

World Bank – Kazakhstan
Partnership Program Snapshot

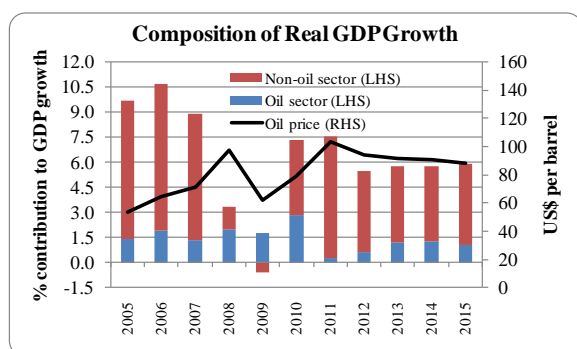


January 2012

RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Growth and External Performance

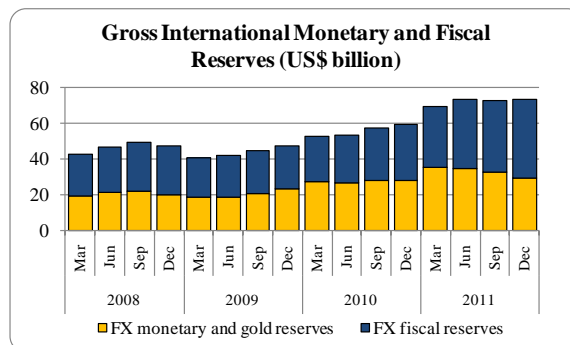
Kazakhstan maintained its strong recovery record from economic recession that affected the country in the first half of 2009. Kazakhstan's economy grew by 7.3 percent in 2010 and by 7.5 percent (official estimate) in 2011 as opposed to 1.2 percent GDP growth registered in 2009. Growth reflects a demand-driven recovery in capacity utilization in non-oil sectors from the low levels realized during the crisis (including rebound in agricultural output from the drought of 2010) and expansion of the oil industry in response to increase in commodity prices. Most non-resource sectors of the economy, however, continue to suffer from low productivity and competitiveness, and the country remains vulnerable to commodity price fluctuations.



Over the last two years, favorable developments at the commodities' markets have significantly improved the external position of Kazakhstan. At the time of the crisis, Kazakhstan authorities decided to use US\$10 billion of fiscal reserves to support the banking sector and provide fiscal stimulus to the economy. In addition, the central bank opted for spending a quarter (US\$6 billion) of its international monetary reserves to prevent excessive depreciation of the exchange rate. Later, when the world economy started recovering and oil prices consequently increased, Kazakhstan, as a large oil exporter, has benefited from higher commodities' prices, and external trade and fiscal balances significantly improved in 2010 and 2011. As a result, (combined) monetary and fiscal reserves increased by 25 percent in 2010 and rose additionally by 23 percent in 2011. As of end-2011, the total official international reserves accounted for US\$73 billion (around 40 percent of GDP). Consequently, in November 2011 the rating agencies S&P and Fitch both upgraded Kazakhstan's sovereign ratings by one notch, to BBB+ (stable outlook) and BBB (positive outlook), respectively.

The strong external position also helped the central bank to maintain the exchange rate stability and keep inflation within a targeted band of 6-8 percent. In

response to increasing food and fuel prices in late 2010 and early 2011, the central bank decided to allow a limited appreciation of the local currency in 2011. With some price control measures applied in 2011, inflationary pressure was contained, and the CPI went down to 7.4 percent in December 2011 as compared to 7.8 percent in December 2010.

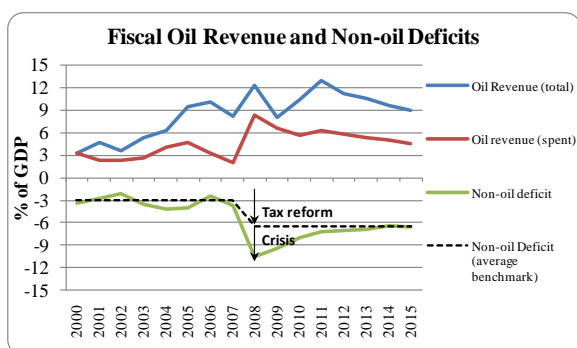


Establishment of the customs union (CU) between Kazakhstan, Russia and Belarus in January 1, 2010 marked a major change in the path of regional integration with important implications for Kazakhstan. The ultimate goal is the creation of a Common Economic Space (CES) for the market of 170 million people by 2012. The CU Customs Code of July 2010 incorporates a common external tariff structure (with a number of temporary exemptions). The CU has largely adopted the Russian tariffs. For Kazakhstan, the average tariff has increased from 6.7 percent before the CU to 11.5 percent after the CU and lead to a displacement of imports from third countries and higher costs of imports, but also to larger revenues. On the positive side, harmonization and simplification of standards seem to generate potential benefits and prospect of reduced costs of trade between Kazakhstan and Russia with elimination of internal border controls (effective since July 1, 2011).

The authorities are pursuing accession to the World Trade Organization (WTO). However, the higher CU tariffs are likely to pose problems in light of Kazakhstan's previous commitments to the members of its Working Party at the WTO. Most likely, Kazakhstan will follow Russian Federation whose membership was approved by the WTO on December 16, 2011 with a legally binding ceiling set for Russia at 7.8 percent to be met within three years after accession. This means that the CU tariff will follow Russia's agreement with the WTO and will open more space for Kazakhstan to finalize its negotiations by the end of 2012. The World Bank continues providing analytical and technical support to the Kazakhstan authorities in the area of trade policy.

Public Sector Performance and Financial Management

The Government of the Republic of Kazakhstan (GoK) intends to phase in a fiscal consolidation program during the post-crisis period, which is consistent with its anti-cyclical fiscal policy. A fiscal rule of limiting budget spending of oil revenues to US\$ 8 billion a year has already been put in place. Furthermore, the government intends to lower its non-oil deficit to 3 percent of GDP by 2020. In 2010, the non-oil deficit accounted for around 8 percent of GDP, which was financed by oil revenue transfer from the oil/fiscal reserve fund (5.5 percent of GDP), domestic borrowing (1.5 percent of GDP), and external borrowing from multilaterals (1 percent of GDP, 70 percent of which was covered by the World Bank's US\$1 billion Development Policy Loan). In 2011, the non-oil deficit is estimated at 7 percent of GDP. To adhere to the deficit target, the government has already started implementing a set of revenue boosting measures (e.g. increased excise rates and reintroduced customs duty on oil exports) and measures aimed at cutting its non-priority spending (e.g. reduced subsidies to state-owned enterprises and downsized its administrative apparatus by 15 percent). These measures will help the authorities to put its finances back on a sustainable track, but off-budget operations would still require closer monitoring by the authorities.

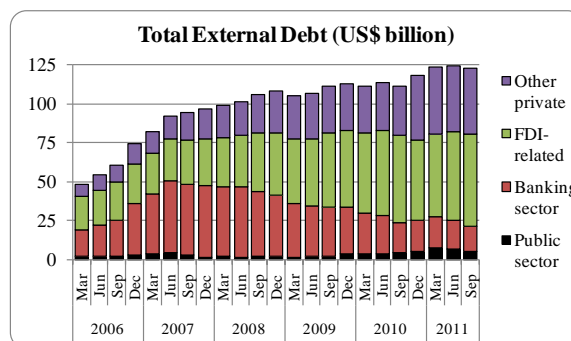


Kazakhstan maintains sound public finance management (PFM) system and pursues continued reform of the system. The budgetary reform has been a top priority in Kazakhstan since 2000. The key goal of the reform agenda is to move towards integration of planning and budgeting processes, and performance-based budgeting in the country. Kazakhstan's treasury system is considered as one of the best in the Europe and Central Asia (ECA) region. Single Treasury Account and Treasury Integrated Information System were introduced in 2001-2004. Current reform agenda includes further strengthening of IT systems and changing accrual financial accounting from the current Soviet-era standards/policies to International Public Sector Accounting Standards (IPSAS). All public procurement activities are conducted following procedures of enhanced procurement legislation. There are initiatives to expedite implementation of e-procurement.

The Bank assists the PFM reforms in Kazakhstan through multi-ranging activities, including: (i) follow-up activities to the Development Policy Lending operation aimed at strengthening public resource management (including oil revenues); (ii) the ongoing Customs Modernization Project; (iii) recently launched Tax Administration Reform Project; (iv) the IDf grant for capacity development of the supreme audit institution; and (v) the Joint Economic Research Program (JERP) involving technical assistance for improvement of basic principles of results-based budgeting and intergovernmental relations; development of public debt management strategy; application of international financial reporting standards for small and medium-size firms; development of public e-procurement system; improvement of the insolvency system; facilitating of Extractive Industries Transparency Initiative (EITI); and development of statistical capacity.

Financial Sector Performance

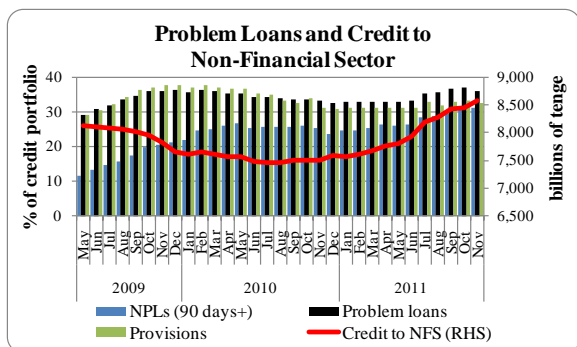
The restructuring of three commercial banks in 2010 reduced uncertainty and improved most prudential indicators in the banking sector, but problems persist. Three banks, including the country's biggest bank, were restructured in the aftermath of the financial crisis, in which creditors accepted large haircuts on their claims. The regulatory capital adequacy requirement of at least 12 percent was initially met by all commercial banks. The debt restructuring has also substantially reduced the external indebtedness of the banking sector from US\$30 billion at the end of 2009 to around US\$16 billion currently. However problems persist, in particular, BTA, one of the restructured banks, is expected to default in its liabilities in January and has now become insolvent as it emerged that a large funds injection originally accounted as equity is in fact a (high cost) loan.



