

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)**

KAZAKHSTAN

December 1999

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for [Kazakhstan](#) covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of [Kazakhstan](#), and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

For further information, please visit the Asian Development Bank's website at: <http://www.adb.org> or contact (*any of*) the following:

1. The Resident Representative
[Kazakhstan Resident Mission](#)
[The Okan Inter-Continental Hotel](#)
[144, Abai Avenue](#)
[Astana, 473000, Kazakhstan](#)

Telephone [\(7-3172\) 391088/391089](#)
Fax [\(7-3172\) 391087](#)

2. Programs Manager, [Division III](#)
Asian Development Bank
6 ADB Avenue
Mandaluyong City, Metro Manila

Mailing address:
P.O. Box 789
0980 Manila, Philippines

Telephone [\(632\) 632-5897 or 632-5893 or 632-5894](#)
Fax [\(632\) 636-2684](#)
E-mail adbpub@mail.asiandevbank.org

CURRENCY EQUIVALENTS

(as of 30 November 1999)

Currency Unit	—	Tenge (T)
T1.00	=	\$0.0072
\$1.00	=	T138.0

ABBREVIATIONS

ADB	-	Asian Development Bank
CARs	-	Central Asian Republics
COS	-	Country Operational Strategy
DMC	-	Developing Member Country
EBRD	-	European Bank for Reconstruction and Development
EFF	-	Extended Fund Facility
FSU	-	former Soviet Union
GDP	-	gross domestic product
HDI	-	Human Development Index
IMF	-	International Monetary Fund
KTZ	-	Kazakhstan Temir Zholy
OCR	-	ordinary capital resource
PAYG	-	pay-as-you-go
PIP	-	public investment program
PRC	-	People's Republic of China
RETA	-	regional technical assistance
TA	-	technical assistance
UNDP	-	United Nations Development Programme

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this Report, "\$" refers to US dollars.

**COUNTRY ASSISTANCE PLAN
(2000-2002)**

KAZAKHSTAN

CONTENTS

	Page
I. Country Performance Assessment	1
A. Economic Performance Assessment	1
B. Assessment of Socio-Environmental Performance	2
1. Poverty Issues	2
2. Gender Issues	3
3. Human Development	3
4. Environment	3
C. Governance: Sound Development Management	4
D. Implementation Assessment	4
1. The Portfolio	4
2. Issues in Project Implementation	5
II. Country Operational Strategy	5
III. Sector Strategies	6
A. Agriculture	6
B. Infrastructure	7
C. Social Infrastructure and Environment	7
D. Governance Dimensions of ADB Operations	8
E. Gender Dimensions of ADB Operations	9
F. Private Sector Operations	9
IV. Subregional Economic Cooperation	10
V. Donor Activities and Aid Coordination	10
VI. Cofinancing and Catalyzing External Resources	11
VII. ADB's Operational Program	11
VIII. Economic and Sector Work Program	12
IX. Local Cost Financing	12
APPENDIXES	14

KAZAKHSTAN

I. Country Performance Assessment

A. Economic Performance Assessment

1. Kazakhstan's economy was profoundly affected by serious external shocks in 1998 which stemmed from two sources: the precipitous fall in Kazakhstan's principal export commodity prices and the Russian crisis that erupted in mid-August 1998. These shocks, along with the drought in northern Kazakhstan that led to a record low grain output, sent the economy into a sharp contraction in the fourth quarter of 1998.

2. As a result, real gross domestic product (GDP) contracted by 2.5 percent in 1998, a reversal of the modest growth of the previous two years. The National Bank of Kazakhstan's refinancing rate rose from 20.5 percent to 25 percent between August and November 1998 as the central bank tightened monetary policy to stabilize the exchange rate. Moreover, the central bank spent about 30 percent of its foreign reserves in defending the tenge, which depreciated moderately. Although the inflation rate at 1.9 percent was lower than expected, it was primarily a by-product of the central bank's intervention on the foreign exchange market that resulted in a sharp drop in money supply. As the spread on Kazakhstan Eurobonds jumped to more than 350 percent in August 1998, Kazakhstan's access to international capital market was effectively cut off. The budget deficit rose to 8 percent of GDP and the trade and the current accounts on the balance of payments also deteriorated considerably.

3. Faced with these difficulties, the Government reached agreement with the International Monetary Fund (IMF) in early November 1998 to revise the ongoing Extended Fund Facility (EFF) arrangement. According to the agreements reached, fiscal policy will be further tightened. Emphasis will be placed on stronger revenue collection and cuts in selected current and capital expenditures with the objective of reducing the fiscal deficit to 3 percent of GDP. Monetary policy will continue to be restrictive and structural reforms envisaged include further strengthening of the banking sector, enterprise reform, effective implementation of pension reform and a continuation of the privatization program.

4. The economy has continued to contract in 1999, as real GDP fell by over 3 percent during the first six months of the year. Over the same period, inflation reached about 9.8 percent. Interest rates remained high and both imports and exports decreased further, reflecting a continued weak export market and domestic economy. In response to the deteriorating economic situation, in June a second revision was made to the 1999 budget, involving a 4 percent spending cut and resulting in a fiscal deficit equivalent to 3.7 percent of GDP, larger than in the original budget. Despite these efforts, sizeable arrears on pensions and wages have accumulated after they were cleared in 1998.

5. For the rest of 1999, the economic situation will remain precarious. A major reason is the severe impact of the Russian crisis which is still working its way through the Kazakh economy. Among the Central Asian Republics (CARs), Kazakhstan's economy is the most closely linked with Russia's. The effects of the Russian crisis have resulted in the noncompetitiveness of Kazakh exports, dampened international capital flows and a general unwillingness to hold tenge denominated assets. These coupled with the sharp decline in the prices of many of Kazakhstan's primary exports pose formidable problems to the economy. Most recently, press reports indicate that two million hectares of agriculture land have been affected by locusts. This

could impact adversely on agriculture production and complicate the prospects for economic recovery.

6. Real GDP is expected to decline by 1.5 percent during 1999. Nevertheless, the Government's macroeconomic stabilization program is envisaged to take hold gradually, leading to an economic recovery in 2000. During 2000-2002 economic growth is expected to increase from 1 to 2 percent and inflation to be kept around 5-6 percent per annum. On the basis of a gradual strengthening of the prices of Kazakhstan's principal exports, the current account deficit is expected to narrow to about 5.5 percent of GDP beyond 1999. However, the achievement of its medium-term objectives will be predicated in large part on (i) the absence of any major unexpected external shocks such as a further deterioration of the Russian economy; and (ii) any serious slippage in the Government's macroeconomic stabilization efforts. Either could push the country deeper into an economic crisis, which would further postpone the economic recovery. At present, there is no active IMF program in Kazakhstan. After the EFF program expired in end June 1999, efforts have failed to establish a new program due to continued disagreement between the Government and the IMF over the budget deficit target. If the draft 2000 budget is passed by the Parliament, discussions with the IMF will resume in late September that could lead to a revival of the IMF program, possibly in December 1999.

7. The Government has achieved significant progress in its structural reform program. Prices of nearly all goods have been liberalized. Trade liberalization has picked up momentum. The initial phase of privatization has been successfully completed. The state order system has largely been dismantled. However, there is still a large unfinished agenda. Enterprise and farm restructuring is an aspect of the reform program that has not proceeded as smoothly as desired. Much of the privatization exercises have left the old management structure intact. The next phase of reforms will need to focus on the nurturing of competitive forces so as to deepen enterprise reform.

