 2015 and a projected 14.2 percent in 2016. While both exports and imports contracted in 2014–15, net exports contributed positively to growth in 2015. Industrial output growth fell from 2.3 percent in 2013 to 0.2 percent in 2014 and –1.6 percent in 2015, affecting related transport and transit activities—both major contributors to the services sector which slowed from 6.9 percent in 2013 to 2.4 percent in 2015—and spreading through the non-oil economy. Meanwhile, credit and payment risks remain high and vulnerable to deterioration as firms' cash flow comes under increasing strain due to lower profitability, rising interest rates, and weak credit conditions. Although agriculture grew by an estimated 1.3 percent in 2014 and 4.1 percent in 2015, its contribution to GDP growth remained small.

7. **The drop in oil prices led to large terms of trade shock and external deficit.** Given the economy's reliance on oil, accounting for about 60–65 percent of total exports, the fall in prices led to a huge deterioration in the balance of payments—from a surplus of US\$6.7 billion in 2014 to a deficit of US\$10.5 billion in 2015. Meanwhile, capital outflows accelerated in response to perceived higher risks related to lower oil prices and the slowing economy, the Government and the private sector both took on foreign debt, and central bank interventions in the market led to foreign exchange losses.

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<sup>1</sup> Climate Change and Mitigation for the Aral Sea Basin (CAMP4ASB), Central Asia Roads (CARs), and Central Asia Energy and Water Development Program (CAEWDP).

8. **Against this background, the authorities launched two short-term economic support programs in 2014.** The first was a two-year (2014–15) US\$5.5 billion equivalent program to provide subsidized credit to small and medium enterprises (SMEs) and to settle long-standing non-performing loans (NPLs) in the banking system. The second (*Nurly Zhol* or Bright Path) is a five-year (2015–20) US\$15 billion equivalent program intended to (a) modernize physical and social infrastructure; (b) promote non-oil enterprises, including in agribusiness and manufacturing; and (c) improve the business environment, including access to credit.

9. **In 2015, with lower oil prices persisting and budget revenues falling, the authorities revised their fiscal policy response to adjust to the new economic normal.** With oil and total revenues having fallen between 2014–15 by an estimated 5.4 and 5.6 percentage points of GDP, respectively, in March 2015, the authorities (a) revised downward the 2015 budget based on an oil price of US\$50 per barrel, compared to the US\$80 per barrel assumed originally; (b) cut or delayed lower-priority capital expenditures, offsetting funding allocated for the economic support programs; (c) reduced transfers to state-owned enterprises (SOEs); and (d) postponed some public sector salary increases, while protecting social expenditures and vulnerable groups. While these efforts helped adjust on-budget expenditures promptly, the Government spent additionally US\$2.7 billion off-budget to support the ailing national oil company. As a result, the non-oil deficit widened from 8 percent of GDP in 2013 to 10.1 percent in 2014 and to an estimated 12.5 percent in 2015.

10. **While the ongoing fiscal consolidation relies heavily on cutting public investment, the authorities also plan to enhance its effectiveness and improve revenue collection through various reforms.** These include (a) reviewing budget programs to increase their efficiency; (b) adopting new cost norms; (c) enacting a revised law on public-private partnerships (PPPs); and (d) implementing a variety of customs and tax administration and policy measures (including those seeking to close loopholes). The Government also announced a large privatization program in 2014–15 designed to attract private investment, increase revenues, and reduce the public sector's role in the economy, in particular a number of large SOEs under the control of the large *Samruk-Kazyna* holding company (with assets around 40 percent of GDP). Meanwhile, the authorities launched a new targeted social safety net program (*Orleu*) in 2015 to help protect the most vulnerable. All these policies are also intended to help reduce the country's reliance on oil, diversify its economy, and strengthen the competitiveness and productivity of other sectors such as agriculture and manufacturing. As such, they are building blocks with the potential to help the economy adjust to lower oil prices and to a different set of relative prices that should encourage non-oil exports.

11. **In mid-August 2015, the authorities floated the tenge, leading to a further sharp depreciation, and anchored monetary policy to inflation targeting.** While the depreciation was needed to align the currency to lower oil prices and new economic conditions, it also led to a spike in inflation, which is expected to subside by end-2016. Vulnerable households are expected to be affected mostly by higher inflation, as the prices of clothing, household appliances, health care, and medicine increased the most. The depreciation and the economy's high level of dollarization exacerbates financial institutions' balance sheet risk (currency risks) and curtails private sector credit growth. It also renews concerns about the stability of the banking system, which is still grappling with the aftermath of the 2008–09 financial crisis. Rating agencies have downgraded several large banks to junk status, based on their sizable foreign exchange exposures

and/or limited capital buffers. The state exhibits an overbearing presence in the banking sector, deterring private sector participation, wider foreign involvement, and greater competition. To some extent, this excessive state intervention in the banking sector is a result of the impact of the global financial crisis, which resulted in the nationalization or recapitalization of failing banks by the Government.

**Table 1: Key Macroeconomic Indicators, 2013–18**

	2013	2014	2015	2016p	2017p	2018p
<b>National Accounts and Prices</b>						
<i>(In percent, unless otherwise indicated)</i>						
GDP growth	5.8	4.1	1.2	0.1	1.9	3.7
Oil sector growth	-4.8	-1.0	1.1	-1.9	2.3	3.5
Non-oil sector growth	9.6	5.4	1.6	0.8	1.9	3.8
GDP per capita (US\$)*	14,310	13,155	10,508	7,765	8,625	9,442
Private consumption growth	12.6	1.8	1.0	0.0	1.5	4.5
Government consumption growth	1.7	9.8	3.0	-10.7	1.6	1.6
Gross investment (percent of GDP)	22.8	24.1	26.4	27.0	27.3	27.2
Consumer price inflation, year-end	4.8	7.4	13.6	6.9	4.3	4.5
Consumer price inflation, period average	5.8	6.7	6.6	14.2	4.8	4.4
<b>Consolidated Fiscal Accounts</b>						
<i>(In percent of GDP, unless otherwise indicated)</i>						
Revenues	23.4	21.3	15.7	16.2	17.5	18.6
Oil revenue	11.6	10.1	4.7	5.2	6.7	7.5
Non-oil revenue	11.8	11.2	10.9	11.0	10.9	11.1
Expenditures	19.8	21.3	23.5	21.3	19.8	19.8
Current expenditures	14.7	15.0	16.6	17.0	16.6	16.5
Capital expenditures and net lending	5.1	6.3	6.9	4.2	3.2	3.3
Overall fiscal balance	3.6	0.0	-7.8	-5.1	-2.2	-1.2
Non-oil fiscal deficit	-8.0	-10.1	-12.5	-10.3	-8.9	-8.7
<b>External Accounts</b>						
<i>(In current US\$, billions, unless otherwise indicated)</i>						
Merchandise exports, of which:	85.6	80.2	46.3	40.5	47.1	50.3
Oil exports	57.2	53.6	28.0	22.0	27.6	30.2
Merchandise imports	-50.8	-43.5	-33.6	-28.3	-29.6	-31.2
Current account balance	1.2	6.4	-5.8	-4.1	-0.3	0.5
Financial and capital accounts**	9.3	0.3	-4.7	4.4	2.6	3.4
Overall balance	10.5	6.7	-10.5	0.4	2.3	3.9
Total official international reserves	95.5	102.5	91.4	86.3	86.2	92.5
FX reserves in the Oil Fund	70.8	73.2	63.5	57.3	54.3	54.8
FX reserves at the Central Bank	19.2	21.8	20.3	20.7	24.5	30.5
External debt, total	150.0	157.4	153.5	162.4	168.1	173.6
External debt, excl. intra-company loans	75.9	78.0	71.6	76.5	78.7	81.7
as percent of GDP	31.1	34.3	38.8	55.3	50.6	47.4
Multilateral debt (percent of external debt)	2.8	2.9	3.6	5.0	5.5	6.4
Debt service ratio (percent of exports)	21.3	20.6	49.8	37.4	32.1	31.0
<b>Social Indicators</b>						
Population, total (millions)	17.0	17.3	17.5	17.8	18.0	18.2
Population growth (percent)	1.5	1.5	1.5	1.4	1.3	1.2
Unemployment rate (percent of labor force)	5.2	5.0	5.0	—	—	—
Poverty rate, national (percent of population)	2.9	2.8	2.7	—	—	—
Poverty rate, US\$5/day PPP terms	15.2	13.8	13.8	14.0	—	—

Source: World Bank staff estimates based on official data. Note: p = projection.

\* The decrease of GDP per capita in 2013-16 reflects the depreciation of the tenge in February 2014 and August 2015.

\*\* Excluding investments of the Oil Fund.

12. **Going forward, GDP growth is expected to recover gradually over the next three years.** The prolonged slump in oil prices and other adverse developments have exposed the vulnerability of the country's economy, which is expected to grow more slowly than in the CPS' initial baseline scenario, which anticipated Kazakhstan to achieve high-income status by 2018. After falling to 1.2 percent in 2015 and an estimated 0.1 percent in 2016, GDP growth is projected to increase to 1.9 percent in 2017 and 3.7 percent in 2018. This scenario assumes that international oil prices start to recover and that oil output remains flat until the end of 2016 when the Kashagan offshore oil field is expected to come on stream.<sup>2</sup> The current account balance is expected to become positive but remain close to zero in 2017 and 2018. The authorities' medium-term fiscal consolidation agenda—comprising a combination of revenue increases and expenditure cuts—aims to lower the non-oil deficit to about 7 percent of GDP by 2020. Revenue increases will result partly from higher oil prices and partly from tax policy and administration reforms.

13. **Meanwhile, President Nazarbayev, following his re-election on April 26, 2015, announced a new wave of structural reforms.** A *100 Concrete Steps, Modern State for All* program aims to implement five major pillars of the institutional reform agenda comprising professionalizing public administration; enforcing the rule of law; improving public accountability and transparency; promoting economic diversification and growth; and uniting the multiethnic nation. Strengthening institutions (through the *100 Steps* program), improving physical infrastructure (through the *Nurly Zhol* stimulus program), and enhancing the quality of human capital are three key components of the *Kazakhstan 2050* long-term development strategy, whose central goal is to transform the country into a modern society with a knowledge-based, diversified, and private sector-driven economy.

### C. Trends in Poverty, Shared Prosperity, Gender<sup>3</sup>

14. **Since the early 2000s, burgeoning oil revenues have enabled significant progress toward ending extreme poverty and boosting shared prosperity.** Using the Europe and Central Asia regional rate of US\$5/day (2005 purchasing power parity terms), poverty declined from 54 percent in 2006 to 13.5 percent in 2014 and the middle class increased from 8 percent to 28 percent—albeit mainly in Almaty and Astana, the country's two largest cities. During the same 2006–14 period, the incomes of the bottom 40 percent grew faster than average GDP, reflected partly in the Gini coefficient which decreased from 0.31 to 0.28. Despite these advances, regional disparities persist, with the poorest, mainly rural areas, experiencing smaller declines.

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<sup>2</sup> According to the forecasts of the Government of Kazakhstan, commercial oil production at the Kashagan oil field will be launched in October 2016 and allow producing 500,000 tons of crude oil by the end of 2016, increasing the oil production in Kazakhstan to 75.5 million tons. Additional oil production, implementation of the *Nurly Zhol*, and other anti-crisis measures are expected to increase GDP growth to 0.5 percent. Further production at Kashagan will result in a 4 million ton increase in the volume of crude oil production (up to 79.5 million tons) in 2017. The increase in oil production will have a positive effect on GDP growth, adding 0.49 percentage points to the GDP growth rate (up to 1.9 percent in 2017) at an average oil price of US\$35 per barrel.

<sup>3</sup> The primary sources of data cited in paragraphs 14–16 are Kazakhstan Household Budget Surveys (HBSs) for the years 2006–13.