Unresolved non-performing loans (NPLs) are now the biggest concern for the financial sector and an important problem for the private sector. Banks have recognized NPLs in the amount of US\$23 billion as of July 2011 (15 percent of GDP, 35 percent of loans), but informal estimates place NPL figures twice as high as official figures. Half of NPLs are concentrated in the three

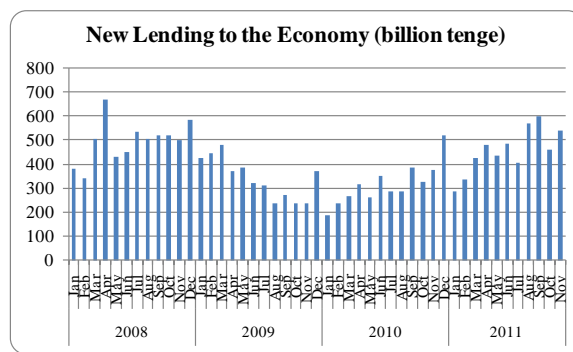
failed and nationalized banks. Thirty one percent of the credit portfolio has been set aside as provisioning against non-performing loans. While this provisioning may seem sufficient to maintain stability in the financial sector, these resources that could have been used for new lending are being tied up. This impedes private sector enterprises from making new investments and obtaining sufficient working capital. At the same time, high loan losses have made banks overly risk averse, demanding high levels of collateral and reducing the tenor and volume of credit available. This affects particularly those firms that have limited assets (typically SMEs and new firms) in spite of economically viable projects. Limited tenors reduce firms' ability to finance long-term capital investments required to support the country's economic diversification objectives.

The authorities' response to the overhang of NPLs in the banking system contains many good-practice elements; but seems limited in scope. The National Bank of Kazakhstan (NBK) is designing a Second Distressed Asset Fund (DAF-2), a publicly owned asset management company that will purchase non-real estate related NPLs. However, the scope of the fund is limited, with ability to purchase only around 10 percent of NPLs in the system. Beyond this, the NBK is designing special purpose vehicles (SPVs) within each intervened bank, to work out NPLs in the real estate and corporate sectors. Finally, interest rates have been subsidized for financially distressed corporate borrowers. These programs will reduce NPLs on banks' balance sheets and allow a time-bound, tailored approach to resolving different asset classes (real estate, corporate, etc.). They should also allow the banks' management to focus on core business.



New lending to the Kazakh economy remained depressed in 2010, but recent trends reveal some signs of domestic credit market revival. In 2011, the outstanding credit provided by the banking sector to the economy was 13 percent higher than in 2010 with new lending 46 percent higher than a year ago. At the same time, lending in foreign currency is going down. The share of lending in foreign currency has declined to 36 percent reflecting in part regulatory efforts to curb foreign currency lending. If oil prices remain high, they will put an upward

pressure on the Kazakh Tenge that may strengthen the de-dollarization trend.



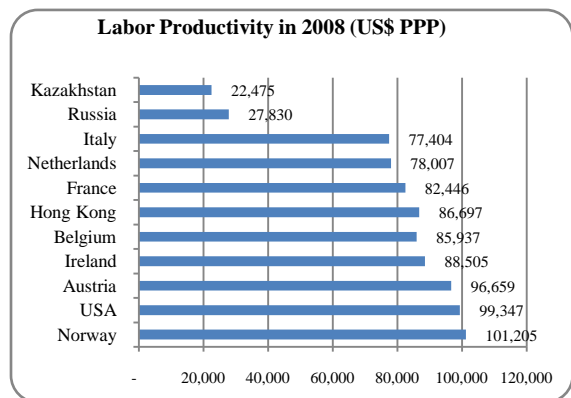
The World Bank is working with the Government on financial sector reforms through several technical assistance projects along with ongoing policy dialogue. The Bank's Development Policy Operation supported the Government's reforms to address financial sector vulnerabilities. The World Bank team is continuing dialogue with the authorities on banking sector regulatory reform. In addition, as part of the Joint Economic Research Program for 2012, the Bank is: (i) preparing an Insolvency and Credit Rights report under the World Bank's ROSC program (ROSC – Reports on the Observance of Standards and Codes); and (ii) providing technical assistance to the Ministry of Finance on improving the insolvency system in the country.

Private Sector Performance

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

Labor productivity in Kazakhstan has grown in recent years but much remains to be done in key sectors, especially in agriculture and manufacturing. In 2008, average labor productivity in Kazakhstan in Purchasing Power Parity terms was around two-thirds the level in Russia but just one-fifth that in the US. Agriculture, in particular, lags behind the global possibilities frontier, with labor productivity of 1 percent that in the US. The extractive industry sector is the most productive in Kazakhstan with one-third the labor productivity of the US. Improving productivity and competitiveness in

Kazakhstan requires a mix of private initiative and public support to stimulate investment in physical capital to modernize production processes, adoption and development of new technologies to accelerate the pace of technological change in the country, development of human capital to enhance managerial and technical skills, as well as public investment in basic infrastructure, and continued efforts aimed at improvement of the environment for private entrepreneurs.



The Government plans to address these challenges through structural reforms and selective financial support and investments. The Government’s medium-term agenda for stimulating private sector investment, productivity, and economic diversification is outlined in the State Program for Accelerated Industrial and Innovative Development 2010-2014. Efforts will be directed towards improving the business environment, strengthening market competition, modernizing large and medium enterprises, and stimulating private sector innovation, particularly in new high value-added export-oriented manufacturing. In addition, the state will make selective investments in industries, including telecommunications and transport.

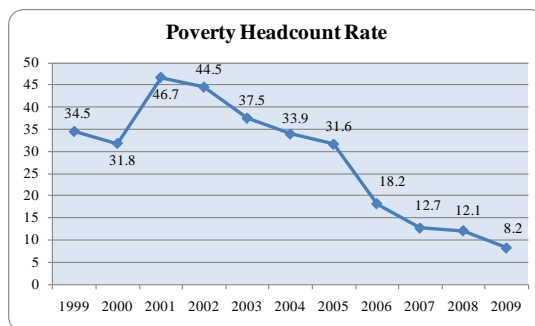
Recently the Government has accelerated reform efforts in business enabling area to ensure an increase in necessary investment to the non-oil industry and has shown good commitment. The results of this commitment are shown in reforms in wide-ranging areas, with Kazakhstan's ranking on the Doing Business indicators improving from 74 in 2010 to 59 in 2011. According to the Doing Business 2011 report, Kazakhstan was the top reformer in improving the ease of doing business for entrepreneurs. Kazakhstan improved conditions for starting a business, dealing with construction permits, protecting investors, and trading across borders. The pace of reforms has been maintained and this year the Government has implemented additional reforms in various aspects of the business environment.

The World Bank is working closely with the Government on this agenda by providing technical assistance under the Joint Economic Research Program. The World Bank is continuing its two year

engagement with the Ministry of Economic Development and Trade begun in 2009 in coordinating business environment reforms to improve the economy’s Doing Business indicators. Over the past fiscal year the World Bank also collaborated closely with the Ministry of Industry and New Technologies assisting the development of financial and technical support mechanisms for stimulating R&D, innovation, enterprise modernization and development of value chains. In July 2011 the Government requested for the Bank’s engagement in several three-year tasks to maintain and expand work on the business environment reform and assist the work of the Ministry of Industry and New Technologies on mechanisms to enhance productivity and competitiveness.

Poverty and Social Protection

For the past decade there has been a significant reduction of poverty headcount rate in Kazakhstan, although the poverty line (currently set at \$2.25) is low for an upper-middle income country. The gap between urban and rural living standards still remains -- the poverty headcount is under 5 percent in urban areas, while it is about 10 percent in rural locations. Poverty profile reveals that headcount poverty rates decline with rising education. Poverty is lowest in households in which the head of the household is employed in a formal job, and highest in households in which the head is out of the labor force or unemployed. On average, the poverty rate is higher in households headed by a public sector employee, compared with households headed by a private sector employee. Poverty is higher in larger households and in households with small children.



Overall, about 30 percent of the population receives some form of social assistance, which is low by the standards of upper-middle-income countries. This low coverage is related to the low value of income eligibility threshold which is set per person at about a dollar-a-day. Kazakhstan’s Social Safety Net consists of categorical and means-tested transfers. Categorical programs transfer about sixty percent of all their resources to the population in two lowest quintiles of income distribution. The means-tested program is more cost-efficient, transferring almost 90 percent of all resources to the two lowest quintiles. Yet, it has suffered from reductions in real budget outlays, and

now it covers less than one percent of the population. To prevent it from further contracting, it needs to be reformed to include activation elements that focus on graduating prime-aged, able-bodied recipients from reliance on assistance to employment.