B. Assessment of Socio- Environmental Performance

1. Poverty Issues

8. The decline in personal incomes consequent to the economic contraction and the drop in public spending occasioned by the serious fiscal crisis have had a severe impact on the standard of living. The incidence of poverty has increased. In 1997, 43 percent of the population were below the poverty line compared with 25 percent in 1992. The incidence of poverty is expected to increase until economic recovery takes firm roots. Those worst affected are people living in isolated industrial centers (company towns) and rural areas, as well as vulnerable groups such as pensioners, unemployed youth, and women. Although poverty is severe, a deteriorating but still functioning formal social safety net is masking it. The Government is concerned about mitigating the hardships of transition and is committed to implementing reforms that would strengthen social protection. The objective is to cushion the impact of the transition. The reform actions needed during the next stage of transition are challenging. Pervasive poverty can only be reduced in the longer term by growth; but, in the short run, programs of social support need to be reorganized to ensure that limited public resources have a greater impact. The ongoing program of reforms in the pension system needs to be completed, transfer payments could be better targeted, and the provision of social services improved.

2. Gender Issues

9. The economic crisis is reversing some of the accomplishments of the Soviet system in dealing with gender-based issues. The Soviet Union formally provided protection against gender discrimination. In education, equality of admittance was apparent; and in the workplace, considerable access was provided to women. The Soviet system also provided for substantial support for the social welfare of women through public assistance and social service provision to families. Some of these achievements are in jeopardy because of the ongoing economic and fiscal difficulties, which have reduced social support and social service spending. Family structures and gender roles are changing rapidly and new social problems have emerged. Unemployment among women is disproportionately high. Single mothers and families with many children, especially in the rural areas, are heavily affected by the sharp decline of financial resources. Women and children are also suffering most from the worsening curative-based health system, especially with reference to issues of birth control and environmental degradation like contaminated drinking water, air pollution, crowded housing, rudimentary rural waste disposal, and deteriorating hygienic conditions.

3. Human Development

10. Before independence, Kazakhstan had achieved comparatively high standards in human development. Indicators on life expectancy and age-specific mortality rates were near the top of the range for countries with similar per capita incomes. As a result of the continuing fiscal difficulties that followed independence, the provision of social services deteriorated rapidly. The 1998 Kazakhstan Human Development Report showed a steady decline of the Human Development Index (HDI), from 0.801 in 1991 to 0.672 in 1997. Using internationally comparable standards, the 1998 UNDP Human Development Report ranked Kazakhstan 93rd among 174 countries, compared to a HDI rank of 54th in 1990. The economic difficulties have had a severe impact on real incomes, the delivery of social services, and the social protection system. Outstanding social insurance and wage payments have affected the real incomes of many families. The aged, women, and children are particularly affected by the deterioration of the social safety net.

4. Environment

11. Central planning failed to account for the environmental degradation of the land, water, and air resources. For instance, poor irrigation practices supporting extensive crop production schemes have caused salinization over wide tracts of arable land. Massive chemical and industrial complexes have polluted the air, soil, and water. The desiccation of the Aral Sea, the rise in the level of the Caspian Sea, and massive desertification are all urgent concerns for the Government. Kazakhstan faces huge environmental costs because of past policies, which failed to account for the cost of land, water, and air degradation and did not discourage the overuse of natural resources. Policy reform will, therefore, be critical for redressing environmental degradation. The Asian Development Bank (ADB) support for institutional and market reforms, for instance in the agriculture sector, should help establish a policy framework that is more conducive to environment-friendly practices. Further, the Government will also need to improve environmental standards and regulatory procedures and the institutional mechanisms to ensure compliance.

C. Governance: Sound Development Management

12. Kazakhstan has made considerable efforts to improve governance since the early 1990s. This progress is reflected in the substantial reforms in public sector management and in increasing degrees of accountability, participation, predictability, and transparency. Areas in which the Government has taken measures to improve accountability and participation include implementing far-reaching reforms that have dismantled the state orders system, liberalizing international trade, and initiating enterprise reform. The Government has also restructured the taxation system with a view to improving tax collection and administration. The Government has initiated bold measures to improve the budgetary process and to make it more efficient and transparent. Extrabudgetary funds have been merged with the budget since 1999, measures have been initiated to avoid recourse to arrears by local governments, revenue offsets, and guarantees of domestic loans. The comprehensive reform of the pension system undertaken in 1997 and 1998 and the consolidation into the budget of payroll contributions will strengthen the social safety net. Through privatization, the Government is increasingly withdrawing from resource allocation in the productive sectors and encouraging, instead, an expanding role for the private sector. The ongoing program of privatization of state-owned banks will strengthen the domestic banking system. Looking ahead, civil service reform now figures prominently on the policy agenda. Structural reforms will redefine the very role of the Government. The civil service is being downsized and, more importantly, retrained to handle new and emerging responsibilities. By encouraging non-government organizations to take up such tasks, emphasis on the participatory aspect of development is sought.

D. Implementation Assessment

1. The Portfolio

13. ADB started its operations in Kazakhstan in 1994. As of 31 December 1999, ADB has approved 10 loans for seven projects totaling \$415 million (of which \$355 million was from OCR and \$60 million from ADF). In addition, 29 technical assistance (TA) grants amounting to \$16.044 million have been approved. Three loans have been closed; 19 TA projects have been completed. As is to be expected in the case of a country that experienced such severe decline in output since 1991, the major part of ADB's lending so far was directed at projects aimed at fostering economic growth. Despite zero lending in 1998 and the economic difficulties, fiscal constraints, and institutional weaknesses in Kazakhstan, ADB's portfolio is by and large performing well and implementation of approved loans and TAs is proceeding substantially on schedule. As in the other CAR DMCs, ADB has a relatively young portfolio of loan projects. Consequently, their development impact is yet to be fully realized. A significant portion (63 percent) of ADB assistance has been provided as policy-based loans. A special assistance project and an agriculture sector program for which loans were extended in 1994 and 1995, respectively, have been closed. The special assistance loan helped support Kazakhstan's broad reform program. The agriculture sector program brought about fundamental and far-reaching changes in the sector (see para. 20). In 1997, ADB extended assistance to support a pension reform program that will bring about the transition of the existing pension system which was based on a pay-as-you-go (PAYG) basis to a fully-funded defined contribution system. The PAYG system was on the verge of collapse and the program constituted the first phase of a process aimed at creating a financially viable and credible replacement; the second tranche of the pension reform program loan was released in December 1998. ADB-financed technical assistance has had significant development impact in improving the legal and regulatory framework in various sectors and supporting institutional strengthening, capacity building, and

regional cooperation as well as creating the environment for private sector-led growth. Detailed portfolio performance indicators are given in Appendix 2.

2. Issues in Project Implementation

14. The country's absorptive capacity is limited by: (i) the difficult fiscal situation and the resultant scarcity of local counterpart funds; (ii) a weak administrative structure with limited policy formulation and implementation capacities; (iii) lack of exposure and inadequate experience with policies, procedures and practices of external donors; and (iv) communication, cultural and language barriers. Donor coordination and aid management have been constrained by frequent changes in the Government's institutional arrangements. The Government's machinery for project implementation has to be strengthened. Most ADB investment projects and technical assistance will need to have training and human development for capacity building as key components. ADB's Resident Mission in Kazakhstan has been operating since January 1998 and is contributing to conducting a more meaningful policy dialogue and smoother project processing and implementation. One of the major problems that could have an impact on project implementation is the severe fiscal difficulties which the Government is expected to experience over the medium term (see paras. 3 and 18). Delays have been encountered in the Government's fulfilling of conditions to make ADB loans effective. The parliament's approval of individual loans is a part of the Government's internal requirements in this regard. ADB has been requesting the Government to take all necessary actions in time so that project implementation is not adversely affected. There is, however, the risk that implementation could be affected if the fiscal situation were to deteriorate beyond present projections. ADB's 1999 Country Programming Mission has made an assessment of the Government's Y2K readiness and discussed the need to ensure that ongoing ADB-assisted projects establish plans and initiate action to prepare for the problem.