15. **While growth in most sectors of the economy contributed to poverty reduction and shared prosperity, services are the main drivers of job creation and increased incomes.** In 2014, 77 percent of men and 65 percent of women were economically active. According to official data, overall unemployment fell from 10.5 percent in 2001 to 5 percent in 2014 and that of youth from 19 percent to 4 percent. Real wages doubled during 2003–13, and wage income was the largest contributor to poverty reduction. While a growing middle class should boost opportunities in the services- and consumer-oriented sectors over the medium term, an increasing proportion of aging population will place a burden on public finances.<sup>4</sup>

16. **More recently, with poverty reduction largely stalled since mid-2014 due to slower growth and a weak labor market, the authorities softened the impact by protecting social spending and increasing pensions.** However, pro-poor transfer programs remain relatively undeveloped, leaving low-income families vulnerable to rising food prices, falling wages, and reduced employment. Going forward, poverty is expected to increase slightly in 2016, before declining moderately in 2017–18 as the economy recovers. But, with renewed growth likely to be narrowly based, mainly in the oil sector, wages will likely remain under downward pressure through 2017, with job creation improving only slightly. Targeted social assistance programs may need to be strengthened to help protect the poor.

#### Box 1: Gender

In 2014, Kazakhstan ranked 41 out of 108 countries on the Social Institutions and Gender Index and 52 out of 188 countries on the Gender Inequality Index of the United Nations Development Programme (UNDP), by far the highest in Central Asia. Life expectancy at birth is 75.9 years for females and 67.1 years for males. The ratio of girls to boys in primary and secondary education is 100 percent, and 57.2 percent of tertiary-level students are women. Labor force participation is high compared to Europe and Central Asian countries—75 percent for women compared to 82 percent for men—but the wage gap has increased since the early 1990s, with women’s salaries only 73 percent of men’s. In 2015, female unemployment (5.9 percent) was slightly higher than male unemployment (4.6 percent), but was the lowest since 1991. Gender differences in retirement age are being narrowed gradually and will be equal by 2027. Kazakhstan ranks above the Europe and Central Asia average for female participation in the ownership and management of firms: 28 percent are owned partly by women and 19 percent managed by women.

While there are about 150 female-oriented nongovernmental organizations (NGOs) and crisis centers across the country, the political arena remains the domain of men: in the current national legislature, for example, women comprise 27 percent of the House of Representatives and 6 percent of the Senate. According to NGOs, despite significant progress, including legislative protection, violence against women remains a problem due to lack of effective mechanisms for implementation. Some estimates suggest that one in four families experiences domestic violence.

### D. Emerging Development Issues

17. **Kazakhstan’s main short-term economic policy challenge is to adjust to the new reality of slower growth and lower income for the near future.** This will entail effective implementation of measures to strengthen the sustainability of the macroeconomic framework—including reducing the consolidated non-oil deficit, cutting and prioritizing public investment, and strengthening budgetary and monetary policy institutions as well as their transparency—while at the same time taking action to protect the vulnerable. The latter includes the phased rollout of the new *Orleu* targeted social assistance program through 2018.

<sup>4</sup> Especially in relation to the pension system and health care.

18. **Kazakhstan’s longer-term development policy challenge is to transform its growth model away from reliance on natural resource extraction toward a more diversified, competitive economy.** While successive development strategies including *Kazakhstan 2050* have all embraced this goal, economic diversification has in fact proved elusive, especially until mid-2014, in the face of high oil prices. Despite progress toward a more transparent, less regulated, and more market-driven business environment, constraints remain related to governance, infrastructure, institutions, investment climate, the rule of law, and low incentives for investment in physical capital and new technologies. Indeed, the economy’s reliance on the state and in particular on oil revenues has actually increased over the past decade. Looking ahead, the prospect of perhaps several years of slower growth and lower income offers the Government—with support from development partners including the World Bank Group—a unique new opportunity to create a more diversified, private sector-led, competitive economy. However, achieving this will require that the Government supported by the World Bank Group tackle the structural reform agenda more vigorously by (a) reducing the role of the state in the economy through accelerated implementation of the privatization program; (b) strengthening the efficiency and transparency of the competition policy, investment, and regulatory régimes; (c) addressing long-standing financial sector issues, such as the legal framework for insolvency, prudential norms, local currency financing, and the deteriorating portfolios and weakening capital of banks; and (d) further developing the country’s logistics and physical infrastructure.

19. **A third issue potentially constraining rapid progress on both these short- and long-term challenges is the country’s limited institution-building capacity.** Kazakhstan moved very rapidly to a higher income status. However, its institutions have not caught up with the rapid pace of the country’s movement up the ladder. Despite a young, energetic, and well-educated labor force, further progress is needed in institution building, the implementation of institutional reforms, the rule of law, and combating corruption.<sup>5</sup> Weaknesses are most apparent in areas such as human resource development, public procurement, and the public financial management system, which still relies overly on control and punishment rather than development of a culture of managerial accountability. Improvements in overall results management and reporting, monitoring indicators and outcomes, and analyzing the effectiveness of policy measures are also needed. Coping with these challenges will not be straightforward, given the gradual longer-term nature of solutions, and this needs to be taken into account in designing policies, programs, and projects.

### III. SUMMARY OF PROGRAM IMPLEMENTATION

20. **The CPS program’s main areas of engagement are aligned with the Government’s medium-term *Development Strategy 2020* and long-term *Kazakhstan 2050* strategy, approved in early 2014.** Thus, World Bank Group knowledge and financial resources focus on the following three themes:

- **Improving competitiveness and fostering job creation**, with seven planned outcomes: (a) strengthening fiscal discipline and trade integration; (b) expanding non-oil exports and employment; (c) reinvigorating the financial sector; (d) building skills for employment; (e) strengthening knowledge for sustained growth in agriculture; (f)

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<sup>5</sup> Transparency International’s 2015 Corruption Perception Index ranks Kazakhstan 123 out of 168 economies.

improving energy transmission in poor areas; and (g) building transport connectivity and lowering costs;

- **Strengthening governance and public services**, with four planned outcomes: (a) improving governance; (b) strengthening budget and accountability institutions; (c) reforming the social protection system; and (d) sharpening strategic approaches to health reforms; and
- **Ensuring development is environmentally sustainable**, with two planned outcomes: (a) safeguarding the environment and (b) raising energy efficiency.

### *Program and Portfolio Delivery and Performance*

21. **The World Bank’s loan portfolio as of July 2016 comprised 13 operations totaling US\$4,812 million, of which eight totaling US\$2,515 million have been committed during the current CPS to date.** This compares to a portfolio comprising 12 operations totaling US\$3,589.1 million as of July 1, 2012. The portfolio includes three very large operations—South-West Roads (US\$2,125 million), East-West Roads (US\$1,068 million), and a US\$1 billion DPL.

22. **Investment project financing operations continue to be aligned with the CPS’ main pillars.** 12 operations totaling about US\$1.6 billion, or 65 percent<sup>6</sup> of the combined legacy (pre-FY12) and current (FY13–16) portfolios, support the *competitiveness and job creation* area of engagement. Five operations and almost 30 percent of commitments are focused on *governance and public services delivery* and the remaining three operations and 5 percent of commitments on *environmentally sustainable development*.<sup>7</sup>

23. **The performance of the portfolio is mixed.** By December 31, 2015, nine completed projects had exited the portfolio that was in place in June 2012. Out of the six for which Implementation Completion and Results Reports (ICRs) are available, outcomes for three were rated Satisfactory, two Moderately Satisfactory, and one Unsatisfactory. As for the current portfolio, one of the eight operations approved during FY13–16 is rated Satisfactory for implementation progress, two Moderately Satisfactory, four Moderately Unsatisfactory, and one Unsatisfactory. Implementation as measured by loan disbursements is lagging, with only US\$207 million or 12 percent of the US\$1,725 million balance disbursed in FY16.

24. **The last full Country Portfolio Performance Review (CPPR) was held in early FY14 and an update took place in April 2016.** The core implementation issue noted in FY14—that government and World Bank processes and procedures are not well aligned, especially upstream in the project cycle—persists. The main visible symptoms are continued delays in loan signing and effectiveness, protracted project implementation, slow loan disbursements, and the frequency and length of extensions to closing dates. While remedial actions envisaged under the FY14 CPPR were partly implemented, they did not generate the needed changes in legislative and government internal procedures for loan signing and ratification. These long-standing issues were addressed in the 12-point action plan agreed as part of the April 2016 CPPR update. It

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<sup>6</sup> The two large highway projects were excluded from the portfolio share calculation so that they do not distort the picture.

<sup>7</sup> For purposes of this analysis, half the US\$1 billion Macroeconomic Management and Competitiveness DPL is allocated to the first area of engagement and half to the second.

covered loan processing, project staffing, procurement, and capacity building. This action plan, outlined in Box 2 below, is now the basis for more intensive periodic monitoring and more proactive portfolio management and supervision by the authorities (together with the World Bank), which aims to improve overall performance by end-FY17. In this connection, the World Bank's increased use of country systems, such as the transfer of projects' designated accounts to the treasury, is expected to ensure the seamless flow of project funds. Particular attention will be paid to the five operations currently rated Moderately Unsatisfactory or Unsatisfactory, which, absent significant improvement in implementation during FY17, may need to be restructured.

**Box 2: Kazakhstan - 2016 CPPR Action Plan\***

<i>Preparation and approval of program documents for institutional loans</i>	
1	Establishing a working group to develop requirements for content and processing timetable for review of program documents for institutional loans
<i>Streamlining procedures for processing sovereign loans</i>	
2	Submission of a proposal to amend legislation, including government and parliamentary procedures, designed to reduce time required to process loans from international financial institutions (IFIs)
3	Submission of a proposal to amend Law On International Treaties with regard to the translation of agreements into English
<i>Streamlining procurement and contract implementation procedures</i>	
4	Implementing agencies to limit time for preparation of bidding documents (including technical specifications and terms of reference) <i>(to no more than 30 calendar days)</i>
5	Implementing agencies to limit time for evaluation of bids, preparation of bid evaluation reports, and approval <i>(to no more than 45 calendar days)</i>
6	The World Bank to limit time for review of bidding documents and bid evaluation reports to 5 and 10 business days, respectively
7	The World Bank to apply increased thresholds for National Competitive Bidding (NCB) (up to US\$20 million for works, up to US\$2 million for goods) and for national consultants (US\$500,000 for short-listed) for all projects under preparation
8	The World Bank to assess readiness of national e-procurement system for use in NCB and national Shopping
9	The World Bank to pilot checklist for detecting errors by bidders regarding price adjustment and excessive requirements for foreign currency before contract award
10	The World Bank to assess possibility of using national court of arbitration for cases related to consultants' contracts and goods' contracts in projects
<i>Capacity building in public institutions</i>	
11	Implementing agencies to provide opportunity for officials responsible for project preparation and implementation to attend annual IBRD training courses organized with the Public Administration Academy
<i>Projects completion</i>	
12	Submission of the amendments to the legislation allowing to finance from the state budget concluding project activities after projects' closing dates

\*All activities are scheduled for completion by December 2016 except for activity 9, which is expected to be concluded in December 2017.

25. **The JERP expanded significantly during the CPS period and in FY16 evolved into a RAS program.** This was prompted partly by increased client demand for policy advice and TA during the World Bank Group's response to the macroeconomic crisis and partly by the new Kazakhstan-World Bank Group Partnership Framework Arrangement (PFA) signed in May 2014 (see paragraph 27 below). Compared to the FY12–13 US\$4.4 million annual JERP, the FY14–16 JERP/RAS program increased to an annual average of US\$6.5 million, almost entirely financed

by Kazakhstan. JERP activities through FY14–15 were organized along the CPS’ three areas of engagement. Starting from FY15–16 the PFA/RAS program is organized according to seven thematic areas stipulated in the PFA, namely: (a) attracting investment and developing PPPs; (b) environmentally sustainable development; (c) private sector, SMEs, business climate, and regional development; (d) implementation support for institutional reforms; (e) developing job skills for the labor market; (f) regional cooperation; and (g) financial sector development. The impact of JERP activities on government policies and strategies are noted in paragraphs 29–33 below.