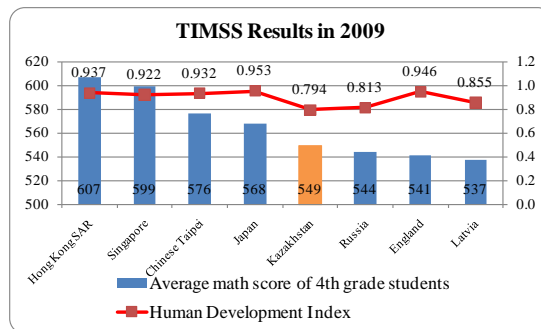
Kazakhstan’s pension system was transformed from a pay-as-you-go (PAYG) scheme to a contribution-based, fully-funded accounts scheme in 1998. Real returns have hovered around zero, given risk aversion of the funds and limited opportunities for portfolio diversification. The financial crisis has added to dissatisfaction with funded pillar returns. Current pensioners continue to rely almost exclusively on state pensions while lump sum distributions from individual accounts remain small. In response to the decreasing purchasing power of pensions, a basic pension was introduced in 2005 and pensions continue to be augmented each year at a rate exceeding inflation. The government is now considering further reform options

The World Bank’s engagement with the Government of Kazakhstan in Social Protection sector is underpinned by the Joint Economic Research Program and currently comprises three tasks. The first two tasks aim at (i) assisting Government of Kazakhstan in introducing elements of activation and Conditional Cash transfers, so that the resulting Social Safety Net SSN is flexible, incentive-compatible, and proactive, and (ii) improving options for formalization of employment through the identification of the main obstacles to the growth of formal employment and improving incentives for formalization.. The third technical assistance task focuses on assisting Kazakh Ministry of Labor and Social protection the assessment of the current pension system and making recommendations for policy changes that will enhance the performance of the system.

Education

In 2009, Kazakhstan ranked first on the UNESCO EFA Development Index by achieving universal primary education (99 percent), adult literacy (99.6 percent), gender parity (99.3 percent), and a close to 100 percent progression rate to grade 5. These results have reflected Kazakhstan’s efforts of expanding the coverage of pre-school age children and a guaranteed provision of free compulsory secondary education. Public expenditures on education have been growing from 2.8 percent in 2008 to 3.2 percent of GDP in 2009, though still lower than average OECD benchmarks of 6-7 percent. For the first Kazakhstan participated in Trends in International Mathematics and Science Study (TIMSS) in 2007, and in Program for International Student Assessment (PISA) in 2009. Kazakhstan fourth-grade students scored relatively high in both mathematics (5th place) and science (11th

place) in TIMSS. However, the newly released results of PISA were disappointing pointed to the unfinished agenda on further raising student learning achievement beyond basic literacy and numeracy.



In recent years Kazakhstan shifted its focus on post basic education. One of the priorities is modernization of technical and vocational education (TVE) which has not received due attention for some years. The TVE development priorities are reflected in the newly introduced State Program on Accelerated Industrial and Innovational Development for 2010-2014 with one of the key objectives to establish a competitive and productive workforce in the priority sectors. Introduction of the unified centralized National University Entrance Test in 2004 along with the launch of a new per-capita financing approach in higher education helped to improve access and transparency. Yet, this national assessment instrument still falls short of fully incorporating modern international assessment standards and some work lies ahead to complete its modernization.

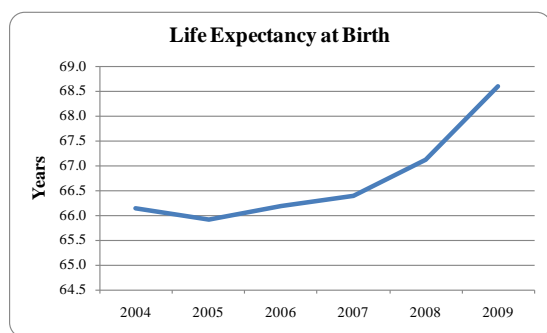
For the next ten years Kazakhstan is embarking on further major reforms across all education levels. As delineated in the State Program on Education Development for 2011-2020, the Government plans to achieve universal pre-school education by 2020, complete the transition to a 12-year model along with introduction of the per capita financing scheme and Board of Trustees at the secondary level. In 2010, Kazakhstan joined the Bologna process: a stepping stone towards establishing a three-level degree system of higher education in accordance with international standards. Improving quality of training and increasing funding at all levels, including that of higher and postgraduate education are among the remaining challenges, together with further systemic reforms.

The World Bank supports education sector in Kazakhstan through a two pronged approach: technical assistance implemented under the Joint Economic Research Program and an investment project supporting modernization of technical and vocational education. Building on the progress of the JERP activities in improving the quality of graduate education and modernization of the National University Entrance Test, a new programmatic technical assistance will be implemented

in the next three years aimed at raising learning outcomes of general secondary education. The program will use the framework of PISA and system benchmarking in student assessment, teacher effectiveness and school autonomy to level the Kazakhstan to international benchmarks and well performing systems. Technical and Vocational Education Modernization (TVEM) project which became effective on August 9, 2011 and will be implemented in the next three years seeks to raise the efficiency, quality, and relevance of TVE through an improved policy framework and institutional capacity.

Health Development

Kazakhstan is facing challenges in restructuring its healthcare system. The country's health outcomes are lagging behind its rapidly increasing income. At 68.6 years, its life expectancy is at the level of EU-15 in 1950 and lower compared to other countries of similar income in 2010. Non-communicable diseases such as cardiovascular and cancers, other tobacco- and alcohol-related diseases and injuries are major causes of adult mortality. Despite recent progress, maternal and child health remain challenges. Infant mortality and under-five mortality rates are 16.5 and 19.5 per 1,000 live births respectively, which is high by the standards of the upper-middle-income countries. Significant efforts will, therefore, be required for Kazakhstan to achieve related millennium development goals (MDG) by 2015. Similarly, with a maternal mortality ratio of 36.922.7 per 100,000 live births, the country would need to increase its current maternal mortality reduction rates over the next four years to reach MDG target.



The new State Health Care Development Program recognizes health as one of the country's major priorities and a pre-requisite for sustainable socioeconomic development. It aims at (i) enhancing effectiveness of inter-sectoral and inter-agency collaboration on public health issues; (ii) strengthening preventive services and improving diagnostics, treatment and rehabilitation of main socially important diseases and injuries; (iii) upgrading sanitary and epidemiological service; (iv) enhancing organization, management and financing of healthcare services; (v) improving medical and pharmaceutical education and introducing innovative technologies in the health sector; and (vi) enhancing

accessibility and quality of pharmaceuticals for the population as well as upgrading medical equipment in the health facilities.

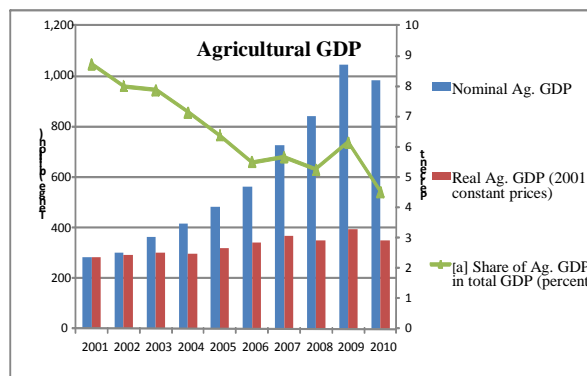
The World Bank supports the healthcare system reform through a comprehensive Health Sector Technology Transfer and Institutional Reform project.

The project aims at helping introduce international standards in the health sector and build long-term institutional capacity in the Ministry of Health and related health institutions. It deals with all aspects of health sector reform, including: (i) health financing, budgeting, planning and management; (ii) health care quality improvement; (iii) reform of medical education and medical science; (iv) health information system development; (v) pharmaceutical policy reform; and (vi) food safety and WTO accession.

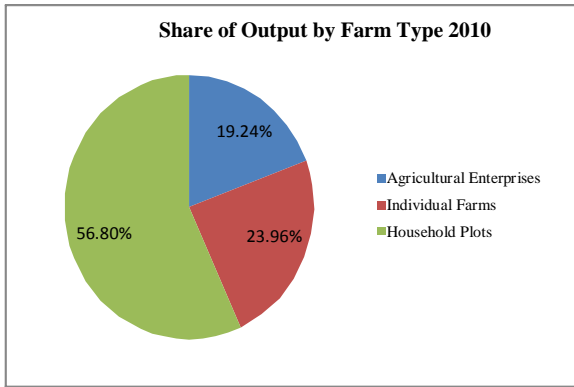
Agriculture Development

Sector growth averaged 2.9 percent in 2005-2010.

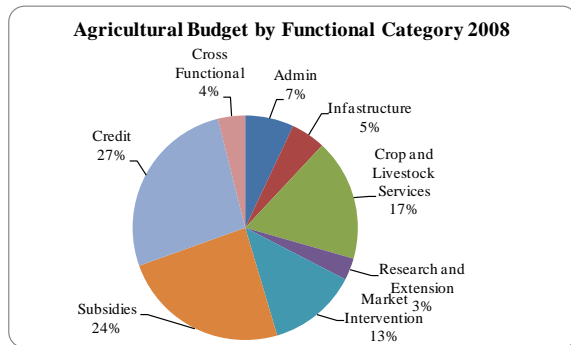
Although slower than the rest of the economy and uneven from year to year the growth is robust. Agricultural sector accounts for only 4.5 percent of GDP, but the sector continues to employ almost one third (28.3%) of the working population and is therefore critical to addressing poverty and food security, as well as providing an important avenue for diversification of the economy.



There has been some migration of labor out of the farm sector but farm structure has been slow to change, other than the establishment of some holding companies in the large farm sector. Agricultural labor declined from 36 percent of total employment in 2001 to 28 percent in 2010. The majority of labor is concentrated in the small farm sector which produces 50 percent of agricultural output, including over 80 percent of livestock output.



The government recognises the enormous untapped potential of the sector and is developing options for reform. Facilitating structural change in the sector will require creation of a more flexible land market. Encouraging greater access to finance will require that private and public financial institutions have the same access to preferential credit lines. Improving the efficiency of the substantial subsidies and credit programs and aligning them with WTO accession requirements would release substantial public funds for other important priorities. These include improvement of irrigation and drainage, research and advisory services, veterinary services, food safety and quality assurance systems, all of which are critical to improving the competitiveness of farms and agro-processors.