II. Country Operational Strategy

15. In 1996, the Board endorsed a Country Operational Strategy (COS) for Kazakhstan. The four main objectives of the strategy are: (i) encouraging the transition to a market-based economy by supporting the Government's reform agenda, encouraging institutional change, and strengthening social protection; (ii) promoting the rehabilitation of the environmental resource base of the country; (iii) strengthening the long-term potential for sustainable growth in the country by investing in physical infrastructure and in human development; and (iv) encouraging the creation of a new structure of output and new production capacity through private sector investment. The developmental needs of the country are vast. However, ADB's resources are limited. Other funding agencies provide extensive support and technical assistance and have undertaken substantial programs in a number of sectors. Thus, the COS suggests that ADB focus its loan and TA activities in the following areas: (i) strengthening the management of reform at the central and local government levels; (ii) human development through education and training; (iii) agriculture, to provide the economic base for sustainable recovery; (iv) industry, focusing on the problem of reform of medium-sized enterprises, especially in company towns; and (v) infrastructure, especially rehabilitation projects.

16. Support of institutional development and reform, projects and technical assistance to build needed capacity and skills, strengthening the capacity for sound environmental management and regulation, and protecting vulnerable groups during the transition to a market economy will be important elements of operationalizing the COS. Economic and sector work will provide the analysis and framework to facilitate meaningful policy dialogue. However, for the

reasons stated in paras. 17-19, ADB operations during 2000-2001 are expected to be focused very narrowly on just a few sectors.

III. Sector Strategies

17. There has been a hiatus in ADB's new loan and technical assistance operations since the last quarter of 1997. ADB operations in the country, which commenced in 1994, were established on strong foundations and progressed satisfactorily reaching a lending level of over \$180 million in 1997. However, far reaching events since October 1997 such as major Cabinet changes and restructuring of ministries, the enunciation of a new development strategy by President Nazarbaev and the severe fiscal constraints resulting from the introduction of a new pension system and the shift of the national capital to Astana, caused the Government to defer external borrowings from ADB and other donors pending the formulation of a new public investment program (PIP). There was considerable delay in the preparation of the PIP, which resulted in the break in ADB operations. In November 1998, the Government wrote to ADB conveying a strong desire for operations to be resumed at the earliest opportunity. Accordingly, a Country Programming Mission visited Kazakhstan in March 1999 and reached agreement with the Government on ADB's operational program for 1999-2001. The Government requested a modest program of assistance for this period in view of the severe budget constraints (see para. 18) and also indicated that the priority areas for ADB support would be the roads sector, railways, and agriculture. Against this background, key operational issues are described below.

18. An important issue is the severe budget constraints which the country is experiencing and which are expected to severely limit the availability of counterpart funds for ongoing and planned projects. An encouraging feature is that the Government has indicated that priority will be given to the counterpart fund requirements of all ongoing externally financed projects. The budget situation will necessitate only reduced levels of external borrowings by the Government, including from ADB. The Government would also like donors to finance project costs to the maximum extent possible and particularly requires quick-disbursing assistance that supports the budget. It is concerned about its recent reclassification by ADB as a Group C country and the associated decreasing cost sharing limit for projects.

19. A second issue is the fact that the Government's PIP extends only for a three-year period and ADB's country programming would need to take this into account. Further, although the current PIP extends until 2001, the actual PIP for each year will be finalized only after that year's budget is approved by the Parliament. The Government is therefore reluctant to commit itself to a program of loans beyond this year and possibly 2000. Consequently, lending for 2001 which is identified at this stage has a degree of uncertainty and can be firmed up only during future consultations; a new PIP extending to 2002 will be prepared at the end of 1999.

A. Agriculture

20. The agriculture sector has been trapped in a low-level of production following Kazakhstan's separation from the former Soviet Union (FSU) in 1991, the ensuing macroeconomic disarray, and the collapse of the pricing, production, and trade relationships that existed under the Soviet system. In response to these difficulties, and with the support of the Agriculture Sector Program Loan approved by ADB in 1995, the Government has enacted major policy reforms at the national level to facilitate the transition of agriculture to a market economy. These reforms have included improved land tenure, farm privatization, the reduction of state interventions in markets, and the liquidation of monopoly trading companies. However, these measures have not yet been sufficient to revitalize agriculture. Future efforts must focus

on widening and deepening the policy reform process. The COS emphasizes the need for farm restructuring and strengthening institutional and business management capacities at the oblast and raion levels. The rural financial system must be reoriented and provided with efficient incentives to serve the needs of the privatized farms and agribusiness enterprises. The increase in rural poverty can only be arrested by a combination of profitable farms, well-managed farm support services and credit, and growth of off-farm employment.

B. Infrastructure

21. ADB's operations in Kazakhstan for the infrastructure sector focuses on road and rail transport. ADB assistance to the transport sector will promote sustainable economic development providing more employment opportunities and generating additional incomes in poor areas thus contributing to poverty reduction. In the road sector ADB's strategy envisages support for: (i) developing an efficient policy and regulatory framework; (ii) corporatizing/commercializing and, where appropriate, privatizing road transport operations and entities; (iii) restructuring of Government organizations so that they can respond efficiently to market demands; (iv) creating an environment to encourage private sector participation; (v) promoting competition in the provision and operations of facilities and services; (vi) increasing funding by improving tax and duties collection, enhancing cost recovery, and removing subsidy-induced distortions in pricing of transport services; (vii) rehabilitating existing roads and improving maintenance operations and safety standards of infrastructure facilities; (viii) developing human resources; and (ix) protecting the environment by improving environmental standards. ADB technical assistance in the road sector has given emphasis to strengthening sector institutions and developing skills in contract management and supervision through on-the-job training, by exposing the staff to international design, tendering, construction management practices, and assessing human resource requirements. ADB's future assistance will focus on support for rehabilitation of roads (with particular emphasis on regional links and the addressing of cross-border issues); further assisting in the establishment of planning and management frameworks; training of staff (particularly in the areas of planning, accounting, project management, and maintenance of existing infrastructure).

22. The Government has sought ADB support in 2000 for the railways sector. The country's railway system is the responsibility of Kazakhstan Temir Zholy (KTZ), a wholly state-owned enterprise. About ninety percent of freight transport in the country is by rail. KTZ was previously on the brink of bankruptcy. However, since 1997 the Government has taken a number of measures to restructure its operations and adapt these and labor force to the requirements of a market based economy. The Government and KTZ plan to take further measures to improve KTZ's operations and to make it achieve financial self-sustainability. They expect to formulate a sector development program with ADB support which will improve KTZ's financial position and operations and include the privatization of parts of KTZ's assets.