**26. The International Finance Corporation (IFC) has committed US\$276 million in 26 investments in finance and microfinance (including local currency financing), manufacturing, agribusiness, and transport during the CPS period to date.** These commitments include trade finance guarantees totaling US\$87 million provided to two financial institutions. Overall, IFC’s outstanding portfolio amounts to US\$110 million including 14 investments in the financial, manufacturing, real estate, transport, and agribusiness sectors. IFC advisory programs focus on (a) building capacity of financial intermediaries, in particular in microfinance with a focus on rural areas; (b) enhancing the investment climate and tax administration; (c) improving corporate governance in local companies; (d) providing advice on renewable energy and energy efficiency to open up new markets, by removing regulatory barriers and providing targeted assistance to first-mover companies; (e) assisting food companies in implementing food safety practices, developing local capacity to promote suppliers’ food safety standards, and raising awareness of agribusiness standards; and (f) developing PPP projects, currently in the transport sector.

### *Partnerships and Leveraging*

**27. The main significant development with regard to partnerships and leveraging was the signing on May 1, 2014 of a PFA with the Government.** The Government also entered into similar PFAs with three other IFIs active in the country (Asian Development Bank [ADB], European Bank for Reconstruction and Development [EBRD], and Islamic Development Bank [IsDB]). Anchored in the CPS and valid through December 31, 2017, the PFA’s stated goal is ‘. . . to facilitate a more diversified economy with improved competitiveness . . .’ by (a) attracting investments into non-extractive sectors; (b) developing private entrepreneurship and innovation; (c) fostering the growth of SMEs; (d) promoting human capital and institutional development; and (e) improving access to and the quality of public services, as well as sustainable regional development. To this end, the PFA coordinates and oversees implementation of several nationwide programs for which the authorities have allocated KZT500 billion and plan to borrow up to US\$2 billion from the World Bank during the three years from FY15 to FY17. The PFA provides for a high-level Coordination Council comprising senior government and IFI, including World Bank Group representatives, which meets bimonthly to review implementation of PFA programs and to ensure prompt attention to ongoing or emerging issues. This Government-led initiative has enabled closer interagency coordination, ensured complementarity between World Bank Group interventions and those of other IFIs, and thus leveraged their respective contributions to and impact on the country’s development.

**28. The portfolio is aligned with the Strategic Framework for Mainstreaming Citizen Engagement in World Bank operations, with 100 percent compliance for citizen-oriented**

**design and 67–100 percent for citizen engagement (CE) outcomes/processes during FY14–16.** Several projects incorporated good practice frameworks for CE, including Education Modernization, Social Health Insurance, and Climate Change and Mitigation for the Aral Sea Basin. Each includes a national CE platform promoting disclosure, awareness building, dialogue and accountability mechanisms to engage civil society, as well as more direct CE in community-level planning and decision making, representing some of the most significant progress in Central Asia. Meanwhile, the Government has taken measures to inform the public about its reform agenda, including the creation of a new Ministry of Information and Communications to improve policy outreach. Nevertheless, the operating environment for independent civil society organizations (CSOs) and for issues of inclusion, especially of vulnerable groups, remains a challenge. Recognizing the need to focus on the quality of CE to ensure and enhance project impact, an assessment of beneficiary feedback was recently completed and a CE country road map developed to articulate objectives, clarify priority areas, define responsibilities, and specify steps to meet country targets. Further detail about CE is provided in Annex 7.

### *Progress toward Achieving CPS Objectives*

29. **Progress toward achieving the CPS’ intended outcomes is satisfactory, with seven already completed and six on track for completion by end-FY17 out of 19<sup>8</sup>.** Seven objectives were achieved in the reporting period. Four of these seven objectives were measurable physical targets of respective projects. On the other hand, six outcomes, or one-third, are currently off-track, though one is simply the consequence of a proposed operation that did not materialize and two were affected by the delays in effectiveness of respective operations. In summary, three outcomes need to be revised and four dropped. Annex 3 records the status of all intended CPS outcomes as of June 30, 2016. Meanwhile, the highlights of progress in each of the areas of engagement are summarized below.

30. **Area of Engagement 1—improving competitiveness and fostering job creation.** CPS activities in this area are aligned with four country development goals, namely: achieving competitiveness through macro-stability and international integration; bolstering human capital; boosting employment in agriculture; and developing infrastructure connectivity to reduce economic distance. The World Bank Group lending operations and JERP/RAS/advisory products are designed, among others, to help achieve nine CPS outcomes. **Three outcomes were achieved:** technology commercialization and innovation; a 50 percent reduction in the ratio of NPLs to total loans; and a 5 per cent increase in electricity transmission capacity in the south and east of the country. **Four outcomes are on track:** prudent management of oil revenues (with government net financial worth above its 2012 level of 20 percent of GDP by 2017); improved regulatory environment (as measured by the country’s Doing Business rating, up to 41 in 2016, and its Business Environment and Enterprise Performance Survey (BEEPS) target for a reduction in the share of firms citing business licensing and permits as a major constraint down from 25.2 percent in 2009 to 4.7 percent in 2013); building skills for employment (as measured by the share of technical vocational education programs revised in line with new competency standards by at least 20 percent by 2017); and building transport connectivity and reducing costs (as measured by the 66 percent reduction in crash fatalities in the South Kazakhstan and Kyzylorda

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<sup>8</sup> The original 17 outcomes were updated to 19 to reflect specific outcomes for two operations (Ust Kamenogorsk Environmental Remediation and Energy Efficiency) included in the CPS Results Framework as shown in Annex 2.

regions and the 72 percent reduction in road-user costs as of December 2015). **Two outcomes are off-track:** the share of firms with female ownership and top managers, which fell during the period, and the application of new technologies in agriculture, as measured by the output of meat, due to a delay in the processing of a planned livestock project.

31. **IFC has been making the planned investments, and MIGA is exploring opportunities to support on-lending to priority sectors.** As planned, IFC invested in rail transport, manufacturing, agribusiness, real estate, microfinance, and financial institutions including trade finance in particular those focused on SMEs. IFC is also advising companies on corporate governance and food safety standards and financial institutions on building their capacity to increase their SMEs portfolio. Moreover, IFC is advising the Government on implementation of a PPP project for the Big Almaty Ring Motor Road, tax transparency, and regulatory reform. Owing to the difficulty in assessing the impact of Bank interventions, the gender-related outcome has been dropped from the CPS. MIGA, jointly with the CMU, is exploring opportunities of providing non-honoring of financial obligations coverage in support of financial sector SOEs for on-lending to priority sectors and projects. MIGA is also exploring opportunities in respect of public and private infrastructure projects and renewable energy.

32. **Area of Engagement 2—strengthening governance and improving the efficiency of public services delivery.** CPS activities in this area covered six outcomes and focused on two country development goals: i) improving public financial management and combatting corruption; and ii) raising the efficiency of essential public services. These activities included two **CPS outcomes that are already achieved:** the design and piloting of conditional cash transfer programs and enhanced statistical capacity. Of the four remaining outcomes, as of mid-2016, **two remain on track:** relating to the number of physical inspections of import declarations by customs, and e-procurement of public goods and services. **Two outcomes were off-track:** one relating to strengthening of budgetary and accounting institutions, as measured by the introduction of targeted reviews of public expenditure, and the other to strategic health reforms, as measured by the population's out-of-pocket health expenditures. Both outcomes are nonetheless retained for the balance of the CPS.

33. **Area of Engagement 3—ensuring development is environmentally sustainable.** This area of engagement supports the long-term country development goal to combat climate change, with two broad-based outcomes: safeguarding the environment and raising energy efficiency. Knowledge products for the former included designing benchmark pilots to measure and reduce the environmental impact and energy intensity of selected industries. Ust-Kamenogorsk Environmental Remediation Project (a Bank loan, approved during the last CPS) completed the remediation of five contaminated industrial sites and established a groundwater quality monitoring system leading to a reduction in heavy metal pollution—**one of the CPS outcomes achieved.** A **second outcome** achieved under the Forest Protection and Reforestation Project was the replanting of 46,000 ha in the Irtysh Pine Forest, the covering of 61,000 ha of the dry Aral seabed with vegetation, and improved fire management of 650,000 ha of forest. Meanwhile, ongoing TA through the PMR supports implementation of Kazakhstan's Emissions Trading Scheme and strategic planning around its intended Nationally Determined Contribution (iNDC) declared in the Paris climate change agreement. **The third intended outcome** in this area—rehabilitation of water supply systems in 113,000 ha covering four southern *oblasts*, bringing water distribution to levels demanded by farmers—**remains off-track**, due to the

delayed effectiveness of the 2nd Irrigation and Drainage Project; and **the fourth outcome**—reduction in comparative energy consumption in targeted public and residential sectors by at least 10 percent—is **similarly off-track**, due to the delayed effectiveness of the Energy Efficiency Project.

#### IV. EMERGING LESSONS

##### *Lessons from Program and Portfolio Implementation and Performance*

34. **A recent Independent Evaluation Group (IEG) country program evaluation (CPE)<sup>9</sup> reviewed the World Bank’s experience in Kazakhstan during FY04–14, including the first three years (FY12–14) of this CPS.** It recommended, among others, that the Bank should (a) strengthen the enabling environment for its policy advice by linking key JERP outputs to specific, large-scale investments; (b) employ monitoring and evaluation tools to track the effectiveness of the program, the JERP in particular; (c) disclose publicly its main policy recommendations to broaden general understanding of the policies it promotes and strengthen reform ownership within the Government and civil society; (d) engage local partners more proactively, making their participation an integral part and good practice feature of joint preparation of agreed analytical products; (e) consider reintroducing standard pieces of country diagnostics, such as public expenditure reviews and poverty assessments; and (f) be more selective and strategic in efforts to promote economic diversification as well as in its own sectoral engagement, based on its comparative advantage and the depth of dialogue and strategic convergence with the Government’s programs.

35. **With the JERP having evolved since FY15–16 into a wholly client-funded RAS program, some of these recommendations may be difficult to carry out in full.** For example, the World Bank can encourage but not require that its policy recommendations be disclosed publicly in some but not all circumstances. In fact, experience has shown that there is value in its ability to provide candid advice on a confidential basis. Likewise, while there are examples of knowledge products being linked to subsequent World Bank-financed investments—the proposed Social Health Insurance Project being the most recent—the creation of such links needs to be client-driven. The authorities are also interested in the World Bank Group’s global advice and experience to enhance the involvement of local partners. Nonetheless, the CPE’s recommendations will inform the CLR and help frame the preparation of the upcoming SCD and the next CPF.

36. **Meanwhile, as noted earlier, the main lesson emerging from the last CPPR and the recent update remains relevant**—that government and Bank processes and procedures at all stages of the project cycle, in particular upstream, need to be better aligned. Apart from the implementation of the CPPR action plan (see Box 2), greater coordination with other IFIs will be pursued to resolve systemic cross-cutting issues affecting the implementation of the program (for example, preparation by Government of additional feasibility studies and detailed designs). The same general lesson also applies to knowledge activities, and RAS program in particular. For example, arrangements for shaping the RAS agenda a priori, including linkages to Kazakhstan’s macroeconomic and structural reform challenges, need to be improved; and procedures for

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<sup>9</sup> Kazakhstan: Country Program Evaluation (CPE), FY04–14, Overview, pp xx–xxii.

approving RAS budgets, terms of reference need to be simplified and speeded up. Going forward, greater selectivity, that is, fewer but larger, more comprehensive activities with longer multiyear engagements may be a more appropriate RAS program strategy that would amplify its potential impact. The World Bank will regularly follow up on the impact of its policy recommendations on actual policy changes, including through the analysis of standard satisfaction survey results of the RAS recipients. This issue will be explored in greater depth during the upcoming CLR as background for the SCD and next CPF. Finally, the main lessons cited in the ICRs for seven operations that have closed since FY13<sup>10</sup> are project- and/or sector-specific, with no particular systemic relevance to the overall portfolio or ongoing CPS implementation.