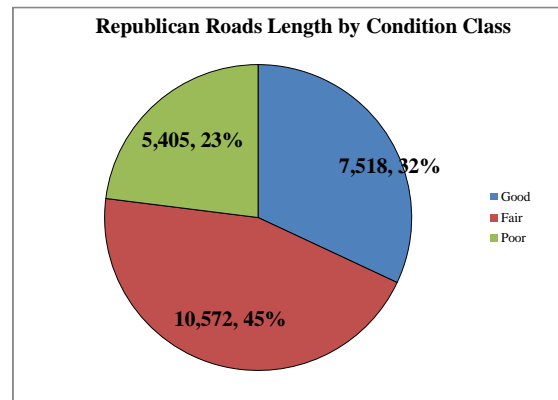


Key World Bank contributions include: (i) Irrigation and Drainage Improvement Project that helped to rehabilitate irrigation infrastructure; (ii) Agricultural Post-Privatization Assistance Project (Phases I and II, both completed) that supported inflow of the financial resources to the sector, provided technical assistance to the financial advisory network in the country and risk management in the agricultural sector; (iii) Agricultural Competitiveness Project that facilitates farmers' access to knowledge and markets. The Bank conducted a Public Expenditure and Institutional Review of the Agricultural Sector in 2009, which highlighted that Government support to the sector is adequate, but there is a need for reallocation of resources to provision of essential public services including advisory services, research and extension, provision of market information, sanitary and phyto-sanitary inspection and

veterinary services. The Bank work closely with the Analytical Center of Economic Policy in the Agricultural Sector under the Ministry of Agriculture to contribute to discussions of the various policy options when needed.

Transport

The overall development objectives for the transport sector in Kazakhstan are identified in the Government's Program on Development of Transport Infrastructure of Kazakhstan for 2010-2014. It emphasizes investment programs that include rehabilitation of the national road network, one forth of which is in poor condition, provision of selected additional infrastructure, particularly along the Central Asia Regional Economic Cooperation (CAREC) corridors, developing the country's potential as a transit country between Europe and Asia and institutional and legislative changes.



The geography, population, economy and trade flows of Central Asia have an important bearing on transportation challenges in Kazakhstan. Within the region, distances are substantial (2,000 km from the Kyrgyz Republic to Russia) and access to major markets involves very long travel distances. For the region, trade with Russia continues to be important with much of this trade transiting through Kazakhstan due to the availability of transport infrastructure. The establishment of a Customs Union between Kazakhstan, Russia and Belarus in January 2010 marked a major change in trade policy and regional integration. China is growing in importance as a trading partner for Central Asia, with Kazakhstan accounting for the largest share in trade flows.

The Government of Kazakhstan embarked on an ambitious roads development program in 2010 – the Western-Europe-Western China (WE-WC) International Transit Corridor Project (part of CAREC) - to stimulate economic growth and reduce poverty in the poorest parts of the country by improving access to regions, as well as providing employment in the construction sector and related services. Overall, about 65 percent of the total amount of the Project is co-financed by the IBRD, ADB,

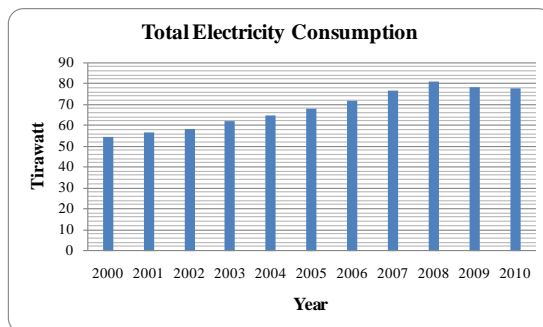
EBRD, JICA and IsDB, covering improvements to the 2,840 km road corridor linking Europe to Western China through Kazakhstan and Russia.

Among the objectives of the Bank’s Kazakhstan South-West Roads Project (SWRP) are: (i) the upgrading and reconstruction of 1,062 km of road sections within South Kazakhstan and Kyzylorda oblasts along the WE-WC Corridor; (ii) strengthening the institutional capacity of the Ministry of Transport and Communications and the Committee of Roads; and (iii) improving road safety and road services.

The Government of Kazakhstan continues working with the Bank on rehabilitation and development of the WE-WC corridor by seeking the Bank's support to finance East-West Road Project which is part of the Government’s long term strategy to stimulate sustained growth and improve competitiveness. The proposed Project will provide an efficient transport link from Khorgos, which is the primary road border crossing point between Kazakhstan and China and Almaty, one of the major economic centers of Central Asia. The proposed Project aims at increasing the efficiency and effectiveness of modern highway operation and maintenance by scaling up road transport sector reform efforts initiated under the on-going Bank-financed SWRP. It will also facilitate more efficient movements of goods and people and will improve road safety by providing improved conditions for the growth of industrial, agricultural, and commercial activities along the road and in adjacent towns and cities.

Energy

Kazakhstan’s rapid economic growth in the past decade has led to a sharp upswing in electricity consumption. As a result, the earlier generation surplus has disappeared and the supply-demand situation has become extremely tight. Power shortages, especially in the booming regions of southern Kazakhstan (including the Almaty region) have resurfaced in the winter periods of maximum electric loads, necessitating some restrictions on consumption with an adverse impact on regional economic development. The deteriorating state of regional electricity cooperation in Central Asia has further aggravated the supply deficit. Following the ongoing recovery from the economic slowdown in 2008-2009, electricity consumption is expected to increase rapidly and the power deficit in southern Kazakhstan may quadruple by 2020, hamstringing economic growth, unless new generation and transmission investments are undertaken in a timely manner.



Kazakhstan ranks among the most advanced countries in the Former Soviet Union (FSU) in the area of power sector reforms. The former vertically integrated sector was unbundled into separate generation, transmission and distribution subsectors. Most of the generation plants and regional distribution companies were privatized. In the wholesale market, there is strong competition among the generation companies, resulting in relatively low prices and lack of sufficient revenue for modernization and investments in new capacity. On the organized electricity spot market (KOREM) short-term electricity transactions are conducted electronically. A real-time electricity balancing market has been readied for live operation to start in January 2012. The transmission sector is technologically one of the most advanced in the FSU.

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

The Government, under its current sector development program, focuses on the expansion of generation capacity through new investments and modernization of existing capacity as well as extension of related transmission capacity amid growing threats of debilitating power shortages. The program consists of about a dozen major projects, including a large (2,640 MW) green-field coal-fired power plant at the Balkhash lake. Given the overall inhospitable investment climate on the generation side, the GoK has adopted “incentive wholesale tariffs” whereby administered tariffs are given to new investors in exchange for investment commitments. Establishment of an electricity capacity market is also under consideration to stimulate new investments through an auction-based market mechanism.

Since 1999, the Bank’s support has focused on a large-scale modernization and extension of the high voltage transmission sector through four projects: (i) Electricity Transmission Rehabilitation Project; (ii) North-South Electricity Transmission Project; (iii) Moinak Electricity Transmission Project; and (iv) Alma Electricity

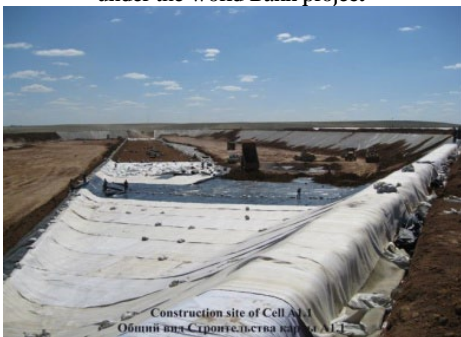
Transmission Project. Under the first two operations (now closed), major transmission sector reforms were successfully carried out, including transmission tariff rationalization, adoption of a modern Grid Code, and establishment of an organized spot market. Meanwhile, the state-owned Kazakhstan Electricity Grid Operating Company (KEGOC) has become a financially strong company as a result of a series of institutional capacity-building measures introduced with World Bank assistance. Because of its strong financial standing, KEGOC will be among the first state companies to offer minority stakes to Kazakh citizens in 2012 under the GOK's "people's IPO" program.

Water and Environment

Kazakhstan has made commendable progress in modernizing its post-Soviet regulatory and institutional framework for environmental management, but the challenges remain in adequately managing environmental impact of industries. The Government is committed to address key environmental legacy issues and is undertaking substantial investments in the environment sector. Air and water pollution is significant and since the environmental monitoring systems are not adequately funded, environmental statistics do not reflect the current pollution load on the environment.

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

Construction of mercury waste landfill cell under the World Bank project



One other significant environmental challenge for Kazakhstan is the desiccation of the Aral Sea during the past forty years due to the rapid irrigation developments in Kazakhstan and Uzbekistan, which resulted in serious economic, social, and environmental damage in and around the Aral Sea. This has often been described as "the worst environmental disaster in recent history". Also during the last decade, Kyrgyzstan increased

its hydropower generation during winter causing significant water release in the Syr Darya River during winter. This had little productive impact - as most irrigation demands downstream are in summer - and also did not benefit the Aral Sea because of limited flow capacity in key reaches of the Syr Darya River in Kazakhstan.

NAS Kok-Aral Dyke and Spillway in November 2010



The Bank's support to the environment sector of Kazakhstan has been provided through the recently closed Nura River Clean-up Project, aimed at providing access to safe, reliable and affordable water by cleaning up the mercury pollution in the river-adjacent areas, and the ongoing Ust-Kamenogorsk Environmental Remediation Project, addressing the groundwater pollution and strengthening institutional mechanisms for groundwater quality monitoring, as well as technical assistance on reducing gas flaring. Currently, the Bank is also discussing with the Government a potential investment program to manage persistent organic pollutions (POPs, mainly PCBs and obsolete pesticides) and disposal sites contaminated with these materials. In addition, the World Bank assists the GoK to improve the timely availability of water for productive purposes, including irrigated agriculture, fisheries and industry, while at the same time reviving the Northern Aral Sea (NAS) through Syr Darya Control and Northern Aral Sea Project Phase I (SYNAS-I). SYNAS-I focused on the most urgent investments needed to reduce water losses in the Kazakh part of the basin and to capture that water in the NAS with impressive results. Building on these successful results, the Government has prepared a second phase (SYNAS-II) with assistance from the Bank to continue same line of interventions aimed to improve water resources management in the Kazakh part of the Syr Darya Basin.