C. Social Infrastructure and Environment

23. Economic transition and the fiscal crisis have led to severe cutbacks in financing of, and placed new demands on, the education sector. Responsibilities for the provision of education are increasingly falling on the financially weak local governments. In education, schools have closed, staff attrition is high, and equipment, materials and textbooks are severely lacking. The relatively high quality of education achieved prior to independence is being eroded, and structural, financial, and curricular reforms are urgently needed. The Government has initiated significant reforms, including overall rationalization of the education sector and curriculum reform at all levels of education, and has taken steps to encourage private education, mainly at

the tertiary level. These and other policy reforms will require substantial support. The COS recognizes that there is a continuing need for (i) equipment, instructional materials and textbooks, both to ensure that the quality of education does not decline further, and to respond to the new needs generated by economic reform; and (ii) measures to reform educational management and strengthen staff development.

24. One of the priorities of the Government is strengthening social protection to minimize the costs of transition and redress the unequal and inequitable distribution of the burden of these costs. The Government's strategies in operationalizing its concerns to strengthen social responses are still being worked out.

25. The COS recognizes that ADB's direct involvement in addressing environmental concerns will remain limited given limitations in financial and staff resources, the coverage of environmental issues by other members of the international community and a number of major initiatives already underway. However, it stresses that as a minimum, ADB will ensure that (i) none of the operations it supports will have negative environmental effects; and (ii) wherever possible, proactive environmental components will be included in its operations. This approach will be followed in ADB lending planned for the period 2000-2002.

D. Governance Dimensions of ADB Operations

26. In Kazakhstan, as in the other transition economies of Central Asia, a primary objective of ADB's operational strategy is to facilitate the move from the former command economy to a market-based system by encouraging liberalization, deregulation, privatization, and greater competition. For activities remaining in the public sector, ADB is supporting enhanced policy planning, more transparent and predictable legal frameworks, improved implementation capabilities and greater participation in the development process. The Government's current difficult fiscal conditions are constraining Kazakhstan's capacity to absorb external assistance in the near term, highlighting the need for ADB to continue its efforts at strengthening governance in all sectors.

27. ADB has provided technical assistance to support institutional capacity building for a more effective aid coordination and management system. ADB also has an ongoing program of in-country workshops on procurement and disbursement procedures in order to familiarize government officials with best practices in transparent and efficient project implementation. To facilitate widespread dissemination, ADB's guidelines on procurement and consultant selection have been translated into Russian. So too, ADB's Anticorruption Policy was translated into the Russian language and copies were widely distributed to facilitate a wider understanding of its objectives. The Policy was an important area of discussions during the 1999 Country Programming Mission. In 1998, Kazakh officials participated in (i) an ADB workshop on improving taxation systems; and (ii) an ongoing program of regional TA for Central Asian economies in transition designed to build capacity in project accounting, improve macroeconomic analysis for key policy makers, and improve economic analysis of projects.

28. At the sector level, ADB is also active in supporting sound development management. Greater participation and accountability in the development process at the subnational levels of government has been supported by technical assistance providing for improvement in the capacity of local governments to reform the delivery and financing of social services and also for strengthening education administration and management. A significant initiative has been in the area of pension reform, which ADB has supported through a series of TAs and a policy-based loan. The comprehensive pension reform program assisted the Government to create an

enabling legal, regulatory, and institutional framework to change from an unsustainable public sector PAYG system to a fully-funded system with private sector participation. The reforms include enhancing transparency through introduction of better management, information dissemination systems, and improved accounting standards. Support for improving the pension system was complemented by ADB assistance for developing the capital market and financial sector, especially for fostering a competitive environment for private asset management and insurance companies. In the agriculture sector, besides the Agriculture Sector Program Loan (see para. 20), ADB has provided a TA for developing a strategy for market-based reforms, as well as improving the capacity of the Government to implement and monitor the reform program. Under the proposed Farm Restructuring and Development Project, for which ADB assistance is programmed in 2000, legal reforms and policy adjustments constraining the growth of private and agricultural output markets will be implemented. In the roads sector, national and subnational road authorities have been strengthened in terms of their technical and financial planning capabilities and procurement procedures. A support program for developing a legal and regulatory framework for greater private participation will open the sector to greater competition from the private sector.

E. Gender Dimensions of ADB Operations

29. ADB leads international funding agencies in the education sector in Kazakhstan. Clear gender-related goals for the sector include preserving the high level of education attained by women and assisting in providing work opportunities for the large number of female teaching staff. Two TA Projects supported gender-related goals viz. Strengthening Social Services Delivery and Finance, and Reform of Social Services by (i) reducing management costs in social services facilities and social insurance operations, and (ii) better targeting of social assistance for vulnerable groups. ADB has conducted a study on the impact of transition on women entitled *Women and Gender Relations in Kazakhstan: The Social Cost*. The report provides ADB with gender-related interventions in specific sectors with implications for future ADB programming and project activities.

F. Private Sector Operations

30. To date, ADB has not undertaken any direct private sector operations in the CARs. This resulted from an earlier arrangement between ADB and the European Bank for Reconstruction and Development (EBRD) that there would be a division of labor between the two institutions such that private sector operations would be the responsibility of the latter. However, it is now felt by all parties that ADB has a relevant role to play in direct support to the private sector. Consequently, in consultation with the governments of the CARs and the EBRD, ADB prepared a Private Sector Strategy for Central Asia, which was circulated to the Board of Directors in March 1998. The strategy proposes that ADB respond to the region's needs by (i) focusing on private sector operations that would be directly complementary to public sector programs; (ii) developing programs in those sectors that can have a direct impact on reducing the costs of transition, particularly in the social sectors; and (iii) seeking the maximum involvement of other investors or participants. The Strategy recognizes that, given the existing programs of ADB and other funding agencies, there are likely opportunities for ADB to provide direct assistance to the private sector in (i) the financial sector, especially to encourage good corporate governance; (ii) infrastructure, especially in rehabilitation and operation projects; (iii) the company towns facing difficulties; (iv) agriculture to encourage farm restructuring; (v) small- and medium-scale enterprise assistance; and (vi) social infrastructure to help create private sector service providers. The Government has shown a keen interest in the Strategy and has requested that ADB commence private sector operations in the country at an early date. Accordingly, Private

Sector Group staff accompanied ADB's 1999 Country Programming Mission to Kazakhstan and are currently examining certain possibilities of private sector assistance.

IV. Subregional Economic Cooperation

31. ADB will actively support subregional cooperation in Central Asia. The four ADB members in the region (Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan) share a common institutional history and face similar policy and reform challenges. Moreover, the infrastructure inherited upon independence was designed to meet the needs of the FSU, not the requirements of the present independent countries.

32. In response to strong requests from the governments, ADB assistance has been provided to help resolve cross-border and subregional issues. Under a regional technical assistance (RETA) approved in 1997, ADB has supported subregional cooperation among Kazakhstan, the Kyrgyz Republic, Uzbekistan, and the Xinjiang Uygur Autonomous Region of the PRC in the areas of energy, transport, and trade and payments systems. During a series of workshops, high-priority policy reforms and investments were identified. Under the second phase of the initiative, for which additional RETA support was approved by ADB in December 1998: (i) the dialogue will be intensified to support policy reform and sector analysis; (ii) active private sector involvement will be sought; (iii) steps will be taken to improve the institutional capacity of public agencies involved and to enhance the legal and regulatory framework; (iv) assistance will be provided to implement priority regional infrastructure investments; and (v) the inclusion of Tajikistan in these activities will be examined. ADB's support for regional economic cooperation is expected to result in support in 2000 for the rehabilitation of the strategic road link between Almaty and Bishkek. Other loan projects that could result from the second-phase RETA study are further support of (i) selected road and other transport links between the cited countries; and (ii) subsectors such as intraregional energy trade. Under the ADB-financed RETA: Rural Financial Systems Workshops in Central Asia, a workshop was held which aimed at contributing to capacity building for developing a sustainable rural financial system by gaining better insights on the role of rural finance, by exposing policy makers to best international practices, and by learning from rural finance experiences in the region.