## V. ADJUSTMENTS TO PROGRAM

37. **Overall, World Bank Group activities in Kazakhstan enjoy strong government ownership, exemplified, among others, by the authorities' request for significantly increased analytical and lending support following the 2014 shocks to the economy**—and illustrated most recently by the first of two planned DPLs approved last November.<sup>11</sup> The DPL series responds to the Government's request for financing, underpinned by a strong set of policy measures that are expected to support the World Bank's twin goals of ending extreme poverty and boosting shared prosperity. It aims to strengthen the sustainability of the macroeconomic framework while protecting the vulnerable, which would support the goal of poverty reduction. Policies to enhance the competitiveness of the non-oil economy would support job creation, thus boosting shared prosperity and growth of the middle class. The frequency, level, and quality of periodic policy advisory 'brainstorming' sessions—over 20 since 2003 and all co-chaired by the prime minister—and their contribution to the Government's structural reform agenda are also evidence of the authorities' commitment to the World Bank Group relationship, which will mark 25 years in 2017.

38. **Against this background, the program's three main areas of engagement remain highly relevant and thus no change in content is required.** On the other hand, two significant adjustments to the choice and mix of instruments became necessary to enable the World Bank to respond appropriately to the country's significantly changed macroeconomic stance and outlook. The first was the transition from reliance on knowledge products as the main instrument in FY12–13 toward a more balanced mix of analytics, lending, and TA that characterized Bank activities in FY14–16, and is planned for FY17. The second is the large increase in planned World Bank lending—from the US\$2 billion over the six years (FY12–17) originally envisaged to the US\$4.2 billion now anticipated. Large investments in the transport sector reflects the fact that the country is vast and landlocked with natural resources unevenly distributed. The investments in the transport sector have also a strong regional dimension, contributing to improved regional connectivity in Central Asia. In addition to transport corridor development, the World Bank is well positioned to support the sustainability of road maintenance and national road safety policies. At the same time, through the ongoing and planned operations, the World

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<sup>10</sup> Agricultural Competitiveness, 2nd Agricultural Post-Privatization, North-South Electricity Transmission, Forest Protection and Reforestation, Nura River Clean-Up, Moinak Electricity Transmission, and Alma Electricity Transmission.

<sup>11</sup> Report No. 99451-KZ: *First Macroeconomic Management and Competitiveness Programmatic Development Policy Loan*, October 9, 2015.

Bank Group is aiming to deliver on job creation, SME development, connectivity, and regional development. Finally, as mentioned before, the JERP has evolved into a RAS program. Annex 4 lists the JERP/RAS activities delivered and planned for FY17 and Annex 5 summarizes Bank commitments from FY12–16 totaling about US\$3.5 billion as well as proposed lending during FY17 totaling about US\$0.7 billion.

39. **Several objectives and indicators (outputs and outcomes) have been revised or updated to reflect implementation experience and changed circumstances.** These are reflected in the updated CPS Results Matrix (Annex 1) and a matrix of changes to the original CPS Results Matrix (Annex 2). These revisions or updates are self-explanatory and remain entirely consistent with the CPS framework.

## VI. RISKS TO PROGRAM

40. **Two of three risks identified in the original CPS—the external environment and macroeconomic management—materialized, albeit not exactly as anticipated.** The euro zone debt crisis and a slow upturn in global growth and trade were seen as potential risks to Kazakhstan’s economy in the CPS program in mid-2012. However, the risks manifested themselves in the sharp drop in international oil prices two years later, exacerbated by the recession in Russia and lower growth in China. The large oil price shock necessitated major adjustments in fiscal and subsequently in monetary and exchange rate policies. As anticipated in the CPS, this adverse external shock led to a US\$1 billion DPL, the first of two planned operations in a programmatic series. Given the uncertainties surrounding Kazakhstan’s short- and medium-term outlook—low oil prices and no significant improvement in external conditions—the macroeconomic risk for the remaining of the CPS period is rated as Substantial. In these circumstances, World Bank Group advisory and lending support to help mitigate this risk is likely to extend through FY17 at least.

41. **Though partly foreseen in the original CPS, institutional capacity for implementation and sustainability is rated Substantial for the remaining of the CPS period, as it has emerged as a potentially serious risk following the oil price shock.** This risk has two dimensions, both strongly influenced by political will. The first one is related to the timely completion of a complex and multisectoral reform and investment climate agenda, in support of diversification, the privatization of SOEs, and revisions to the regulatory framework. It also relates to an effective coordination of macroeconomic policies and structural reforms affecting the business environment, quality of growth, and job creation. The second one is related more narrowly to the performance of the World Bank portfolio, which continues to experience significant delays and slow disbursements, especially in operations approved since FY13. It is imperative that line ministries assign full-time staff responsible for project implementation and project management related indicators, which are included into their performance targets. Capacity building through the RAS may help ease some of the risks to reform implementation, as will the Government’s resolve—motivated by the weakened macroeconomic outlook—to remove structural obstacles to accelerated development. As for the portfolio, the action plan agreed during the recent CPPR is designed to mitigate, if not fully resolve by end-FY17, the long-standing systemic issues impeding the timely signing, effectiveness, and initial implementation of loans. Both types of risk will receive greater attention from both the Government and the World Bank through FY17 and beyond.

42. **Notwithstanding these two substantial risks, the overall risk to the program—taking into account the low or moderate ratings for remaining categories—is rated as Moderate for the balance of the period**—as reflected in the Systematic Operations Risk-Rating Tool (SORT) below.

**Table 2: Systematic Operations Risk-Rating Tool**

<b>Risk Category</b>	<b>Rating (H, S, M or L)</b>
Political and governance	Moderate
Macroeconomic	Substantial
Sector strategies and policies	Moderate
Technical design of project or program	Moderate
Institutional capacity for implementation and sustainability	Substantial
Fiduciary	Moderate
Environment and social	Low
Stakeholders	Moderate
<b>Overall</b>	<b>Moderate</b>

## ANNEX 1: Kazakhstan - FY12–17 Country Partnership Strategy

### Updated Results Matrix

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Main Instruments
<b>Strengthening fiscal discipline and trade openness/integration</b>	<ul style="list-style-type: none"> <li>• Prudent management of oil revenue maintained, with government net financial worth (as measured by difference between stock of National Fund of the Republic of Kazakhstan (NFRK) assets and sovereign debt) above its 2012 level of 20% of GDP by 2017.</li> </ul>	<p><b>JERP/RAS:</b> Fiscal Policy for Growth; Improvement of Public Debt Management, including Mechanisms for Monitoring SOE Debt; Improvement of Competitiveness through Reduction of Trade Barriers</p> <p><b>Lending:</b> DPL</p> <p><b>Partners:</b> International Monetary Fund (IMF), European Commission (EC), U.S. Agency for International Development (USAID)</p>
<b>Expanding non-oil sector exports and employment</b>	<ul style="list-style-type: none"> <li>• Improved regulatory environment, as measured by Doing Business ranking (up from 46 in 2011 to 35 by 2017).</li> <li>• Technology Commercialization Office (TCO) established, awarding at least 10 small technology commercialization grants (pre-commercialization, joint research with industry, international patenting, industrial internship for scientists) and enabling at least 15 groups of scientists to perform high-quality research.</li> <li>• IFC invested in manufacturing (paper packaging, cement), agribusiness (food and beverages, agriculture commodities), and real estate.</li> <li>• IFC provided advisory services on corporate governance to Government and over 100 companies and conducted studies on tax transparency and regulatory reform.</li> </ul>	<p><b>JERP/RAS:</b> Enhancement of Business Environment; Enhancing Productivity and Competitiveness through Enterprise Modernization Support Mechanisms; Corporate Financial Reporting</p> <p><b>Lending:</b> Technology Commercialization</p> <p><b>IFC:</b> Real sector investments (manufacturing, agribusiness, and services)</p> <p><b>Partners:</b> USAID, ADB, EBRD</p>
<b>Reinvigorating financial sector</b>	<ul style="list-style-type: none"> <li>• Ratio of NPLs to total loans (32.6% in 2012) at least halved by 2017 and well provisioned.</li> <li>• IFC invested in financial institutions, including microfinance and universal banking, also provided trade guarantees. Sector portfolio serving 15,200</li> </ul>	<p><b>JERP/RAS:</b> Improvement of insolvency system</p> <p><b>IFC:</b> Financial sector investments; trade finance lines and credit lines for SMEs</p> <p><b>Partner:</b> IMF</p>

<b>Kazakhstan Development Strategy Outcomes supported by CPS</b>	<b>CPS Outcomes</b>	<b>Main Instruments</b>
	<p>microfinance and 10,000 SME clients.</p> <ul style="list-style-type: none"> <li>• IFC providing advisory services to microfinance institution to improve its lending operations, serving more clients in rural area and thus supporting rural development.</li> </ul>	
<b>Building skills for employment</b>	<ul style="list-style-type: none"> <li>• Share of technical vocational education programs revised in line with new (2013) competency standards by at least 20% by 2017—better equipping graduates with skills demanded in labor market.</li> </ul>	<p><b>JERP/RAS:</b> Education System Analysis toward Improving Quality; Post-Graduate Education Development  <b>Lending:</b> Technical and Vocational Education Modernization; Youth Corps (Swiss Trust Fund); Education System Modernization  <b>Partners:</b> EC, German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit; GIZ)</p>
<b>Strengthening knowledge for sustained growth in agriculture</b>	<ul style="list-style-type: none"> <li>• New applied technologies in farming (for example, conservation agriculture, new methods of veterinary diseases testing) result in increased crop/fodder output, supporting 50% increase in meat production (0.84 million tons in 2010) by 2017.</li> <li>• IFC invested in agribusiness (food and beverages, agriculture commodities).</li> <li>• IFC Food Safety Program focuses on (a) assisting one food company in implementing food safety practices; (b) stimulating development of local institutional capacity for promotion and implementation of suppliers' food safety standards; and (c) promoting sectorwide demand by raising awareness about agribusiness standards and developing client pipeline.</li> <li>• IFC providing advisory services on energy efficiency at two levels as explained in Area of Engagement 3, Outcome 13 (Raising Energy Efficiency).</li> </ul>	<p><b>JERP/RAS:</b> Strengthening Agricultural Strategy and Livestock Policy  <b>Lending:</b> Irrigation and Drainage II  <b>IFC Investments (INV):</b> Lending to agribusiness companies (food processing, food retail)  <b>IFC Advisory Service (AS):</b> Food Safety Advisory, Resource Use Efficiency  <b>Partners:</b> GIZ</p>
<b>Improving energy transmission to poor areas</b>	<ul style="list-style-type: none"> <li>• Kazakhstan Electricity Grid Operating Company's (KEGOC) transmission capacity increased by 5% between 2012 (34,000 MVA) and 2017 to alleviate existing and projected power shortages in South and East Kazakhstan.</li> </ul>	<p><b>Lending:</b> Moinak Electricity Transmission; Alma Electricity Transmission; North-South Electricity Transmission  <b>Partners:</b> EBRD, USAID</p>