THE WORLD BANK PROGRAM IN KAZAKHSTAN

Kazakhstan joined the World Bank in 1992. Since then the Bank has provided 39 loans to the country for the total amount of more than US\$ 5.5 billion, of which about 56

percent or a little over 3.6 billion dollars has already been disbursed.

The Country Partnership Strategy (CPS) approved on September 8, 2004 was designed to ensure strong Government ownership of the Bank's program and to allow the Bank to adjust to changing Government priorities and country circumstances, thereby maximizing the Bank's contribution to Kazakhstan's development.

Four strategic pillars of the CPS are: (i) reducing losses in competitiveness through prudent management of the oil windfall and increased public sector efficiency; (ii) promoting competitiveness by strengthening the government's capacity to identify and reduce barriers to business and private investors; (iii) building the foundation for future competitiveness by investing in human capital and basic infrastructure; and (iv) ensuring future growth will not harm the environment and past liabilities are mitigated. The CPS Progress Report, submitted to the Board in May 2008, concluded that these pillars remain consistent with the country's evolving development priorities and that the Bank assistance in these areas made a tangible contribution to results as well as broadening of reform agenda. The Bank has started preparation of a new Country Partnership Strategy for 2012-2015 and expects to present it to the Board of Directors in early 2012.

Joint Economic Research Program provided extensive expert support to the Government's development needs. Analytical and advisory services (AAA) under JERP remain in high demand and continue to effectively help the Government to define specific measures to mitigate the effects of the global financial crisis and balance macroeconomic and monetary stability with sustainable growth objectives. JERP facilitated the transfer of best-practice international experience in public sector management to help the Government launch administrative reform and medium-term performance-based budgeting. JERP keeps helping the Government to improve the competition regime, enhance the competitiveness of the country's economy, and develop its human capital.

JERP Program for FY12 comprises largely interrelated 22 studies amounting to over US\$ 4.3 million and focusing on the Government's strategic priorities in growth agenda, public finance management, macro-economic sustainability, public-private partnership framework, and education. Under FY12 JERP program, GoK increased its share to 85 percent of the total JERP budget (with the Bank providing the rest), which reflects the major emphasis the GoK is putting on shaping up the growth agenda in the post-crisis era through comprehensive advisory assistance.

Current portfolio comprises 12 investment operations with a total net commitment of US\$ 2.55 billion, of which US\$ 905.3 million is disbursed. Three-fourth of the portfolio commitments are concentrated in the *South-West Corridor Project*, which has been operational for two years and is well on track with implementation.

The lending pipeline includes several projects at various stages of preparation. Currently, the following projects are being discussed with the Government: (i) Elimination of Persistent Organic Pollutant Wastes Project; (ii) second Irrigation and Drainage Improvement Project; (iii) second Syr Darya and Northern Aral Sea Project; (iv) a new project to complete construction of the last section of the corridor linking Almaty to the border with China; and (v) a new electricity transmission project. There is also a possibility of new lending to support implementation of the Government's Enterprise Modernization and Innovation Program and Budget Efficiency Program.

Overall Bank operations in Kazakhstan enjoy strong Government ownership. However, few projects experience slow disbursements reflecting partly slow startup. Performance of the Bank operations in the country has also been affected by a number of country system aspects, including rapid staff turnover both on mid-management and working level, rigid regulatory environment, and limited inter-agency coordination. These and the other country system aspects affecting implementation of the Bank operations in Kazakhstan were the areas of focus for the recently completed Country Portfolio Performance Review (CPPR).

Following presentation of 2011 CPPR findings and recommendations, the Bank and the Government agreed to intensify efforts to i) review the specific Government procedures and World Bank processes that lead to preparation and effectiveness delays; ii) jointly monitor the problem projects and potential projects at risk of not achieving their development objectives towards improving implementation performance; and (iv) ensure that all new projects preparation take in consideration lessons learnt from previous operations particularly for complex/institutional strengthening operations. The parties have agreed to develop readiness guidelines and checklist (discussed in the CPPR report) for preparing good projects that can *jumpstart* after approval and to establish a Joint Portfolio Monitoring Team that would concentrate on monitoring portfolio performance against key performance indicators and on problem projects that will lead to important decisions

AGRICULTURAL COMPETITIVENESS PROJECT

Updated on January 17, 2012

Key Dates:

Approved : April 28, 2005

Effective: September 18, 2006

Closing: June 30, 2012

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	14.70	14.4	0.3
Government of Kazakhstan	37.90		
Beneficiaries	12.30		
Total Project Cost	64.90		

* left after partial cancellation of funds

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



Agriculture contributes 4.5 percent of Kazakhstan's GDP and employs 28 percent of its economically active population. Although agricultural output contracted sharply during the transition, output has steadily recovered since 1998. Despite the recovery of agricultural production, its share in the economy shrank because of strong growth in other sectors, particularly in the extractive petroleum industry. The government is encouraging diversification of the country's economy to reduce its dependence on oil, whose price volatility makes budget management challenging. Agricultural development is an important element of its strategy.

The Project Development Objective is to increase the competitiveness of the agricultural sector by facilitating access to markets and knowledge by: (i) improving the quality and safety of agricultural products, access to information and market efficiency; and (ii) increasing the quality, quantity and relevance of public and private investments in applied agricultural research and extension and knowledge transfer.

The Project raises sector competitiveness by (1) financing an innovation and applied research in agriculture through competitive grant program; (2) financing purchase of equipment and modernization of laboratories; (3) organizing trainings in marketing, extension and other key agricultural areas.

Key Achieved and Expected Results:

1. Farmers' income particularly of small and medium-sized farmers rises. Average monthly income in agriculture increased from 15,000KZT in 2005 up to 36,500KZT in 2010.
2. Value of agricultural exports, including livestock products, rises. Total agricultural export for the 2010 was \$US 1.67 billion comparing to \$US 1.1 billion in 2005;
3. 7 technical regulations, each consisting of a number of individual standards, have been harmonized;
4. To date 570 grants were awarded to farmers throughout Kazakhstan which facilitated adoption of new technologies in the crop production (notably zero tillage and other methods of conservation agriculture) and livestock (new methods of diagnosis of epizootic diseases), and helped to develop private extension system in agriculture.
5. Over 40 young agricultural scientists received advanced training abroad.

Among the key achievements of the project is a successful US\$ 24 million Competitive Grant Program that allows financing of the applied research in agriculture and extension services. The Government decided to review rationale for construction of the National Reference Laboratory and requested partial cancellation of the loan that was approved and processed by the Bank. Project ICR is due in December 2012.

Key Partners: Ministry of Agriculture of the Republic of Kazakhstan, Department of External Relations

AGRICULTURAL POST-PRIVATIZATION ASSISTANCE PROJECT

Updated on January 17, 2012

Key Dates:

Approved : December 13, 2004

Effective: February 28, 2006

Closed: December 31, 2011

Financing in million US Dollars:

Financier	Financing	Disbursed	Undisbursed
IBRD Loan*	6.52	6.52	0.00
Government of Kazakhstan	15.40		
Participating Financial Institutions	3.26		
Total Project Cost	25.18		

* left after partial cancellation of funds

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



In 2003, the first phase of Agriculture Post-Privatisation Assistance Project (APPAP-I) was completed, which boosted commercialization of rural enterprises and improved their profitability through the support of agriculture borrowing schemes and strengthening the institutional framework of rural advisory services. APPAP-II built on APPAP-I achievements by: (a) building capacity for viable rural businesses through strengthening and expanding the rural advisory services program; (b) supporting agricultural risk management and marketing effectiveness initiatives; (c) facilitating the development and implementation of new financial instruments by commercial banks and leasing companies for deepening rural financial outreach; and (d) supporting sustainable rural micro-finance schemes for providing financial services to the poorest that are currently excluded from the formal banking sector

The Project Development Objective was to enhance the access to commercial financial services by farmers and small/medium size rural enterprises/

Key Achieved Results:

1. About 800 credit officers from commercial banks were trained in Investment Lending and Structured Finance;
2. About 300 specialists from Microcredit organizations were trained at microfinance lending and capacity building sessions;
3. 600 financial consultants were trained throughout the county and are providing services to farmers
4. Mandatory crop insurance program was analyzed and recommendations provided; New meteo-equipment was provided in 6 oblasts.
5. Rural lending increased by US\$16 million in total due to direct project intervention.

The project had a difficult start-up period and demand for credit facility provided by the project fluctuated through the life-time of the project. Still the project successfully completed technical assistance program and progressed in boosting usage of the credit and microcredit facilities. After the period of low demand due to unexpected surplus of the oil related revenues in 2007-2008, the demand picked up. The credit line was restructured and disbursement started to improve. However, due to limited time remained before project closure, the Government of Kazakhstan asked for a partial cancellation of the loan in the amount of US\$19.59 million, which was approved and processed by the Bank. Several financial institutions were willing to participate in the credit line but were rejected due to poor financial performance because of the banking crisis 2007-2009 years. Due to this fact only one bank continued participation in the credit line and Government asked to cancel additional US\$ 8.9million of the loan funds that was processed by the Bank in November 2011. At the moment the project is closed and project ICR is due in June 2012.