V. Donor Activities and Aid Coordination

33. While frequent informal donor coordination has continued among representatives in Almaty, a consultative group meeting has not been held since 1996. The dates of the next meeting have yet to be fixed.

34. The World Bank is playing a lead role in mobilizing support in the donor community for the Government's efforts to transform Kazakhstan to a market economy. The World Bank has the largest program among the multilateral agencies working in Kazakhstan and its operational work is focused on macroeconomic stabilization and structural reform. Policy-related and investment credits have been made available or are being processed in agriculture, energy, enterprise reform, employment services, environmental rehabilitation, finance, health, social protection, urban transport, and water supply and sanitation.

35. The EBRD has focused on support to private sector operations including a line of credit for medium and small-scale enterprises. EBRD is also involved with a large public sector infrastructure project for the rehabilitation of port facilities in the city of Aktau at the Caspian. The European Union has directed its technical assistance to enterprise reform and privatization, civil service reforms, food production and distribution, and human development. The

Government of Japan, the largest bilateral donor, has provided significant balance-of-payments support to Kazakhstan in the form of loans from the Export-Import Bank of Japan and more recently, through the Overseas Economic Cooperation Fund, has been supporting infrastructure investment. The United States has provided technical assistance related to privatization and economic restructuring, urban infrastructure, pension reform, and social services. Other significant bilateral donors are Germany, Austria, and Turkey.

36. Kazakhstan first obtained access to resources from the IMF's Systemic Transformation Facility in July 1993. This was followed up by a Standby Arrangement in 1994 that was renewed in June 1995. In June 1996, the IMF and the Government agreed to replace the Standby Arrangement with an EFF. The EFF program under implementation focused on tight monetary and fiscal policies and medium-term structural reforms aimed at facilitating the transition to a market-based economy. Despite the Government's earnest efforts, major targets for end-1998 and first quarter 1999 under the program were missed by substantial margins. As a result, no disbursement took place in June 1999 (see para. 6).

37. Cooperation between the World Bank and ADB has been particularly close, and there have been regular discussions between the World Bank and ADB staff at the sectoral level particularly regarding the programs in agriculture and for pension reform. During the consultative group meeting in January 1994, it was agreed that the World Bank would take the lead in health while ADB would take the lead in the education sector and in roads. This agreement was reviewed and reconfirmed at the staff level during the last consultative group meeting for Kazakhstan, which was held in November 1996. Under ADB's Private Sector Strategy for Central Asia (para. 30), coordination with the EBRD will receive particular attention. ADB has excellent relations with the resident offices of the major donors to the country and there is frequent exchange of operational information and documents. A summary of overall external assistance to Kazakhstan is given in Appendix 3.

VI. Cofinancing and Catalyzing External Resources

38. There has been no cofinancing so far in ADB-assisted projects in the country. ADB will actively explore cofinancing opportunities since this will help lessen the demands on the budget from planned projects. Given the current external borrowing policies that encourage medium- and long-term concessional financing under the IMF-supported EFF, there will be possibilities for official cofinancing. Because of the EFF borrowing ceiling for nonconcessional financing with Government guarantees, the Government has taken a cautious stance by issuing such guarantees in a very select manner. However, within the ceilings envisaged under the EFF, the Government is considering cofinancing from commercial sources for some of the projects included in ADB's 2000-2001 operational program.

VII. ADB's Operational Program

39. After a hiatus in new lending in 1998, the Government and ADB have reached agreement on the 1999-2001 loan and TA program. The program envisages a modest resumption of operations, in keeping with the severe budget constraints, and also takes into account the Government's pressing need for quick disbursing assistance during this period. The 2000 program includes a regional road rehabilitation project and a farm restructuring project which were originally scheduled for Board consideration in 1999, and a locust management project. Besides these, the only other loan for 2000 is a proposed sector development program assistance of \$125 million for the country's railway system. Besides an investment component, the assistance is expected to support a far-reaching program of reforms which would improve

the finances and functioning of the national railways including the privatization of about 30 percent of its assets and the streamlining of its work force. The only loan project for 2001, the Third Road Rehabilitation Project (\$120 million), would need to be firmed up during future consultations and has a number of uncertainties at this stage (for the reasons stated in para. 19).

40. The Government's budgetary difficulties are also expected to spill over to the technical assistance pipeline for 2000-2001. The pipeline has been deliberately kept within modest dimensions at this stage and is geared principally to formulate and support the lending program for 2000-2001.

Table 1: Lending and Technical Assistance Program, 2000-2002

A. Public Sector Lending Program										
	1998 (Actual)		1999 (Actual)		2000		2001		2002	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^a	-	-	-	-	4	250.0	1	120.0	TBD	
ADF	-	-	-	-	-	-	-	-		
OCR	-	-	-	-	4	250.0	1	120.0		
Lending Pipeline ^b					4	250.0	1	120.0		
ADF					-	-	-	-		
OCR					4	250.0	1	120.0		
B. Technical Assistance Program										
	1998 (Actual)		1999 (Actual)		2000		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program ^a	1	840.0	2	1,550.0	4	3,300.0	1	750.0	TBD	
TA Pipeline ^b					4	3,300.0	1	750.0		

^a The Program is comprised of the firm projects.

^b The Pipeline consists of the Program (firm projects) and standby projects. In 2001 and 2002, there is no distinction between firm and standby.

41. The proposed loan and technical assistance pipeline for 2000-2002 is summarized in Table 1. The details are in Appendices 4 and 5. Project profiles for firm 2000 loans are attached as Appendix 6.

VIII. Economic and Sector Work Program

42. ADB is resuming new operations in Kazakhstan after a break of over a year. For the present, economic and sector work will be limited to areas that directly support lending operations. As such the agriculture, road and railways sectors will initially be the major focus of ESW. Additional items of study will be discussed and agreed upon with the Government in subsequent consultations.

IX. Local Cost Financing

43. Kazakhstan faces considerable challenges in maintaining a fiscal balance consistent with macroeconomic stability and in providing a sustainable basis for meeting critical needs. Fiscal stabilization is a key element of the Government's macroeconomic stabilization program, which has been developed with the assistance of the IMF. Fiscal pressures in 1999 and for the following few years will likely become more severe. Tax revenues are unlikely to increase significantly. Pressures to increase spending will continue for financing construction in the capital city, Astana, as well as to support the ongoing pension reform program.

44. Under ADB's Graduation Policy which was approved by the Board in December 1998, Kazakhstan was reclassified as a Group C DMC. Among other things, Group C DMCs are eligible for maximum ADB financing of 40 percent of total project costs. However, due to Kazakhstan's economic difficulties, ADB's cost sharing limit has been set at 65 percent for projects approved in 1999, reducing gradually to the new 40 percent limit for projects approved in 2004. Kazakhstan is expected to continue to access ADB assistance for meeting part of the local cost financing of projects.