<b>Kazakhstan Development Strategy Outcomes supported by CPS</b>	<b>CPS Outcomes</b>	<b>Main Instruments</b>
<b>Building transport connectivity and lowering costs</b>	<ul style="list-style-type: none"> <li>Increased transport efficiency through reduction in road-user costs and rate of road crash fatalities along 1,062 km section of Western Europe-Western China (WE-WC) Road Corridor by at least 10% by 2017 (in 2007: road users' cost was US\$0.26 per vehicle-km and road crash fatalities were 11/100 million vehicle-km).</li> <li>IFC invested in a rail leasing company.</li> <li>IFC advises Government on structure and implementation of international tender for Big Almaty Ring Road (BAKAD).</li> </ul>	<p><b>JERP/RAS:</b> Rail Trade Logistics Study  <b>Lending:</b> South-West Roads and East-West Roads  <b>IFC INV:</b> Private infrastructure projects  <b>IFC AS:</b> PPP Transaction Advisory Project  <b>Partners:</b> ADB, EBRD</p>
<b>Improving governance</b>	<ul style="list-style-type: none"> <li>Physical inspections of import declarations by customs reduced from 70% in 2007 to 20% by 2017; and average customs processing time at border posts (24 hours in 2010) reduced by 75% by 2017 as evidenced from client surveys.</li> </ul>	<p><b>JERP/RAS:</b> Civil Service Reform; Improvement of Financial Monitoring System (Anti-money Laundering and Combating Financing of Terrorists [AML/CTF])  <b>Lending:</b> Customs Development; Tax Administration Reform  <b>Partners:</b> EC, UNDP, USAID, GIZ</p>
<b>Strengthening budget and accounting institutions</b>	<ul style="list-style-type: none"> <li>Increase in e-procurement transactions (25,000 in 2012) by 20% by 2017, and efficiency of e-procurement system enhanced by introduction by 2014 of electronic reverse auction system.</li> <li>Quality and efficiency of public spending improved through introduction of targeted reviews of selected areas on rolling basis, with at least four reviews completed during 2013–16.</li> <li>International standard user satisfaction survey on quality and reliability of statistical data introduced in 2012 with 80% satisfaction rates by 2017.</li> </ul>	<p><b>JERP/RAS:</b> Improved Approach to Results-Oriented Budgeting; Improvement in Intergovernmental Fiscal Relations; Development of e-Procurement System; Expenditure Efficiency Reviews  <b>Lending:</b> Statistical Capacity Building; Capacity Building for Public Sector Accounting Reform  <b>Institutional Development Fund (IDF) Grants:</b> Public Sector Audit Capacity Building; Building Capacity in Procurement Audit Agency  <b>Partners:</b> EC, UNDP, USAID, GIZ</p>
<b>Reforming social protection system</b>	<ul style="list-style-type: none"> <li>Conditional cash transfers piloted in at least two regions.</li> </ul>	<p><b>JERP/RAS:</b> Improvement of Social Safety Net System; Strengthening Pension System</p>
<b>Sharpening strategic approach to health reforms</b>	<ul style="list-style-type: none"> <li>By 2016, 10% reduction in population's out-of-pocket health expenditures as share of total health expenditures (32.9% in 2010).</li> </ul>	<p><b>Lending:</b> Health Sector Technology Transfer and Institutional Reform; Social Insurance  <b>Partners:</b> World Health Organization (WHO), USAID, United Nations Children's Fund (UNICEF), EC</p>

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Main Instruments
Safeguarding the environment	<ul style="list-style-type: none"> <li>• Remediation of the high-priority industrial waste dumps polluting the air and groundwater in Ust-Kamenogorsk and establishment of groundwater monitoring system.</li> <li>• Reforestation of 44,000 ha completed; and damage from forest fire in Irtysh Pine Forest reduced by 50% by 2017 (9 ha per case of fire on average during 2009–11).</li> <li>• Water supply systems rehabilitated in 113,000 ha covering four southern <i>oblasts</i>, bringing water distribution by service providers to levels demanded by farmers.</li> </ul>	<p><b>JERP/RAS:</b> (a) Improving Industrial Competitiveness through Greener Production; (b) Towards Cleaner Industry and Improved Air Quality Monitoring in Kazakhstan; (c) Towards a Strategy for Industrial Hazardous Waste Management in Kazakhstan; (d) Legal, Institutional, Financial Arrangements and Practices of the Solid Waste Management Sector in Kazakhstan; and (e) Review and Analysis of Norms and Standards Applicable to Industrial Hazardous Wastes in Kazakhstan</p> <p><b>Lending:</b> Forest Protection and Reforestation; Ust-Kamenogorsk Environmental Remediation; Second Irrigation and Drainage Project</p> <p><b>Global Environment Facility (GEF):</b> Forest Protection and Reforestation; Persistent Organic Pollutants Management</p> <p><b>PMR TA:</b> Tranche I:  (a) Identifying Barriers in Emissions Trading Scheme of Kazakhstan and Development of Appropriate Recommendations on How to Address and Mitigate them;  (b) Adaptation of Benchmarks for Allowances Allocation for Specific Sectors in Kazakhstan; and (c) Development of Policy Options for Mid- and Long-term Emissions Pathways and Role of Carbon Pricing (iNDC support)</p> <p><b>PMR TA:</b> Tranche II: (a) Stakeholder Consultation Process on Developed Benchmarks; (b) Development of E-Reporting and Supporting Institutional and Legal Frameworks; and (c) Support to Enhancement of Transaction Registry</p> <p><b>Partners:</b> EC, GIZ, UNDP, GEF, PMR</p>
Raising energy efficiency	<ul style="list-style-type: none"> <li>• Cumulative energy savings in targeted public facilities will increase from 0 to 825 GWh by 2017.</li> <li>• IFC providing advisory services on renewable energy and energy efficiency at two levels: (a) policy level, to open up new markets by removing legal and regulatory barriers to private investments and (b) company level, to provide targeted assistance to first-mover private</li> </ul>	<p><b>Lending:</b> Energy Efficiency (Swiss Trust Fund)</p> <p><b>IFC AS:</b> Resource Use Efficiency</p> <p><b>Partners:</b> EBRD</p>

<b>Kazakhstan Development Strategy Outcomes supported by CPS</b>	<b>CPS Outcomes</b>	<b>Main Instruments</b>
	sector and utility efficiency projects.	

## ANNEX 2: Kazakhstan - FY12–17 Country Partnership Strategy

### Changes to Original Results Matrix

<b>Kazakhstan Development Strategy Outcomes supported by CPS</b>	<b>Outcomes in original results matrix</b>	<b>Outcomes in revised results matrix</b>
<b>Strengthening fiscal discipline and trade openness/integration</b>	<ul style="list-style-type: none"> <li>Prudent management of oil revenue is maintained, with government net financial worth (as measured by difference between stock of NFRK assets and sovereign debt) above its 2012 level of 20% of GDP by 2017</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> </ul>
<b>Expanding non-oil sector exports and employment</b>	<ul style="list-style-type: none"> <li>Improved regulatory environment as measured by Doing Business ranking—from 46 in 2011 to 30 by 2017).</li> <li>Share of firms with female participation in ownership up from 34.3% in 2009 to above 40% by 2017 and with female top managers up from 24.7% in 2009 to above 30% by 2017.</li> <li>TCO established, awarding at least 10 small technology commercialization grants (pre-commercialization, joint research with industry, international patenting, industrial internship for scientists) and enabling at least 15 groups of scientists to perform high-quality research.</li> </ul>	<ul style="list-style-type: none"> <li>Doing Business ranking target reduced from 30 to 35 by 2017.</li> <li>Dropped since there are difficulties in the assessment of the Bank interventions' impact on the results.</li> <li>No change</li> </ul>
<b>Reinvigorating financial sector</b>	<ul style="list-style-type: none"> <li>Ratio of NPLs to total loans (32.6% in 2012) halved by 2017, and remain well provisioned</li> <li>IFC efforts did not materialize in the following areas: (a) development of private distressed assets recovery, owing to the Government's Bank TuranAlem (BTA) special purpose vehicle intervention; (b) investments in asset management, owing to lack of government interest.</li> </ul>	<ul style="list-style-type: none"> <li>No change. Ratio maintained to monitor loan provisioning, which may be inadequate.</li> <li>Dropped</li> </ul>

<b>Kazakhstan Development Strategy Outcomes supported by CPS</b>	<b>Outcomes in original results matrix</b>	<b>Outcomes in revised results matrix</b>
<b>Building skills for employment</b>	<ul style="list-style-type: none"> <li>• Share of technical vocational education programs revised in accordance with new competency standards by at least 20% by 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> </ul>
<b>Strengthening knowledge for sustained growth in agriculture</b>	<ul style="list-style-type: none"> <li>• New applied technologies in farming result in increased crop/fodder output, supporting 50% increase in meat production (0.84 million/tons in 2010) by 2017</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> </ul>
<b>Improving energy transmission to poor areas</b>	<ul style="list-style-type: none"> <li>• KEGOC transmission capacity increased from 34,000 MVA by 5% between 2012 and 2017</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> </ul>
<b>Building transport connectivity and lowering costs</b>	<ul style="list-style-type: none"> <li>• Increased transport efficiency through reduction in road-user costs and rate of road crash fatalities along same 1,062 km section of the WE-WC Road Corridor by at least 10%, respectively, by 2013 (road users cost is US\$0.26 per vehicle-km in 2007 and road crash fatalities are 11 per 100 million vehicle-km in 2007).</li> <li>• Due to lack of government interest, IFC efforts did not materialize in the following areas: (a) direct investments with subnational sponsors and (b) investments in infrastructure for oil and gas sector.</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> <li>• Dropped</li> </ul>
<b>Improving governance</b>	<ul style="list-style-type: none"> <li>• Physical inspections of import declarations reduced from 70% in 2007 to 20% by 2017; and average customs processing time at border posts (24 hours in 2010) reduced by 75% by 2017</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> </ul>
<b>Strengthening budget and accounting institutions</b>	<ul style="list-style-type: none"> <li>• E-procurement transactions (25,000 in 2012) increased by 20% by 2017, and efficiency of e-procurement enhanced by introduction of electronic reverse auction system by 2014</li> <li>• Quality and efficiency of public spending improved through introduction of targeted reviews of selected areas on rolling basis, with at least first four reviews completed during 2013–16.</li> <li>• International standard user satisfaction survey on quality and reliability of statistical data introduced in 2012 with satisfaction rates reaching 80% by 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> <li>• No change</li> <li>• No change</li> </ul>

Kazakhstan Development Strategy Outcomes supported by CPS	Outcomes in original results matrix	Outcomes in revised results matrix
<b>Reforming social protection system</b>	<ul style="list-style-type: none"> <li>• Conditional cash transfers are piloted in at least two regions of the country.</li> </ul>	<ul style="list-style-type: none"> <li>• Gender parity criteria dropped. Gender parity index was not monitored since Orleu (pilot) program is focused on assistance to families in need and was not targeting women.</li> </ul>
<b>Sharpening strategic approach to health reforms</b>	<ul style="list-style-type: none"> <li>• Population's out-of-pocket health payments in total health expenditures (32.9% in 2010) declined by 10% by 2016.</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> </ul>
<b>Safeguarding the environment</b>	<ul style="list-style-type: none"> <li>• Reforestation works on 44,000 ha completed; and damage (9 ha per 1 case of fire on average during 2009-11) from forest fire in Irtysh Pine Forest reduced by 50% by 2017.</li> <li>• Water supply systems rehabilitated in 113,000 ha covering four southern <i>oblasts</i>, bringing water distribution by service providers to levels demanded by farmers.</li> </ul>	<ul style="list-style-type: none"> <li>• Remediation of the high-priority industrial waste dumps polluting the air and groundwater in Ust-Kamenogorsk and establishment of groundwater monitoring system (added to align with the originally included outputs for Ust-Kamenogorsk Environmental Remediation Project).</li> <li>• No change</li> <li>• No change</li> </ul>
<b>Raising energy efficiency</b>	<ul style="list-style-type: none"> <li>• Comparative energy consumption in targeted public and residential sectors reduced by at least 10 percent between 2012 and 2017.</li> <li>• IFC efforts did not materialize in the following areas: (a) power generation projects, due to lack of government interest; (b) real sector investments and targeted credit lines to banks with focus on resource use efficiency and energy efficiency, due to lack of suitable partners; and (c) improving efficiency of utilities and investments in municipal waste management, due to lack of government interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Cumulative energy savings in targeted public facilities will increase from 0 to 825 GWh by 2017. Added to align with the originally included output.</li> <li>• Dropped</li> </ul>