Key Partners: Ministry of Agriculture of the Republic of Kazakhstan, Department of External Relations

FORESTRY PROTECTION AND REFORESTATION PROJECT

Updated on January 17, 2012

Key Dates:

Approved : November 29, 2005

Effective: July 12, 2007

Closing: May 31, 2014

Financing in million US Dollars:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	30.00	21.0	9.0
Government of Kazakhstan	28.80		
GEF Grant	5.00	2.8	2.2
Total Project Cost	63.80		

**as of January 17, 2012*

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



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

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

The Project addressed a range of forestry sector issues by (1) financing a reforestation activities and purchase of fire management equipment in the Irtysh Pine Forests; (2) financing amelioration of the Dry Aral Seabed; and (3) financing of the capacity building of the national forestry institution.

Key Expected Results:

1. Land degradation prevented, reduced, or ameliorated on Irtysh Pine Forests including 48,000 ha of rehabilitated forest and reversal of fire degradation trends on 650,000ha;
2. Land degradation prevented, reduced, or ameliorated on Dry Aral Seabed with more than 100,000 of current total 2.2 mln ha dry seabed area covered with vegetation;
3. 156,000 ha of saxaul and adjoining rangelands are improved with sustainable resource-led grazing management;
4. Total of 10,000 people employed during the lifetime of the project;
5. Capacity of forestry authorities are significantly increased through improved knowledge of modern planting and fire management technologies and of natural resource dynamics and management.

Up to the date, the project had overcome start-up difficulties and all key activities including plantation in both Irtysh Pine forests and DAS, equipment purchase, reconstruction of nurseries, etc had been started. Project restructuring had been completed in May 2010 which led to improvement of the project performance.

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

Key Development Partners included GEF who financially contributed to the project, providing US\$ 5 million grant for technical assistance and competitive grant program.

NORTH-SOUTH ELECTRICITY TRANSMISSION PROJECT

Updated on January 17, 2012

Key Dates:

Approved : October 27, 2005

Effective: December 22, 2005

Closed: November 30, 2011

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD Loan	100.00	98.10	1.90
Borrowing Country	43.40		
Financial Intermediary			
European Bank for Reconstruction and Development	13.14		
Total Project Cost	160.84		



*as of January 17, 2012

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement. The undisbursed amount was cancelled on September 15, 2011 at the borrower's request.

The **Project development objective** is to ensure that business enterprises and households in Kazakhstan have access to reliable, cost effective and high quality supply of electricity. The project (i) indirectly supports regional integration by optimizing the use of energy resources through regional trade in Central Asia; and (ii) promotes competition both on the national and regional levels by allowing low-cost generators in the north to expand their market shares.

The Project comprises four components:

Component 1: Construction of 500 kV North/South (N/S) Electricity Transmission Line.

Component 2: Extension/Modernization of 1150/500 kV Ekibastuz Substation

Component 3: Extension/Modernization of 500 kV Agadyr Substation.

Component 4: Technical Assistance for Project Management and Transmission Sector Reform.

Key Achieved Results:

1. 462.6 km World Bank-financed Ekibastuz-Agadyr section of the N/S line constructed (ahead of schedule and with cost saving) connecting the Ekibastuz substation and the Agadyr substation.
2. The Ekibastuz and Agadyr substations were extended and modernized including automation and protective relaying.
3. Electricity transmission pricing was reformed to become economically more efficient. The real-time Electricity Balancing Market has been fully designed and currently operates in trial mode. It is expected to go live in 2012.

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

Key Development Partners: European Bank for Reconstruction and Development and Development Bank of Kazakhstan.

MOINAK ELECTRICITY TRANSMISSION PROJECT

Updated on January 17, 2012

Key Dates:

Approved : September 15, 2009

Effective: January 27, 2010

Expected closing date: December 31, 2012

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	48	23.2	24.8
Other Borrower	25.361		
Total Project Cost	73.361		

*as of *as of January 17, 2012

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



The **Project development objective** is to ensure that business enterprises and households in southern Kazakhstan have improved access to reliable, cost effective and high quality supply of electricity in an economically and environmentally sustainable manner. This will be achieved by increasing the capacity of the power transmission network to provide greater supply of electricity to the southern part of the country, focusing on the Almaty region. Supply deficits in this region are a barrier to both economic growth and human development. By addressing these deficits, the Project will contribute to broader societal objectives in terms of improved employment and higher standard of living.

The Project comprises three components:

Component 1: Construction of 220 kV transmission lines from Moinak Hydroelectric Power Plant (MHPP) to Shelek substation (SS) and from MHPP to Robot substation.

Component 2: Construction of switchyard at MHPP and modernization of Robot and Shelek substations.

Component 3: Consulting and technical services, including procurement and project management support.

Project Implementation Status:

Procurement actions, including for transmission line construction financed from the IBRD loan, were completed and the Project is at an advanced stage of implementation. The MHPP–Shelek SS transmission line and associated facilities was completed in November 2011 ahead of the completion of the MHPP (expected by spring 2012). The second line (MHPP-Robot SS) is under construction. The Project is on course toward full completion as scheduled (by August 2012).

Expected Results:

1. Up to 300 MW of additional peak electricity generation capacity available to markets in southern region of the country.
2. Reduction in load shedding during peak demand periods in the winter.
3. Downward pressure on the average cost of electricity through access to low-cost hydroelectric power.
4. Avoidance of greenhouse gas emissions through displacement of coal-based electricity generation.

Key Partners: Joint Stock Company “Kazakhstan Electricity Grid Operating Company” (KEGOC), borrower, and JSC Samruk-Energo, majority owner of MHPP..

ALMA ELECTRICITY TRANSMISSION PROJECT

Updated on January 17, 2012

Key Dates:

Approved : Nov 16, 2010

Effective: March 2, 2011

Expected closing date: April 30, 2015

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD Loan	78.00	0.307	77.693
Other Borrower	122.90		
Total Project Cost	200.90		

*as of *as of January 17, 2012

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



The **Project development objective** is to improve the reliability and quality of electricity supply to consumers in the Almaty region in an environmentally responsible and financially sustainable manner. This objective will be achieved by expanding the capacity of the Almaty Oblast transmission network in order to provide additional capacity and redundancy in the system for uninterrupted supply of electricity.

Project Description and Components:

The focal point of the proposed project is the construction of a new bulk supply point – the Alma substation – for the Almaty region. Other related components include reconstruction and extension of related substations and construction of overhead transmission lines (OHTLs). Specifically, the main project sub-components are classified under the following groups:

Part 1 - Construction of OHTLs

- 500 kV overhead transmission line (OHTL) from YuKGRES substation to Alma substation;
- 500 kV OHTL from Almaty substation to Alma substation;
- 220 kV OHTL from Alma substation to Kensai substation;
- Incoming cross connection lines (220 kV OHTL);

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

The Bank will finance only component 1(a) of the project i.e. Construction of a 500 kV OHTL from YuKGRES substation to Alma substation. The Bank will also finance the procurement and project management consulting services for the construction of 500 kV OHTL from YuKGRES substation to Alma substation.

Project Implementation Status:

The consultants for project management funded by the credit were engaged in early 2011. The consultants have been assisting KEGOC in preparations of prequalification and bidding documents related to selection of the contractor for the transmission line from YuKGRES substation to Alma substation. Prequalification process for the selection of contractor for the YuKGRES substation to Alma substation has been completed and bids from prequalified bidders will be opened in February 2012. Timely engagement of contractor the subject OHTL is critical to ensure that the transmission lines facilities are completed as per schedule.

Expected Results:

- Increased reliability of supply measured by reduced outages (maximum of 10 outages) in Almaty branch of KEGOC.
- Increased capacity by 1000 MVA to supply Almaty Oblast measured by capacity of 500 kV transformers which tie to the HV network.
- Increased capacity to supply Almaty Oblast measured by overloading of transformers in Almaty substation by 70%.

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

UST-KAMENOGORSK ENVIRONMENTAL REHABILITATION PROJECT

Updated on January 17, 2012

Key Dates:

Approved : February 1, 2007

Effective: December 15, 2008

Closing: March 30, 2013

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD Loan	24.29		24.29
Government of Kazakhstan	15.80	1.60	14.20
Other Donors (EC)	4.46	3.43	1.03
Total Project Cost	44.55		

*Source Client Connection as of January 17, 2012

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



The Ust-Kamenogorsk Environmental Rehabilitation Project will address the environmental pollution in Ust-Kamenogorsk City, linked to industrial hazardous waste accumulated before 1990. Through three main components described below, the project intends to stop further migration of historical industrial pollution to the residential area, the city's drinking water extraction wells and eventually the Irtysh River. The project will optimize the design and implementation of a program for ground water cleanup and remediation of waste disposal sites in Ust-Kamenogorsk based on technical, economic, financial, social and ecological assessments. In addition, the project will cover investments and activities to control groundwater downstream of treatment sites and the development of a long-term groundwater quality monitoring system.

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

Project Components:

Component A. Containment of high-priority sources of groundwater contamination (US\$ 19.36 million)

This component will develop immediate cleanup activities to prevent further infiltration into the aquifer of contamination from the identified high-risk waste dumps and slurry ponds located within or near the city mostly in the area of the Central Industrial Complex.

Component B. Remediation of Current Contaminated Groundwater Sites (US\$ 20.13 million). This component includes two sub-components: (i) pump and treat groundwater remediation system; and (ii) groundwater quality monitoring network. This component will support interception, treatment and monitoring of contaminated groundwater in the project area and prevent further migration of groundwater with unacceptable contamination levels to sensitive areas, groundwater users and the Irtysh River.

Component C. Project Management and Monitoring (US\$0.6 million).