KAZAKHSTAN
COUNTRY PERFORMANCE INDICATORS

Item	1994	1995	1996	1997	1998	1999
ECONOMIC INDICATORS						
A. Income and Growth						
1. GNP per Capita (\$, current) ^a	1,240.0	1,180.0	1,350.0	1,340.0	-	-
2. GDP Growth (% in constant prices)	-12.6	-8.2	0.5	1.7	-2.5	-3.3 ^b
a. Agriculture and Forestry	-21.0	-24.4	-5.0	1.9	-18.9	-
b. Industry and Construction	-24.7	-14.9	-3.5	5.0	6.0	-
c. Services ^c	0.2	-1.3	3.2	0.9	0.4	-
B. Money and Inflation						
			(annual percent change)			
1. Consumer Prices (annual average)	1,880.0	176.3	39.1	17.5	7.1	2.7 ^b
2. Consumer Prices (end of period)	1,160.3	60.3	28.7	11.3	1.9	9.8 ^b
3. Broad Money (M2)	-	106.1	13.8	29.2	-13.3	-
C. Government Finance						
			(percent of GDP)			
1. Revenue (including grants)	18.5	16.9	13.8	20.7	17.8	-
2. Expenditure (including Net lending)	18.4	20.8	18.6	27.7	25.8	-
3. Overall Surplus (+) / Deficit (-) (incl. Quasi-fiscal operations)	-7.3	-2.7	-4.7	-7.0	-8.0	-
D. Balance of Payments						
			(percent of GDP)			
1. Merchandise Trade Balance	-8.7	-1.3	-1.6	-1.2	-3.6	-
2. Current Account Balance	-8.6	-3.1	-3.6	-3.6	-5.6	-8.3 ^d
3. Export (\$) Growth (%)	-8.4	57.2	21.8	9.6	-16.3	-
4. Import (\$) Growth (%)	-18.3	28.1	23.0	8.3	-8.4	-
E. External Payments Indicators						
1. Gross International Reserves (\$ million, end-period)	1,203.0	1,660.0	1,980.0	2,244.0	1,959.1	1,494.7 ^b
- Months of Imports	3.5	3.2	3.1	3.2	4.1	-
2. External Debt Service (% of exports)	4.7	9.1	17.6	27.5	22.8	-
3. External Debt (% of GDP)	30.9	21.0	20.0	26.4	33.8	-
Memorandum Items:						
GDP (current prices, T billion)	423.5	1,014.2	1,415.8	1,698.3	1,747.7	828.0 ^b
Exchange Rate (tenge per \$, annual average)	35.8	61.0	67.3	75.4	78.3	103.8 ^b
Population (million)	16.4	16.2	16.0	15.9	15.7	

- = Not available; GNP = Gross National Product; GDP = Gross Domestic Product.

^a World Bank estimates, using Atlas methodology based on a three-year average of inflation-adjusted exchange rates. The estimate is heavily biased by the use of the official ruble-dollar exchange rate in pre-independence years.

^b Refers to the first half of 1999.

^c Calculated as residual.

^d Refers to the first quarter of 1999.

Sources: Kazakhstan authorities and the International Monetary Fund.

KAZAKHSTAN
COUNTRY PERFORMANCE INDICATORS

Item	1985	1990	Latest Year
POPULATION INDICATORS			
Total Population (millions)	15.7	16.4	15.6 (1998)
Rural Population (percent)	44.2	43.2	44.8 (1997)
Annual Population Growth Rate (% change)	1.2	-0.5	-1.2 (1998)
SOCIAL INDICATORS			
Total Fertility Rate (births per woman)	3.01	3	2.7 (1992)
Maternal Mortality Rate (per hundred thousand live births)	66.6 (1987)	67.2 (1991)	59.0 (1997)
Infant Mortality Rate (below 1 year; per '000 live births)	30.1	26.3	24.9 (1997)
Life Expectancy at Birth (years)	67.7	68.6	64.4 (1997)
Female	73.1 (1987)	73.1 (1991)	70.2 (1997)
Male	63.9 (1987)	63.8 (1991)	59.0 (1997)
Adult Literacy (%)	99	97.5 (1989)	97.5 (1997)
School Enrollment for all levels (% of children aged 6-24)	-	-	63.9 (1997)
Child Malnutrition (% of under age 5)	-	-	-
Population Below Poverty Line (%)	-	25 (1992)	43 (1997)
Income Ratio of Highest 20% to Lowest 20%	-	-	-
Percent of rural households with Access to Safe Water (%)	92	30	65 (1993)
Percent of rural households with Access to Sanitation (%)	90	19	61 (1993)
Public Education Expenditure as % of GDP	6.6	6.6	4.3 (1997)
Public Health Expenditure as % of GDP	3.1	3.3	2.1 (1997)
Human Development Index ^a	-	0.802	0.695 (1995)
Human Development Ranking ^a	-	54/173	93/174 (1995)
ENVIRONMENTAL INDICATORS			
Forestry			
Total Forest Area (thousand hectares)	-	9,540 (1990)	10,504 (1995)
Annual deforestation	-	-	-
Biodiversity			
Nationally protected area			
Area (thousand hectares)	-	-	7,337 (1997)
Number	-	-	70 (1997)
As % of land area	-	-	2.7 (1997)
Biosphere reserves			
Area (thousand hectares)	-	-	- (1997)
Number	-	-	- (1997)
World Heritage sites (number)			
Area (thousand hectares)	-	-	- (1997)
Number	-	-	- (1997)
Wetlands of international importance			
Area (thousand hectares)	-	-	609 (1997)
Number	-	-	2 (1997)
Land Use (thousand hectares)			
Cropland	-	-	35,239 (1992-94)
Permanent pasture	-	-	186,549 (1992-94)
Global Environmental Problems			
Total CO ₂ emissions (thousand metric tons)	-	-	221,478 (1995)
Per capita CO ₂ emissions (metric tons)	-	-	13.2 (1995)

- = not available; GDP = Gross Domestic Product; CO₂ = carbon dioxide.

^a Data for the latest year is sourced from the 1998 UNDP Human Development Report.

Source: National Statistical Agency, World Bank, UNDP, WRI.

KAZAKHSTAN
PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results
Public Sector Projects only
(as of 31 December 1998)

A. Project Portfolio	Net Loan Amount \$ million %		Rating (No.) ^a										
			Total		Implementation Progress				Development Objectives				
			No.	%	HS	S	PS	U	HS	S	PS	U	
Agriculture and Natural Resources	40.2	15.9	2	28.6	-	2	-	-	-	-	2	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Infrastructure	50.0	19.7	3	42.8	-	3	-	-	-	-	3	-	-
Transport and Communications	63.4	25.0	1	14.3	-	1	-	-	-	-	1	-	-
Others/Multisector	100.0	39.4	1	14.3	1	-	-	-	-	1	-	-	-
Total	253.6	100.0	7	100.0	1	6	-	-	-	1	6	-	-

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	215.00	38.62	253.62
(2) Disbursed amount (\$ mn, cumulative, active loans only)	119.14	16.88	136.02
(3) Percentage disbursed [(2)/(1)] (%)	55.42	43.70	53.63
(4) Disbursements (\$mn, active loans only, latest year)	114.53	12.79	127.32
(5) Disbursement ratio (%) ^b	54.44	38.14	52.20

C. Net Transfer of Resources (\$ million)	OCR	ADF	Total
Net transfer in 1995	62.58	-	62.58
Net transfer in 1996	20.90	6.00	26.90
Net transfer in 1997	47.03	16.84	63.87
Net transfer in 1998	102.01	12.54	114.55