### ANNEX 3: Kazakhstan - FY12–17 Country Partnership Strategy

#### Results Matrix

Status as of June 30, 2016

Kazakhstan Development Strategy Outcomes Supported by CPS	Milestones and Outputs	CPS Outcomes	Progress
<b>AREA OF ENGAGEMENT 1: IMPROVING COMPETITIVENESS AND FOSTERING JOB CREATION</b>			
<b>Country Development Goal: Achieve competitiveness gains through macro-stability and international integration</b>			
<b>Strengthening fiscal discipline and trade openness/integration</b>	<ul style="list-style-type: none"> <li>• Medium-term debt management strategy based on cost-risk analysis adopted and broadened to include fiscal risks from SOE activities.</li> <li>• National services-trade statistics aligned with Manual on Statistics in International Trade in Services (Organisation for Economic Co-operation and Development [OECD]).</li> <li>• Regulatory impact assessment for non-tariff measures adopted and conducted on regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>• Prudent management of oil revenue maintained, with government net financial worth (measured by difference between stock of NFRK assets and sovereign debt) above its 2012 level of 20% of GDP by 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>On track (based on revised baseline)</b>—government net financial worth above its 2012 level of 15.5% of GDP by 2017—currently projected at 19%.</li> </ul>
<b>Expanding non-oil sector exports and employment</b>	<ul style="list-style-type: none"> <li>• New Law on Permits System adopted, setting framework for risk-based, streamlined inspections and technical regulations.</li> <li>• Institutional framework for corporate financial reporting (CFR) strengthened, as measured by improvement in A&amp;A Report on Observance of Standards and Codes (ROSC) indicators, showing higher degree of (a) alignment of new CFR legislation with international standards; (b)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved regulatory environment as measured by Doing Business ranking (up from 46 in 2011 to below 30 in 2017); and BEEPS share of firms citing business licensing and permits as major constraint down from 25.2% in 2009 to below 15% by 2017.</li> <li>• Share of firms with female participation in ownership increased from 34.3% in 2009 to above 40% by 2017 and with female top managers increased from 24.7 % in 2009 to above</li> </ul>	<ul style="list-style-type: none"> <li>• <b>On track</b>—Doing Business rating up to <b>41 in 2016</b>. However, achieving 30 by 2017 may be challenging, due to high global competition, and 35 may be more realistic; <b>BEEPS target achieved</b>—share of firms citing business licensing and permits as major constraint down from 25.2% in 2009 to <b>4.7% in 2013</b>.</li> <li>• <b>Off track</b>—share of firms with female ownership and top managers fell to <b>28.3% and 18.9%, respectively</b>.</li> </ul>

Kazakhstan Development Strategy Outcomes Supported by CPS	Milestones and Outputs	CPS Outcomes	Progress
	<p>compliance of financial information of corporate entities with international standards (International Financial Reporting Standards and Standards on Audit).</p>	<p>30% by 2017.</p> <ul style="list-style-type: none"> <li>• TCO established, awarding at least 10 small technology commercialization grants (pre-commercialization, joint research with industry, international patenting, industrial internship for scientists) and enabling at least 15 groups of scientists to perform high-quality research.</li> <li>• IFC invested in manufacturing (paper packaging, cement), agribusiness (food and beverages, agriculture commodities), and real estate.</li> <li>• IFC provided advisory services on corporate governance to Government and over 100 companies and conducted studies on tax transparency and regulatory reform.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Completed.</b> TCO merged with Science Fund and is expected to continue grant programs of Ministry of Education adapting TCO experience and involved in implementation of Fostering Productive Innovations Project by providing technical inputs. In addition, the Association of Technology Commercialization is established and fully functional, ensuring sustainability of project results.</li> </ul>
<p><b>Reinvigorating the financial sector</b></p>	<ul style="list-style-type: none"> <li>• New Law on Insolvency introduced and institutional capacity of insolvency and financial rehabilitation system improved, facilitating faster resolution of NPLs.</li> </ul>	<ul style="list-style-type: none"> <li>• Ratio of NPLs to total loans (32.6% in 2012) at least halved by 2017 and well provisioned.</li> <li>• IFC invested in financial institutions, including microfinance and universal banking. It also provided trade guarantees. Sector portfolio is serving 15,200 microfinance and 10,000 SME clients.</li> <li>• IFC provided advisory services to microfinance institution on corporate governance, branch management, and loan officer development—to improve its lending operations and serve more rural and thus support rural development.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Completed</b>—ratio of NPLs fell to <b>8.3% by early 2016</b>. However, this was due mainly to assumption by KazKommerzbank of BTA’s NPLs; loan provisioning declined to only 5.6% and remains a concern.</li> </ul>

Kazakhstan Development Strategy Outcomes Supported by CPS	Milestones and Outputs	CPS Outcomes	Progress
<b>Country Development Goal: Bolster human capital</b>			
<b>Building skills for employment</b>	<ul style="list-style-type: none"> <li>• Postgraduate education standards updated to align better with Bologna Process.</li> <li>• Innovative program of service learning and life skills training initiated in 2013, benefiting 5,000 Kazakhstani youth.</li> </ul>	<ul style="list-style-type: none"> <li>• Share of technical vocational education programs revised in line with new (2013) competency standards by at least 20% by 2017—better equipping graduates with skills demanded in labor market.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>On track</b>—authorities currently plan to revise <b>22% of programs by 2018</b> and <b>58% by 2020</b>.</li> </ul>
<b>Country Development Goal: Boost employment in agriculture</b>			
<b>Strengthening knowledge for sustained growth in agriculture</b>	<ul style="list-style-type: none"> <li>• Weather/area indexed insurance system introduced on pilot basis to strengthen crop insurance regime.</li> <li>• Public spending on agricultural input subsidies reduced and public spending on alternative forms of agricultural support schemes such as irrigation increased.</li> </ul>	<ul style="list-style-type: none"> <li>• New applied technologies in farming (for example, conservation agriculture, new methods of veterinary diseases testing) result in increased crop/fodder output, supporting 50% increase in meat production (0.84 million/tons in 2010) by 2017.</li> <li>• IFC invested in agribusiness (food and beverages, agriculture commodities).</li> <li>• IFC Food Safety Program focuses on (a) assisting food company to implement food safety practices; (b) stimulate development of local institutional capacity for promotion and implementation of suppliers' food safety standards; and (c) promote sectorwide demand by raising awareness of agribusiness standards and developing client pipeline among industry and stakeholders.</li> <li>• IFC providing advisory services on energy efficiency at two levels as explained in Area of Engagement 3, Outcome 13 (Raising Energy Efficiency).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Off track</b>—meat production only <b>0.9 million tons in 2014</b> (compared to revised 2017 outcome of 1.3 million tons), due to delay in applying new technologies (and processing of planned livestock World Bank project).</li> </ul>

Kazakhstan Development Strategy Outcomes Supported by CPS	Milestones and Outputs	CPS Outcomes	Progress
<b>Country Development Goal: Develop infrastructure connectivity to reduce economic distance</b>			
<b>Improving energy transmission to poor areas</b>		<ul style="list-style-type: none"> <li>• KEGOC’s transmission capacity increased by 5% between 2012 (34,000 MVA) and 2017 to alleviate existing and projected power shortages in southern and eastern part of country.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Completed</b>—as of end-2014 (KEGOC Annual Report 2014), KEGOC power transmission capacity was 36,245 MVA</li> </ul>

Kazakhstan Development Strategy Outcomes Supported by CPS	Milestones and Outputs	CPS Outcomes	Progress
<b>Building transport connectivity and lowering costs</b>	<ul style="list-style-type: none"> <li>Road users survey introduced to assess service satisfaction levels along 1,062 km section of WE-WC Road Corridor (between Shymkent and border of Kyzylorda/Aktobe Oblast), with number of users interviewed by Committee for Roads increasing from zero in 2012 to 500 by 2017.</li> </ul>	<ul style="list-style-type: none"> <li>Increased transport efficiency through reduction in road-user costs and rate of road crash fatalities along 1,062 km section of WE-WC Road Corridor by at least 10% by 2017 (in 2007: road users' cost was US\$0.26 per vehicle-km and road crash fatalities were 11/100 million vehicle-km).</li> <li>IFC invested in rail leasing company.</li> <li>IFC advises Government to structure and implement an international tender for the BAKAD.</li> </ul>	<ul style="list-style-type: none"> <li><b>On track</b>—as of December 2015, government data shows 66% reduction in crash fatalities in Southern Kazakhstan and Kyzylorda regions and 72% reduction in road-user costs.</li> </ul>
<b>AREA OF ENGAGEMENT 2: STRENGTHENING GOVERNANCE AND IMPROVING EFFICIENCY IN PUBLIC SERVICES DELIVERY</b>			
<b>Country Development Goal: Improve public financial management and fight corruption</b>			
<b>Improving governance</b>	<ul style="list-style-type: none"> <li>Civil service ethics/code of conduct provisions strengthened in the Civil Service Law.</li> <li>Law on Combating Legalization of Illegally Gained Income and Financing of Terrorism amended in accordance with international standards.</li> </ul>	<ul style="list-style-type: none"> <li>Physical inspections of import declarations by customs reduced from 70% in 2007 to 20% by 2017; and average customs processing time at border posts (24 hours in 2010) reduced by 75% by 2017 as evidenced from client surveys.</li> </ul>	<ul style="list-style-type: none"> <li><b>On track</b>—physical inspections down to <b>18% by 2014</b>, compared to 70% in 2007; and average customs processing time at border posts down to <b>7 hours by 2014</b>, compared to 24 hours in 2010, based on client surveys.</li> </ul>
<b>Strengthening budget and accounting institutions</b>	<ul style="list-style-type: none"> <li>Links between ministry budgets and medium-term strategic and policy objectives of Government improved by introduction of non-financial results indicators to assess budget proposals and monitor performance; rollout of new system to subnational governments initiated.</li> <li>IPSAS adopted.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in e-procurement transactions (25,000 in 2012) by 20% by 2017, and efficiency of e-procurement system enhanced by introduction by 2014 of electronic reverse auction system.</li> <li>Quality and efficiency of public spending improved through</li> </ul>	<ul style="list-style-type: none"> <li><b>On track</b>—as of December 2015, all public procurement undertaken through e-procurement. Reverse auction system functional since June 2014. Shopping and NCB consistent with World Bank procurement guidelines. E-reverse auction system eligible for procurement of simple goods under Shopping.</li> <li><b>Off track</b>—no reviews undertaken since FY12, but one review tentatively planned</li> </ul>