Results achieved:

- Site investigation programs for the extent of pollution contamination and site conditions on the seven industrial high priority waste dumps in Ust-Kamenogorsk were concluded; the detailed design for the remediation of seven industrial waste dumps was finalized and state approval for the detail design has been obtained for 6 out of 7 industrial waste dumps. Contractors have been pre-qualified for the works and the bidding process for the remediation works is ongoing. Civil works are expected to start in spring 2012.
- Laboratory equipment to enable laboratories to measure heavy metals and organic chemicals in ground- and surface water and soil in Ust-Kamenogorsk has been successfully installed and laboratory staff trained. Based on the received equipment, more detailed sampling and analysis has been undertaken in the Capacitator sludge pond in line with international standards for laboratory analysis to determine the precise concentration of PCBs and required remediation technologies in line with the Stockholm Convention.
- Water leakage reduction program in Ust-Kamenogorsk is being implemented
- Groundwater monitoring program and detail design for the groundwater remediation component started.

Key Partners: the **Ministry of Agriculture of Kazakhstan**, responsible for overall strategy planning through its **Committee for Water Resources** and **Project Implementation Unit (PIU)**, charged with procurement, coordination and management of implementation activities on a day-to-day basis.

Key Development Partners: European Commission and the Government of Japan.

SOUTH-WEST ROADS PROJECT:
Western Europe-Western China International Transit Corridor
Updated on August January 17, 2012

Key Dates:

Approved: April 30, 2009

Effective: December 9, 2009

Expected closing date: December 31, 2013

Financing in million US Dollars:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	2,125	801.8	1323.2
Government of Kazakhstan	2,345		
Total Project Cost	6,700		

***as of January 17, 2012**

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



The Kazakhstan South-West Corridor Project is part of the government's plan to upgrade and improve the international transit corridor linking Europe and Russia to China through Kazakhstan. The World Bank will finance the rehabilitation of a section of the corridor in the south of Kazakhstan.

The Project Development Objective is to increase transport and trade efficiency along 1,062 km road sections between Aktobe/Kyzylorda oblast border and Shymkent and to improve road management and traffic safety in Kazakhstan.

The Project comprises five components:

Component 1: Upgrade and reconstruction of road sections (788.5 km – 2 lanes infrastructure North of Kyzylorda and 4 lane infrastructure South of Kyzylorda) within Kyzylorda oblast.

Component 2: Upgrade and reconstruction of road sections within South Kazakhstan oblast (273.4 km of four-lane infrastructure).

Component 3: Project Management Consultants (PMC) to assist the Committee for Roads with the management of all activities associated with the projects funded by other International Financial Institutions (IFIs).

Component 4: Institutional development and preparation of action plans to improve road safety and road services.

Component 5: Supervision of civil works.

Long-term development impact:

The project will boost Kazakhstan's as well as its neighbor's trade, competitiveness, logistics, and infrastructure connections with the world, while providing an artery for regional economic cooperation. The upgrading of the corridor will facilitate more efficient movements of goods and people and will improve road safety. It will also facilitate industrial, agricultural, and commercial activities, with improved trade and services along the road and in adjacent towns and cities. Project area includes one of the poorest regions (Kyzylorda) and the most populated region (South Kazakhstan). Other expected impacts include: (i) employment of 35,000 plus; (ii) transportation impediments removed for the heavily rural region (South Kazakhstan); (iii) rural agricultural producers and processors—farmers access better services; (iv) opportunities for SMEs in road-related services are created.

Project Implementation Status and Results:

All 21 civil works contracts are signed (about US\$375 million savings). Construction works in Kyzylorda oblast are underway: 2288 pieces of road machinery, 16 asphalt plants and 8 crush mills are operating, 180 rail cars of construction materials are being supplied daily. Contractors in South Kazakhstan Oblast also deployed and launched the works. The Bank and GoK have agreed on a framework of actions to strengthen the Roads Committee. After a slow start-up, the project gained momentum and reached targeted disbursement track at the end of 2011. The implementation of the project is now on schedule. While civil works will continue in 2012, institutional strengthening activities will be initiated (road safety, road services and road asset management). The project is currently being restructured to reallocate savings in order to finance additional 80 km of the corridor.

Key Partners: Ministry of Transport and Communication (MoTC) and the Committee for Roads (CR)

Key Development Partners include ADB, EBRD, JICA and IDB financing about 65% of the total amount of the project.

HEALTH SECTOR TECHNOLOGY TRANSFER AND INSTITUTIONAL REFORM PROJECT

Updated on January 17, 2012

Key Dates:

Approved : January 15, 2008

Effective: December 15, 2008

Closing: June 30, 2013

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD Loan	117.7	29.4	88.3
Government of Kazakhstan	178.4		
Total Project Cost	296.1		

*as of January 17, 2012

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



Health sector reform is one of the government's development priorities. Overall vision for population's health and health system is featured in various national and sub-national development strategies and reflected in the currently implemented State Health Care Development Program for 2011-2015. To succeed, the program needs to improve efficiency and quality along with the delivery of the service, while substantially boosting the relatively low level of technical and managerial expertise in the sector.

The Project Development Objective is to introduce international standards and build long-term institutional capacity in the Ministry of Health (MOH) and related health institutions in support of key health sector reforms pursued by the Government of Kazakhstan.

This comprehensive project deals with all aspects of health sector reform, including: (i) health financing, budgeting, planning and management, (ii) health care quality improvement, (iii) reform of medical education and medical science, (iv) health information system development, (v) pharmaceutical policy reform and (vi) food safety and WTO accession.

Key results:

After a slow start, the project implementation has accelerated with some noteworthy progress, which includes:

- eight technical centers established;
- basic benefits package revised using an innovative costing model developed and modern provider payment methods introduced;
- master plans for first 5 oblasts developed based on new hospital planning standards and mechanisms for public-private partnerships articulated;
- strategies for enhancing provider autonomy and new qualifications standards for healthcare managers developed;
- national facility accreditation standards and mechanisms upgraded in line with international practice and tested;
- IT software under the Unified Health Management Information System installed in pilot sites' facilities, and all users in equipped pilot sites received training;
- regional drug information centers opened in 16 regions and National Pharmaceutical Policy and Formulary developed;
- national food safety strategy developed;
- over 15,000 health professionals and managers received overseas and in-country training.

Key expected long-term results include:

- Improved efficiency and equity of health expenditure and better financial protection for households;
- Improved quality and efficiency of medical care;
- Improved quality of medical graduates and improved ability to carry out medical research;
- Improved efficiency and quality in health facility management;
- Improved safety, efficacy, quality and affordability of drugs; and
- Improved food safety and speedier WTO accession.

Key Partners: the **Ministry of Economic Development and Trade** responsible for overall strategy planning and monitoring issues; the **Ministry of Health of Kazakhstan** as the ultimate recipient of loan funds and implementer of the Project; and Oblast (regional) health departments, service providers, medical training institutions, professional associations as the project beneficiaries.

Key Development Partners: WHO, UNICEF, UNFPA, USAID and CDC.

TECHNICAL AND VOCATIONAL EDUCATION MODERNIZATION PROJECT

Updated on January 17, 2012

Key Dates:

Approved : July 8, 2010

Effective: August 9, 2011

Expected closing date: December 31, 2013

Financing in million US Dollars:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	29.23	1.2	28.0
Government of Kazakhstan	4.00		
Total Project Cost	33.23		

*as of *as of January 17, 2012

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



Kazakhstan, a fast growing middle-income country (MIC), has a vision to become an industrialized country by 2025 but low work force productivity and huge gaps in skills are major impediments to increased competitiveness. The present technical and vocational education (TVE) system in Kazakhstan, engineered to support a command economy, suffers from a lack of linkages to a market economy and faces daunting challenges in terms of relevance, management, quality, and internal efficiency. It does not produce graduates with skills and competencies required by the labor market.

The Project Development Objective is to raise the relevance, quality, and efficiency of technical and vocational education through an improved policy framework and institutional capacity.

The Project aims to assist Kazakhstan linking the supply of skills to the demands of industries, employers, and the learning public through an improved policy framework, closer partnership with industries, and enhanced institutional capacity for leveraging the delivery of high quality and relevant skills by both public and private sectors. It finances in particular:

- Development of occupational standards in select priority sectors, a National Qualifications Framework, upgrading the assessment of qualifications and institutional accreditation of TVE institutions,
- Modernization of the governance, management and financing policies and structures for TVE; and
- Strengthening of skills delivery capacity of TVE institutions through competitive financing of institutional development of both public and private providers.

Performance indicators:

The attainment of the Project Development Objective will be measured by the following key outcome indicators:

- Employer satisfaction with the industry-led competency standards as a basis for development of curriculum and programs; and
- Share of the existing programs in the project-supported schools revised in accordance with the newly introduced competency standards.

Long-term development impact:

The Project is expected to bring about long-term benefits through the following:

- Improved employability of TVE graduates** as the quality of TVE rises and “new quality” TVE graduates are more demanded in the labor market;
- Increased rates of returns to TVE** as the skills and competencies of the graduates of the “new” TVE system are significantly enhanced and match the requirements of the dynamic labor market.
- Increased workforce productivity and competitiveness** as a result of increased supply of the new skills that are of high quality and relevance.

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

Key Development Partners: European Union, European Training Foundation, GIZ, British Council and International Labor Organization

CUSTOMS DEVELOPMENT PROJECT

Updated on January 17, 2012

Key Dates:

Approved : November 27, 2007

Effective: March 24, 2009

Expected closing date: December 31, 2012

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	18.5	1.0	17.5
Other Borrower	43.5		
Total Project Cost	62.0		

*as of *as of January 17, 2012

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



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

The Project comprises four components:

Component 1: Institutional Development, Governance, and Human Resource Management

Component 2: Customs Operations

Component 3: Information and Communication Technology

Component 4: Project Management

Project Implementation Status and Results:

Project implementation was delayed by about a year and a half due to local procedures.