D. Post-Evaluated Projects (By Year of Approval)	1968 - 1977		1978 - 1987		1988 - 1998		1968 - 1998	
	No.	%	No.	%	No.	%	No.	%
1. Postevaluation Rating								
Rated Generally Successful (GS)	-	-	-	-	-	-	-	-
Rated Partly Successful (PS)	-	-	-	-	-	-	-	-
Rated Unsuccessful (US)	-	-	-	-	-	-	-	-
No Rating	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
2. Postevaluation Rating by Sector								
1968-1998								
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-
Finance and Industry	-	-	-	-	-	-	-	-
Social Infrastructure	-	-	-	-	-	-	-	-
Transport and Communications	-	-	-	-	-	-	-	-
Others/Multisector	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

^a HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

^b Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

KAZAKHSTAN
PORTFOLIO PERFORMANCE

Table 2 : Status of Project Implementation
Public Sector Projects Only
(as of 31 December 1998)

Sector ^a	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Physical Progress (% complete)	Cum. Contract Awards (\$ million)	Cumulative Disbursement (\$ million)	Project Performance Rating ^b	
		OCR	ADF			Original	Revised				Implementation Progress	Development Objective
		(\$ million)				(mm/yy)						
AGR	Improvement	30.00	-	Dec-97	Aug-98	Jun-05	-	-	-	0.12	S	S
AGR	Improvement	-	10.17	Dec-97	Aug-98	Jun-03	-	-	-	0.40	S	S
SOC	Education Rehabilitation & Management Improvement	-	18.30	Jan-96	Oct-96	Jun-01	-	40.0	14.05	13.23	S	S
SOC	Basic Education	35.00	-	Sep-97	Aug-98	Jun-03	-	-	8.06	7.41	S	S
SOC	Basic Education	-	10.15	Sep-97	Aug-98	Jun-03	-	-	3.81	3.24	S	S
T&C	Road Rehabilitation	50.00	-	Aug-96	Mar-97	Nov-00	-	15.0	29.91	11.61	S	S
OTH	Pension Reform Program	100.00	-	Dec-97	Mar-98	Jun-99	-	-	100.00	100.00	HS	HS
Total		215.00	38.62						155.83	136.01		

^a Sector:

AGR: Agriculture & Natural Resources

ENE: Energy

SOC: Social Infrastructure

I&F: Industry and Finance

T&C: Transport and Communications

OTH: Multisector/Others

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

KAZAKHSTAN
OVERALL EXTERNAL ASSISTANCE

External Source (\$ million)	1994-1997 (Annual Average)			1998 ^a Program		
	Loan/Credit	TA	Total	Loan/Credit	TA	Total
A. Multilateral Assistance						
ADB	82.3	3.4	97.3	62.8	0.5	63.4
IMF	252.7	n.a	n.a	217.0	-	217.0
World Bank	282.5	n.a	n.a	129.6	1.5	131.1
EBRD	129.7	n.a	n.a	29.5	0.4	30.0
EU ^b	n.a	11.8	n.a	-	10.7	10.7
UN systems	n.a	n.a	4.3	-	5.7	5.7
IsDB	n.a	n.a	n.a	-	-	-
Subtotal	n.a	n.a	n.a	439.0	19.0	457.9
B. Bilateral Assistance						
Japan	n.a	n.a	n.a	15.8	11.5	27.3
Germany ^c	48.6	20.6	69.2	3.4	0.2	3.7
USAID	61.5	n.a	n.a	-	-	-
US	n.a	n.a	n.a	-	38.8	38.8
Saudi Arabia	n.a	n.a	n.a	-	15.0	15.0
Oman	n.a	n.a	n.a	-	10.0	10.0
Turkey	n.a	n.a	n.a	-	5.6	5.6
United Kingdom	n.a	n.a	n.a	-	1.8	1.8
Canada	n.a	n.a	n.a	-	1.2	1.2
France	n.a	n.a	n.a	-	0.8	0.8
Netherlands	n.a	n.a	n.a	-	0.3	0.3
Korea	n.a	n.a	n.a	-	-	-
Egypt	n.a	n.a	n.a	-	0.2	0.2
Kuwait Fund	n.a	n.a	n.a	-	0.1	0.1
Subtotal	n.a	n.a	n.a	19.3	85.6	104.9
Total	n.a.	n.a.	n.a.	458.3	104.5	562.8

^a In the absence of a consultative group meeting, data for 1998 are on a disbursement basis.

^b The TACIS program is indicated as TA grant.

^c Data for 1994-1997 refers to cumulative external assistance.

Source : Programs Division

KAZAKHSTAN
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002
(Amounts in \$ million)

Sector/Project Name	Strategic Dev't Objectives ^a		Responsible Division	Year of PPTA	PROJECT COST					
	Primary	Secondary			TOTAL	Bank			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
2000 FIRM LOANS										
Agriculture and Natural Resources										
1. Farm Restructuring Sector Development Program	ECO	HD	AEFN	1996	60.9	50.0	0.0	50.0	4.0	6.9
2. Locust Management Emergency Project	ENV	-	AEFN	-	22.0	10.0	0.0	10.0	12.0	-
Subtotal					82.9	60.0	0.0	60.0	16.0	6.9
Transport and Communications										
1. Almaty-Bishkek Regional Road Rehabilitation	ECO		IETC	1996	112.4	65.0	0.0	65.0	0.0	47.4
2. Railway Restructuring Sector Development Program	ECO	-	IETC	1999	125.0	125.0	0.0	125.0	0.0	-
Subtotal					237.4	190.0	0.0	190.0	0.0	47.4
Total					320.3	250.0	0.0	250.0	16.0	54.3
2001 LOAN PIPELINE										
Transport and Communications										
1. Third Road Rehabilitation	ECO	-	IETC	2000	184.6	120.0	-	120.0	TBD	TBD
Subtotal					184.6	120.0	0.0	120.0	TBD	TBD
Total					184.6	120.0	0.0	120.0	TBD	TBD
2002 LOAN PIPELINE										
TBD										

^a ECO = Economic Growth; ENV = Environmental Protection; and HD = Human Development.
TBD = to be determined.

KAZAKHSTAN
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Deepening of Agricultural Reforms and Development Program	AEFN	AD	800.0	-	800.0
Subtotal			<u>800.0</u>	<u>0.0</u>	<u>800.0</u>
Transport and Communications					
1. Third Road Rehabilitation	IETC	PP	750.0	-	750.0
2. Improvement of the Road Sector Efficiency ^a	IETC	AD	750.0	-	750.0
3. Strengthening Railways ^a	IETC	AD	1,000.0	-	1,000.0
Subtotal			<u>2,500.0</u>	<u>0.0</u>	<u>2,500.0</u>
Total			<u>3,300.0</u>	<u>0.0</u>	<u>3,300.0</u>
2001 TECHNICAL ASSISTANCE PROGRAM					
Transport and Communications					
1. Third Road Capacity Building ^a	IETC	AD	750.0	-	750.0
Subtotal			<u>750.0</u>	<u>0.0</u>	<u>750.0</u>
Total			<u>750.0</u>	<u>0.0</u>	<u>750.0</u>
2002 TECHNICAL ASSISTANCE PROGRAM					
TBD					

^a Piggy-backed to a loan.

KAZAKHSTAN
LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002

Classification	2000 (Firm)		2001-2002	
	No.	% ^a	No.	% ^a
I. By Type				
A. Economic Growth	2	50.0	1	100.0
B. Projects Directly Aimed at Social Concerns	-	-	-	-
C. Projects Directly Aimed at Environmental Concerns	1	25.0	-	-
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	1	25.0	-	-
Total	4	100.0	1	100.0
II. By Sector				
A. Agriculture and Natural Resources	2	50.0	-	-
B. Energy	-	-	-	-
C. Finance and Industry	-	-	-	-
D. Transport and Communications	2	50.0	1	100.0
E. Social Infrastructure	-	-	-	-
F. Others/Multisector	-	-	-	-
Total	4	100.0	1	100.0

^a rounded off.