Kazakhstan Development Strategy Outcomes Supported by CPS	Milestones and Outputs	CPS Outcomes	Progress
	<ul style="list-style-type: none"> <li>Audit system strengthened to perform financial and performance audits in accordance with good practice norms.</li> </ul>	<ul style="list-style-type: none"> <li>introduction of targeted reviews of selected areas on rolling basis, with at least four reviews completed during 2013–16.</li> <li>International standard user satisfaction survey on quality and reliability of statistical data introduced in 2012 with 80% satisfaction rates by 2017.</li> </ul>	<p>for FY17.</p> <ul style="list-style-type: none"> <li><b>Completed</b>—2014 user satisfaction survey showed 95% satisfaction with statistical data. Ongoing 2016 survey will assess whether this level of satisfaction has been maintained.</li> </ul>
<b>Country Development Goal: Raise efficiency in delivering critical public services</b>			
<b>Reforming social protection system</b>	<ul style="list-style-type: none"> <li>Regulations governing mandatory defined contribution to pension fund are revised to improve sustainability of system.</li> </ul>	<ul style="list-style-type: none"> <li>Conditional cash transfers piloted in at least two regions; and, depending on need, gender parity targeted in activation support services utilization.</li> </ul>	<ul style="list-style-type: none"> <li><b>Completed</b>—Conditional cash transfers piloted in three regions in 2013 and pilot stage continues. However, they did not include gender parity data.</li> </ul>
<b>Sharpening strategic approach to health reforms</b>	<ul style="list-style-type: none"> <li>Food safety regulations and norms aligned with WTO requirements.</li> <li>Interventions with proven success to positively affect male life expectancy are piloted.</li> </ul>	<ul style="list-style-type: none"> <li>By 2016, 10% reduction in population's out-of-pocket health expenditures as share of total health expenditures (32.9% in 2010).</li> </ul>	<ul style="list-style-type: none"> <li><b>Off track</b>—in 2014, population's out-of-pocket health expenditures increased to 45% of total health expenditures.</li> </ul>
<b>AREA OF ENGAGEMENT 3: ENSURING DEVELOPMENT IS ENVIRONMENTALLY SUSTAINABLE</b>			
<b>Country Development Goal: Fight climate change with a cleaner environment</b>			
<b>Safeguarding the environment</b>	<ul style="list-style-type: none"> <li>Build-up of hazardous pollutants from prioritized sources in Ust-Kamenogorsk's groundwater (outside industrial zone) stopped, and rehabilitation of polychlorinated biphenyls (PCB) contaminated sites underway.</li> <li>Cluster-based gas utilization approach introduced in Kyzylorda, leading to reduced gas flaring and reliable supply of processed gas for local household and industrial</li> </ul>	<ul style="list-style-type: none"> <li>Reforestation of 44,000 ha completed;</li> </ul>	<ul style="list-style-type: none"> <li><b>Completed</b> - Remediation of five industrial waste dump polluting the air and groundwater completed, with 26 ha of highly contaminated land managed, including the PCB contaminated site; groundwater quality monitoring system established; and levels of heavy metal pollution in the groundwater near the city drinking water well-field below international limits.</li> <li><b>Completed</b>—reforestation of 46,000 ha</li> </ul>

Kazakhstan Development Strategy Outcomes Supported by CPS	Milestones and Outputs	CPS Outcomes	Progress
	needs.	<p>and damage from forest fire in Irtysh Pine Forest reduced by 50% by 2017 (9 ha per case of fire on average during 2009–11).</p> <ul style="list-style-type: none"> <li>Water supply systems rehabilitated in 113,000 ha covering four southern <i>oblasts</i>, bringing water distribution by service providers to levels demanded by farmers.</li> </ul>	<p>completed and fire damage in Irtysh Pine Forest reduced by 70%; 61,000 ha of the dry Aral seabed covered with vegetation; 650,000 ha of forest under improved fire management.</p> <ul style="list-style-type: none"> <li><b>Off-track</b>—owing to delay in effectiveness of the Second Irrigation and Drainage Project.</li> </ul>
<b>Raising energy efficiency</b>	<ul style="list-style-type: none"> <li>Comparative energy consumption in targeted public and residential sectors reduced by at least 10%.</li> </ul>	<ul style="list-style-type: none"> <li>IFC providing advisory services on renewable energy and energy efficiency at two levels: (a) policy level, to open up new markets through removing legal and regulatory barriers to private investments; and (b) company level, to provide targeted assistance to first-mover private sector renewable energy and utility efficiency projects.</li> </ul>	<ul style="list-style-type: none"> <li><b>Off track</b>—owing, among others, to delay in effectiveness of the World Bank Energy Efficiency Project.</li> </ul>

**ANNEX 4A: Joint Economic Research Program (JERP) - Planned and Actual Deliveries, FY12–13<sup>12</sup>**

(as of June 30, 2016, by Area of Engagement)

<b>CPS PLANS</b>		<b>STATUS (as of 06/30/16)</b>
<p><b>Area 1: Competitiveness and Job Creation</b> [12]</p>	<ul style="list-style-type: none"> <li>• Reducing vulnerability to external shocks</li> <li>• Improving competitiveness through lower trade barriers</li> <li>• Improving conditions for doing business to increase competitiveness and facilitate economic diversification</li> <li>• Enhancing productivity and competitiveness</li> <li>• Improving the insolvency system</li> <li>• International Financial Reporting Standards (IFRS) application for SMEs (Phase 2)</li> <li>• TA to strengthen PPP development</li> <li>• Education system analysis to improve quality</li> <li>• Postgraduate education development</li> <li>• Strengthening agricultural strategy and livestock policy</li> <li>• Roundtable on global economic and social prospects</li> <li>• Improved approach to agricultural strategy, policy, and budget formulation</li> </ul>	<p>Completed FY13</p> <p>Completed—multiyear activities FY12–14</p> <p>Completed—multiyear activities FY12–14</p> <p>Completed—two-year activities FY12–13</p> <p>Completed—multi-year activities FY12–16</p> <p>Completed FY12</p> <p>Completed FY13</p> <p>Ongoing—multiyear activities FY12–17</p> <p>Completed FY12</p> <p>Completed FY12</p> <p>Completed FY12</p> <p>Completed—two-year activities FY13–14</p>
<p><b>Area 2: Governance and Public Services</b> [10]</p>	<ul style="list-style-type: none"> <li>• Improving approaches to results-based budgeting</li> <li>• Intergovernmental relations and territorial development</li> <li>• Enhancing state borrowing and public debt management</li> <li>• Modernizing social sphere</li> <li>• Strengthening pension system</li> <li>• TA to build capacity of Kazakhstan’s internal audit system</li> <li>• Developing public e-procurement system</li> <li>• Further improving financial monitoring system (AML/CFT)</li> <li>• TA to civil service agency for civil service reform</li> <li>• EITI</li> </ul>	<p>Completed—multiyear activities FY12–13</p> <p>Completed FY13</p> <p>Completed—multiyear activities FY12–14</p> <p>Completed FY13</p> <p>Completed FY12</p> <p>Completed FY13</p> <p>Completed FY13</p> <p>Completed—multiyear activities FY12–13</p> <p>Completed—multiyear activities FY12–13</p> <p>Completed—multiyear activities FY12–14</p>
<p><b>Area 3: Environmentally Sustainable Development</b></p>	<ul style="list-style-type: none"> <li>• Economic costs of pollution and potential for cleaner and greener industrial production</li> </ul>	<p>Completed—multiyear activities FY12–14</p>

<sup>12</sup> See Report No. 67876-KZ, March 30, 2012, Table 2 (page 19)—plans for FY12–13.

**ANNEX 4B: Joint Economic Research Program (JERP) - Ongoing Activities, FY14–17**

<b>CPS PLANS</b>		<b>STATUS (as of 06/30/16)</b>
<p align="center"><b>Area 1: Competitiveness and Job Creation</b> [12]</p>	<ul style="list-style-type: none"> <li>• Identifying potential barriers to new and emerging industries</li> <li>• Implementation support for transparent selection, monitoring and evaluation of innovation grants</li> <li>• Attracting investment through policy and institutional mechanisms for PPPs</li> <li>• Investment promotion in high-value food supply chains and retailing</li> <li>• Priorities for sustainable development of animal nutrition</li> <li>• Improvement and further development of Kazakhstan logistical system</li> <li>• TA in mining sector (three annual tasks)</li> <li>• Improved policy for competition protection and regulation of natural monopolies</li> <li>• Development of economy-wide, sector-specific policy and institutional framework to attract and retain investors</li> <li>• Services sector gap analysis and action plan for industrial development</li> <li>• Implementation of entrepreneurship regulation concept, including through analysis of Regulatory Impact Assessment</li> <li>• Establishment of policy and institutional road map for urban agglomerations</li> <li>• Subnational Doing Business</li> </ul>	<p>Initiated and completed FY14 Initiated and completed FY15</p> <p>Initiated FY15, completed FY16 Initiated FY13, completed FY14 Initiated and completed FY14 Initiated and completed FY13 Initiated and completed FY13–14, FY14-15 Initiated and completed FY14 Initiated FY15—ongoing FY17</p> <p>Initiated and completed FY15 Initiated FY15—ongoing FY17</p> <p>Initiated FY15—ongoing FY17 Initiated FY16—ongoing FY17</p>
<p align="center"><b>Area 2: Governance and Public Services</b> [12]</p>	<ul style="list-style-type: none"> <li>• Social policy for growth</li> <li>• Migration policy</li> <li>• TA in selected tax areas</li> <li>• TA regarding integration of fiscal agencies</li> <li>• Improving performance orientation of budget management through streamlined strategic planning and budgeting</li> <li>• Improving legal framework for housing and communal services</li> <li>• Jobs—analysis of sector-specific barriers and opportunities</li> <li>• Strategy to support functioning of labor market institutions</li> <li>• Developing social health insurance system</li> <li>• Improvement of social safety net system</li> <li>• Analysis of current measures supporting agriculture and of alternative measures consistent with WTO</li> <li>• TA to strengthen financial sector stability</li> <li>• Implementation support for reforms to strengthen public accountability and transparency</li> <li>• Advisory support for the Revenue Code development</li> <li>• Advisory support for the new Budget Code development</li> </ul>	<p>Initiated FY13, completed FY14 Initiated and completed FY14 Initiated FY14, completed FY15 Initiated and completed FY15 Initiated FY15, completed FY16</p> <p>Initiated and completed FY15 Initiated and completed FY15 Initiated and completed FY15 Initiated FY15, completed FY16 Initiated FY14—ongoing FY17 Initiated FY15, completed FY16</p> <p>Initiated FY15, completed FY16 Initiated FY15, partly completed FY16 Initiated FY16—ongoing FY17 Initiated and completed FY16 Initiated and completed FY15</p>

<b>CPS PLANS</b>		<b>STATUS (as of 06/30/16)</b>
	<ul style="list-style-type: none"> <li>• Reforming housing and communal services—district heating</li> <li>• Strengthening public sector internal audit</li> <li>• Review of international practices to improve the SOE structure</li> <li>• TA in macroeconomics (annual tasks)</li> <li>• TA in drafting Kazakhstan 2025 Strategic Development Plan</li> <li>• Analytical support to Digital Kazakhstan 2020 Program</li> </ul>	<p>Initiated FY15—ongoing FY17</p> <p>Initiated and completed FY16</p> <p>Initiated and completed FY15 and FY16</p> <p>Initiated and completed FY16</p> <p>Initiated FY16—ongoing FY17</p>
<p><b>Area 3: Environmentally Sustainable Development</b> [6]</p>	<ul style="list-style-type: none"> <li>• Improving framework for efficient integrated solid waste management</li> <li>• Probabilistic disaster risk assessment and risk financing strategy</li> <li>• Road map for strengthening water management for improved efficiency and security</li> <li>• TA/implementation support for modernizing and strengthening irrigation and drainage efficiency</li> <li>• Developing renewable energy market, including through support to SMEs</li> <li>• National assessment of climate-change-related risks and formulation of mitigation strategy</li> </ul>	<p>Initiated and completed FY15</p> <p>Initiated FY14, completed FY15</p> <p>Initiated, completed FY15</p> <p>Initiated FY15, completed FY16</p> <p>Initiated FY15, completed FY16 (jointly with IFC)</p> <p>Initiated and completed FY15</p>