- The implementation is progressing with the focus on institutional improvement of Customs service towards development of organizational structure, human resource management, anticorruption activities, and strategy for complex change management; methods of strategic and financial management and creation of modern information system; modernization of core customs operations; development of the Regional Training-Methodological Centre.
- All large consulting contracts have been signed and started implementation. Based on the progress in consulting, bidding documents have been prepared for several software development contracts. These will be followed by contracts for hardware.
- Midterm review of the project was completed in December 2011 and examined the achievements, helped to address new challenges and priorities by adjusting and structuring the Project activities accordingly, while ensuring achievement of Project objectives.

The Borrower has officially requested for a project extension of two years (up to December 31, 2014). Extending the project will allow for proper sequencing of the software development following the business process re-engineering and other consulting work currently underway. Disbursement, which is typically low during the consulting phase, will then pick up during the software development and hardware installation phase.

Results Expected include:

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

Key Partners: Customs Control Committee under the Ministry of Finance of the Republic of Kazakhstan.

Key Development Partners include USAID, GTZ and EC Delegation.

TAX ADMINISTRATION REFORM PROJECT

Updated on January 17, 2012

Key Dates:

Approved : February 16, 2010

Effective: February 17, 2011

Expected closing date: December 31, 2014

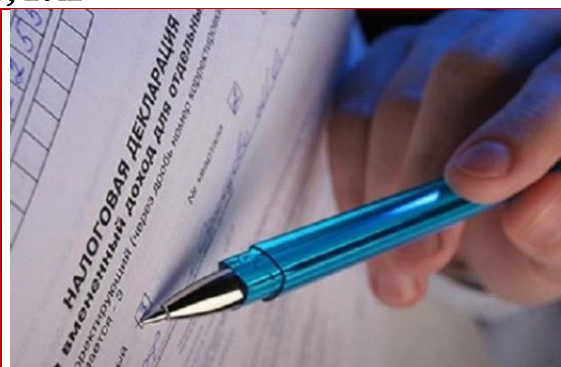
Status:

Financing in million US Dollars:

Financier	Financing	Disbursed	Undisbursed
IBRD Loan	17.0	0.3	16.7
Other Borrower	39.7		
Total Project Cost	56.7		

*as of *as of January 17, 2012

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



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

The Project comprises four components:

Component 1: Institutional Development is aimed at the optimization of the structure of the tax administration, at increasing institutional efficiency and at improving HR-management practices.

Component 2: Operational Development aims to improve and further develop core tax administration operations.

Component 3: Information Technology Infrastructure Development attempts to develop a comprehensive and integrated tax management system.

Component 4: Project Management would ensure timely and effective implementation of the Project.

Project Implementation Status and Results:

Project implementation was delayed by about a year due to local procedures.

- Implementing agency (Tax Committee) completed PMU team; hired local and international individual consultants. International Senior Tax Reform and Universal filing declaration consultants were contracted in Autumn of 2011, these consultants will be providing practical support to the Tax Committee to ensure smooth and high quality Project implementation.
- All ToRs for institutional and operational development have been developed. Several consulting packages were announced and bidding process shall be completed soon.
- In parallel Tax Committee is building capacity of tax officials through learning experience of advanced and developing tax administrations.

Tax Committee intends to intensify implementation of the project activities in 2012; it is expected to have in place major consulting contracts for institutional and operational development, which will be followed then by IT contracts (software and hardware).

Envisaged Project Results and Performance Indicators:

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

Key Partners: Ministry of Finance of the Republic of Kazakhstan, Tax Committee under the Ministry of Finance of the Republic of Kazakhstan.

Key Development Partners: USAID

TECHNOLOGY COMMERCIALIZATION PROJECT

Updated on January 17, 2012

Key Dates:

Approved : January 15, 2008

Effective: December 15, 2008

Closing: December 31, 2012

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	13.4	0.5	12.9
Government of Kazakhstan	61.6		
Total Project Cost	75.0		

*as of January 17, 2012

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



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

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

Project Components:

- (i) competitive grant program selected and overseen by the International Science and Commercialization Board to finance high quality R&D projects conducted by groups of senior scientists and junior researchers as well as develop world class research infrastructure in the International Materials Science Center (IMSC);
- (ii) Technology Commercialization Office (TCO) to finance and broker partnerships between Kazakhstani scientists and local and international technology markets; and
- (iii) Establishment of a Project Management Unit to implement the Project.

Performance Indicators: Some notable markers of success with regards to the project development objectives will include: the establishment of Senior Scientist Groups (SSG) and Junior Researcher Groups (JRG) encouraging participation of graduate students; the establishment of the IMSC; establishment of the TCO and awarding of grants for technology commercialization; completion of technology audits, legislative and regulatory review and the subsequent implementation of policy recommendations and revisions to legislation; and amount of licenses sold with the help of the TCO.

Results achieved:

The Project was recently launched and its main activity will start after grants under the Senior Scientist Groups (SSG) and Junior Researcher Groups (JRG) Program are awarded. Call For Proposals for SSG and JRG grants announced between February 16 and March 31, 2011 collected in total 364 preliminary applications. International Science and Commercialization Board (ISCB) identified ten grant winning groups. US\$0.5 mln grant disbursement was made in December 2011. The disbursed amount has been distributed to 7 out of 10 Groups. MOES is in process of withdrawing US\$0.3 mln for funding the remaining Groups. International competitive selection of a Technology Commercialization Contractor is in final stage. Disbursement of additional US\$ 0.5 mln as contract down payment is expected in February 2012. The Project is scheduled to close in December 2012 and given disbursements have finally been made from the IBRD loan, the client is expected to revisit the issue of extension and project restructuring in coming weeks.

Key Partner: Ministry of Education and Science (MOES)

KAZSTAT: STRENGTHENING THE NATIONAL STATISTICAL SYSTEM PROJECT

Updated on January 17, 2012

Key Dates:

Approved : March 31, 2011

Expected to become effective: January 30, 2012

Closing: April 30, 2017

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	20.0	0.0	20.0
Government of Kazakhstan	2.8		
Total Project Cost	22.8		

*as of *as of January 17, 2012

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



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

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

The specific outputs of the project are:

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

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

Key Partner: Agency of the Republic of Kazakhstan on Statistics (ASRK)

JOINT ECONOMIC RESEARCH PROGRAM

Updated on January 17, 2012

Key Dates:

Approved: December 6, 2002 (the first 3-year program was signed)

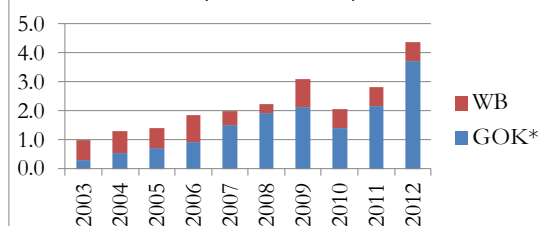
Effective: December 6, 2002

Closing: June 30, 2014

Financing in million US Dollars over Fiscal Years 2003-2011:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD part	7.25		
Government of Kazakhstan	17.60		
Total JERP	24.85	20.47	4.38

JERP Allocations in FY2003-2012
(US\$ million)



The introduction of the Joint Economic Research Program (JERP) in 2003 was an innovative solution to change the way the Bank works in Kazakhstan. As a result, the Bank's program since then has been strongly demand-driven. The JERP has proven to be a helpful vehicle to promote strong ownership, including at high levels of the Government, and to improve and further develop results based policy dialogue with the client. High-level brainstorm sessions, which became a highlight of the JERP, are valued by the Government and serve to inform the process of policy formulation and implementation. Over the last few years, JERP analytical work and policy dialogue focused on the areas of public resource management, education, health, agriculture and the private sector development, and—more recently—on poverty, social protection and social sector expenditures.

JERP Objective is to assist the Government with the reform agenda through the technical assistance and advisory support in the areas of economic and social development which the Government considers to have the highest national priority. JERP also helps to further strengthen institutional capacities of the Government in conducting the economic and sectoral work.

JERP for Fiscal Year 2012. Technical assistance and analytical work under the JERP FY2012 will be focused on: (i) strengthening public finance management and public administration, (ii) improving human development outcomes, (iii) mitigating macroeconomic and fiscal risks, and (iv) enhancing competitiveness of the economy. JERP will also include high-level brainstorming sessions for the Government on the priority policy issues. Highlight of this year JERP is introduction of the programmatic structure (in FY12 and beyond) with activities developed as multi-year and interconnected engagements. This would help increase strategic focus of the program, provide for more intense sector dialogue and create more impact.

Key Achieved Results:

- Review of Kazakhstan's tax policy and administration framework translated into development of a new Tax Code base on JERP recommendations;
- Advisory support on public resources management lead to improvements in public investment planning followed by full assessment of budget/financial management systems resulting in a new Budget Code, new multi-year budget preparation system, effective treasury system, and efficiency improving measures;
- Recommendations of JERP's Higher Education Report provided a basis for the Ministry of Education and Science to formulate its sector reform strategy;
- In the health sector, analytical work initiated under JERP has evolved into a comprehensive joint project which, currently, is helping to raise the efficiency of public resources directed to the health sector;
- In the social protection area, JERP policy advisory support translated into introduction of a new employment program which aims at improving the balance between protection and promotion objectives of the government's social safety net policies;
- On private sector development agenda, JERP is continuing its two year engagement with the authorities in supporting business environment reforms which translated into rapid improvement in doing business conditions with Kazakhstan becoming top reformer among world's 10 most-improved economies. In addition, JERP has been providing advisory support to other key aspects of the Government's competitiveness agenda;
- JERP advisory services helped the Government to avoid fiscally risky general bailout strategies in the wake of a financial sector crisis and to balance macroeconomic and monetary stability with sustainable growth objectives while continuing to provide advisory support to maintain prudent management of oil revenues;
- All brainstorming discussions (15 events since 2004) provided direct input to Government's ambitious reform agenda and policy formulation efforts including through review of good practice international experience to inform the policy and institution building reforms.

Key Partners: Prime Minister's Office, Ministry of Economic Development and Trade, other line ministries.