**ANNEX 5: Planned Lending and Actual Deliveries, FY12–13 and FY14–17**

CPS PLANS (at entry 03/30/12) <sup>13</sup>			STATUS (as of 06/30/16)	
<b>2012</b>	East-West Roads	1,200.0	Approved 05/01/12	1,068.0
	Energy Efficiency (Swiss Trust Fund)	20.0	Forwarded to FY13	0.0
	Youth Corps (Swiss Trust Fund)	20.0	Forwarded to FY14	0.0
	Hazardous and POPs Waste Management	34.0	Forwarded to FY18	0.0
	<b>Subtotal:</b>	<b>1,274.0</b>	<b>Subtotal:</b>	<b>1,068.0</b>
<b>2013</b>	Energy Efficiency (Swiss Trust Fund)	0.0	Approved 05/22/13	21.8
	2nd Irrigation and Drainage Improvement	105.0	Approved 06/27/13	102.9
	Syr Darya Control and North Aral (Phase II)	106.0	Forwarded to FY18	0.0
	<b>Subtotal:</b>	<b>211.0</b>	<b>Subtotal:</b>	<b>124.7</b>
<b>CPS PLANS, FY14-17</b>			<b>STATUS (as of 06/30/16)</b>	
<b>2014</b>	Youth Corps (Swiss Trust Fund)	0.0	Approved 03/26/14	21.8
	Electricity Transmission	0.0	Dropped	0.0
	Justice Sector Institutional Strengthening	36.0	Approved 03/19/14	36.0
	Public Sector Accounting Reform	0.2	Approved 06/12/14	0.2
	<b>Subtotal:</b>	<b>36.2</b>	<b>Subtotal:</b>	<b>58.0</b>
<b>2015</b>	Fostering Productive Innovation	88.0	Approved 12/22/14	88.0
	SME Competitiveness	40.0	Approved 03/02/15	40.0
	Skills and Jobs	100.0	Approved 03/30/15	100.0
	<b>Subtotal:</b>	<b>228.0</b>	<b>Subtotal:</b>	<b>228.0</b>
<b>2016</b>	Macroeconomic Management and Competitiveness DPL	1,000.0	Approved 11/03/15	1,000.0
	Social Health Insurance	80.0	Approved 04/27/16	80.0
	Center-West Regional Development Corridor	978.0	Approved 06/09/16	978.0
	<b>Subtotal:</b>	<b>2,058.0</b>	<b>Subtotal:</b>	<b>2,058.0</b>
<b>2017<sup>14</sup></b>	Education System Modernization	80.0	Planned 2nd quarter	80.0
	Climate Change and Mitigation	10.0	Planned 3rd quarter	10.0
	Center-South Regional Development Corridor	645.0	Planned 2nd quarter	645.0
	<b>Subtotal:</b>	<b>735.0</b>	<b>Subtotal:</b>	<b>735.0</b>
	<b>Total FY12–13:</b>	<b>1,485.0</b>	<b>Total FY12–13:</b>	<b>1,192.7</b>
	<b>Total FY14–17:</b>	<b>3,057.2</b>	<b>Total FY14–17:</b>	<b>3,079.0</b>

<sup>13</sup> See Report No. 67876-KZ, March 30, 2012, Table 2 (page 19)—plans for FY12–13.

<sup>14</sup> FY17 lending scenarios may be subject to change.

## ANNEX 6: Kazakhstan - IFC Advisory and Investment Services

	CPS Areas of Engagement		
	1	2	3
<b>IFC Advisory Services</b>			
Central Asia Corporate Governance Project - Kazakhstan	√		
Tax Transparency and Industry-Specific Regulatory Reform Product	√		
KZ_Microfinance Transformation Advisory Services (MFTP) (Building	√		
Agribusiness Standard Advisory Program in Europe and Central Asia	√		
Almaty Ring Road	√		
Central Asia and Caucasus Energy Infrastructure Program	√		√

<b>IFC's Outstanding Investment Portfolio as of March 31, 2016</b>			
Global Industry Group	Project	Committed	Balance
Financial Institutions	KMF Swap I	2,500,000	141,829
	KMF Swap	1,000,000	280,000
	Arnur_Swap#6	750,000	60,260
	KMF	2,683,319	2,683,319
	Arnur_Swap#5	187,226	184,143
	Sberbank KZ	22,209,826	22,209,826
	BCC Equity	7,792,273	7,792,273
Manufacturing, Agribusiness, and Services	Soufflet 2 MSK	8,895,377	8,895,377
	RG Brands	24,688,484	8,718,761
	Jambyl Cement RI	2,242,436	2,242,436
	Jambyl RI	1,018,466	1,018,466
	Altyn-IMS IV	965,000	965,000
	Jambyl Cement	22,603,950	22,603,950
Infrastructure and Natural Resources	ECT	32,927,816	32,927,816
	<b>TOTAL</b>	<b>130,464,173</b>	<b>110,723,456</b>

## ANNEX 7: Kazakhstan - Citizen Engagement

### Overview

1. The context for effective CE in Kazakhstan is still emerging. Voice and accountability indicators are in the lowest quintile worldwide, showing little change since 2000. While they correlate with corruption indicators, they contrast sharply with gradual improvements in government effectiveness and the rule of law (World Governance Indicators 2015). Although less than 10 percent of the population are estimated to be active civil society participants, Kazakhstan, unlike some other Central Asian neighbors, allows western-funded NGOs mostly focused on social projects and technical reform to operate in the country. Consistent with this, actions to mainstream CE according to Bank corporate requirements have improved noticeably, especially in investment projects, and with government support in key sectors. This annex summarizes recent progress toward mainstreaming CE in the country portfolio as well as remaining challenges and the way forward.

### Country Portfolio

2. In FY16, CE was ramped up both in terms of compliance and intensity in projects moving toward appraisal. In FY14–16, 75 percent of projects included some form of public consultation and beneficiary feedback surveys and 62 percent provided for grievance redress mechanisms (GRMs) as well as stronger forms of engagement such as participatory/third-party monitoring.

**Table 7.1: Compliance with Corporate Requirements for CE at Appraisal**

	<b>% Compliance Beneficiary Feedback Indicator</b>	<b>% Compliance Citizen-oriented Design</b>
Pre-FY14	50%	62%
FY14	100%	100%
FY15	75%	100%
FY16	100%	100%
Number of projects in portfolio currently compliant/not compliant	11 compliant/ 5 not compliant	13 compliant/ 3 not compliant

3. All projects approved in FY16 were compliant for both indicators, up from 50–62 percent in FY14, and there has been significant improvement in the types of engagement integrated into project design. Several included substantive CE platforms:

- The **Education Modernization Project** includes a CE framework comprising both national- and local-level actions. At the national level, three mechanisms will feed into national action plans: (a) a public consultation forum, with awareness building campaigns and commitment to public feedback and disclosure, will be held annually to enable broad stakeholder engagement in key policy and reforms; (b) third-party monitoring will provide an independent mechanism for compiling and channeling feedback on a rolling basis; and (c) a GRM will be institutionalized in the Ministry of Education and Science and include awareness building and public annual reporting. At the local level, community planning and monitoring will be supported in schools to improve performance through feedback and dialogue with teachers and school management and support community awareness raising on the benefits of

education, rights, roles and the national strategy and targets to improve education. Each of these components includes CE indicators in the results framework.

- In the **Social Health Insurance Project**, three areas of engagement have been designed to develop transparency and access to information, citizen, and civil society feedback on processes and services, as well as the multi-stakeholder dialogue that is needed to implement a challenging reform. First, a community monitoring mechanism aims to obtain direct feedback from health clinic and hospital patients concerning their experience in using these facilities. A complaints handling system is being reorganized to strengthen accountability, allowing issues such as staff misconduct, misuse of funds, abuse of power, sexual harassment, and other improper behavior to be communicated and thus addressed. The Ministry of Health and Social Development will organize a national multi-stakeholder review forum to disclose annual reports, ensure that community monitoring processes are complete, and that the annual GRM report is available. The forum will provide the ministry with the opportunity to provide open, candid information about the year's activities and provide a platform for open stakeholder dialogue, questions, and feedback.
- In the **Climate Change Project**, efforts to ensure the engagement of citizens in the planning and decision making of investments are supported by national-level activities to strengthen the Central Asia climate change network through an information and exchange platform, including targeted information campaigns for civil society, mechanisms for complaints and suggestions at various stages of project implementation, and annual third-party monitoring of program activities to check, inform, and disseminate lessons.

4. Nevertheless, challenges remain. The level of uptake of several CE instruments has been limited and more effort is needed to ensure efficacy and depth of engagement. The Central Asia GRM review indicated that the functionality and use of beneficiary feedback instruments, in particular the GRM, was limited. Of projects committing to include a GRM at appraisal, only half went on to fully or partially operationalize the mechanism for beneficiary feedback. As a result, in FY17, an action plan detailing remedial actions will help ensure that (a) projects are fully documenting complaints made and resolved through a broader set of channels; (b) high risk projects are supported and monitored to ensure a fully functioning GRM; and (c) where appropriate, in medium-risk projects, options for feedback are expanded.

5. Looking ahead, Kazakhstan has developed a country CE road map to cover the remainder of the CPS. Articulating country objectives, it specifies priority areas of focus, defines responsibilities, and sets out concrete steps and a time frame. It also includes country-level actions, sector/project-level actions, as well as country standards for reporting and monitoring. The matrix below summarizes the country CE road map, illustrating key elements and the targets proposed for the remainder of the CPS.

**Table 2: Kazakhstan CE Road Map**

<b>WBG Corporate Requirement</b>	<b>Proposed Action/Target</b>
<b>CPF</b>	<p><b>Deepen and clarify consultation process for CPF and DPLs.</b> By the end of the current CPS (FY17):</p> <ul style="list-style-type: none"> <li>• The World Bank will participate in public councils established in each ministry to enhance dialogue with civil society.</li> <li>• The scope and content of CE is described and agreed in the next CPF.</li> </ul>
<b>Investment Project Financing</b>	<p><b>Establishing CE in nationwide sector reforms:</b></p> <ul style="list-style-type: none"> <li>• <b>Education.</b> By FY19, CE systems that enhance voice and accountability are established in schools and at the national level</li> <li>• <b>Health.</b> By FY19, CE is established at three levels of dialogue (primary health care, hospitals, as well as dialogue forums for health reforms)</li> </ul> <p><b>Stepping Up CE in High-risk Projects</b></p> <ul style="list-style-type: none"> <li>• <b>Roads.</b> By FY19, two projects have ramped up CE to ensure consistency and continuity and to build an open and trusted approach to engagement with communities in Bank-financed roads projects</li> </ul>
<b>Beneficiary Feedback</b>	<p><b>Improvements to quality and utilization of beneficiary feedback:</b></p> <ul style="list-style-type: none"> <li>• <b>Beneficiary feedback.</b> By FY18, Kazakhstan will ensure it meets the 100% corporate target for Beneficiary Feedback Indicator and CE in all projects with direct beneficiaries, while ensuring quality through a set of agreed country standards (that is, Beneficiary Feedback instruments are conducted, at minimum, annually (not end of project), women’s feedback is disaggregated in all reporting, a mechanism is established to discuss and act on results, results are published and discussed in an open forum, and indicators measure the perception of beneficiaries with regard to the CE process.</li> <li>• <b>GRMs.</b> Efforts to improve the functionality of GRMs are being implemented, including in all high- and medium-risk projects a commitment to allow feedback on all project issues (not just resettlement-related issues); where possible, project GRMs will strengthen government systems, report complaints data in Aide Memoires and Implementation Status and Results Reports, and discuss results in annual portfolio reviews.</li> </ul>