KAZAKHSTAN

PROJECT PROFILE																								
1. Project Name: Farm Restructuring Sector Development Program Location (Province): East Kazakhstan		2. Sector/Subsector: Agriculture and Natural Resources Agricultural Support Services																						
3. Dev. Objective: Primary: ECO Secondary:																								
4. Rationale & Objectives: The objective of the Project is to promote agricultural recovery and rural growth through (i) refinement of the policy, legal, and institutional framework for market-led agriculture; (ii) nationwide provision of public information and education on agriculture; (iii) direct support to develop financially sustainable farm enterprises and agribusinesses; (iv) direct support to re-establish and/or expand non-farm employment and income generating activities in rural communities; and (v) strengthening capacity in local government and participating commercial banks (PCBs) so that they can better serve the needs of agriculture and the rural communities.		5. Beneficiary Participation/Consultation Needs: Representative farms and farm communities will be directly involved in the formulation of project interventions which could be implemented quickly on a trial basis following approval of the proposed ADB loan. The close and active participation of the affected farm and rural communities will be continued during project implementation.																						
6. Scope: The FRSDP comprises a Policy loan for \$30 million and an Investment loan of \$20 million. The Project will promote the regeneration of the rural economic in the oblast of East Kazakhstan by facilitating the development of financially sustainable farm enterprises and agribusinesses, and by assisting the establishment of alternative employment and income-generating activities within rural communities.																								
7. Estimated Cost & Financing Plan (\$): (a) TA: Amount - \$0.8 m (piggybacked TA) (b) Loan Project Cost (\$m) Program Loan - \$30.0m Investment Loan - \$20.0m				(c) Remarks The Project Preparatory Technical Assistance (PPTA) was approved on 31 December 1996 (TA 2737) and was completed in March 1998.																				
<table border="1"> <thead> <tr> <th>Financing (Source)</th> <th>FC</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>ADB</td> <td>46.0</td> <td>4.0</td> <td>50.0</td> </tr> <tr> <td>Cofinancing</td> <td>-</td> <td>3.6</td> <td>3.6</td> </tr> <tr> <td>Borrower/Others</td> <td>1.1</td> <td>6.2</td> <td>7.3</td> </tr> <tr> <td>Total</td> <td>47.1</td> <td>13.8</td> <td>60.9</td> </tr> </tbody> </table>					Financing (Source)	FC	LC	Total	ADB	46.0	4.0	50.0	Cofinancing	-	3.6	3.6	Borrower/Others	1.1	6.2	7.3	Total	47.1	13.8	60.9
Financing (Source)	FC	LC	Total																					
ADB	46.0	4.0	50.0																					
Cofinancing	-	3.6	3.6																					
Borrower/Others	1.1	6.2	7.3																					
Total	47.1	13.8	60.9																					
8. Estimated Benefits and Beneficiary Groups: Target beneficiaries will include the rural communities associated with privatized farms (both family and cooperative) and agribusiness enterprises. Benefits of the Project will include regeneration of farm productivity and income, revitalization of farm credit and agricultural commodity distribution systems, enhanced human resource capacity, and development of sustainable farm and agribusiness support programs and financial services.																								
9. Executing Agency: Program loan : Ministry of Finance Investment loan : Ministry of Agriculture		11. Project Implementation Period: Start: 2000 End: 2002																						
10. Previous Bank Experience with EA (Good, Fair, Poor): N/A																								
12. Portfolio Feedback: N/A		13. Expected Issues: To be determined.																						
14. Environmental Category: B		16. Processing Year:		TA																				
15. Input Date: 14-Jan-2000				2000																				
				Loan 2000																				

KAZAKHSTAN

PROJECT PROFILE				
1. Project Name: Locust Management Emergency Project Location : Kazakhstan, selected regions		Sector/Subsector: Agriculture and Natural Resources/ Agricultural Support Services		
3. Dev. Objective: Primary: ECO Secondary: ENV				
4. Rationale & Objectives: A locust infestation has affected Kazakhstan's cropland with increasing severity since late 1998. Given the potentially explosive growth of the locust population under present agroclimatic conditions, the Government fears that an even more severe and extensive plague could ensue next year unless immediate mitigative steps are taken in regions of the country that are most prone to infestation. Rather than being confined to Kazakhstan, the problem has broader regional dimensions, since Uzbekistan and southern Russia also suffered significant losses from locusts in 1999. The Project will support and enhance the Government's program for pest and disease control in the year 2000. The Project will have two objectives: (i) control of the growth and damage of the locust population next year through an immediate, efficient, environmentally sound intervention; and (ii) development of a longer-term, sustainable approach to locust management using recent technological innovations.		5. Beneficiary Participation/Consultation Needs: Given the emergency nature of the envisioned project interventions, a sample of the worst-affected regions of Kazakhstan was visited as part of the project's preparation and environmental impact assessment (EIA) in order to (i) establish the need for and scope of the Project, (ii) assess the locust control measures undertaken in 1999 and planned for 2000, (iii) assess measures for mitigating adverse environmental impacts, and (iv) determine the needs for training and capacity building for efficient, environmentally sound locust management. As a further part of the EIA, public and private (NGO) environmental agencies/groups will be consulted.		
6. Scope: The project area will encompass the northern grain-producing regions with significant infestation of <i>Calliptamus italicus</i> and non-migratory grasshoppers. The Project's immediate locust eradication intervention will contribute to the Government's overall program which involves a combination of chemical treatment on 4.9m ha and mechanical tillage treatment on an additional 1.0m ha. The project's longer-run locust management intervention will be nationwide in scope, involving public agencies and farms at the national, oblast, and raion levels. The Project will use pesticides and application methods with minimum toxic effect on humans and non-target organisms. This requires the use of a restricted range of pesticides (Insect Growth Regulators [IGRs] and synthetic pyrethroids), together with Ultra-Low Volume (ULV) application technology. Spraying will only take place on cultivated land, abandoned or fallow land, and improved pastures. There will no spraying within three kilometers of open water and human settlements, in virgin natural habitats, or in protected areas. The Project will provide training and protective clothing for handlers and operators of ULV spraying machinery. The proposed loan also makes provision for field-level environmental monitoring during the spraying campaign. In addition to dealing with the immediate locust crisis, a secondary objective of the Project is to promote the refinement of MOA's longer-term, strategy for locust management. The Project will support the development of new technological capacity in the Plant Protection Service through (a) a large-scale trial (approximately 800 hectares) of newly developed myco-insecticides to assess their suitability for eventual replacement of synthetic pesticides; and (b) the introduction of a computer-assisted locust forecasting system which would reduce the cost of surveys.				
7. Estimated Cost & Financing Plan (\$): (a) TA: Amount - (b) Loan Project Cost (\$m)			(c) Remarks	
Financing (Source)	FC	LC		Total
ADB	10.0	-		10.0
Cofinancing	-	-		-
Borrower	-	12.0		12.0
Total	10.0	12.0		22.0
7. Estimated Benefits and Beneficiary Groups: The primary benefit of the Project will be the substantial reduction in crop damage that would otherwise occur in 2000 in the absence of an adequate spraying campaign. By promoting environmentally-sound best practices, the Project will avoid environmental costs that might occur if the Government were forced to rely on older pesticides and outdated spraying technology. Beneficiary groups will include farms and rural communities, as well as urban communities that experience significant reduction in the quality of life due to the unchecked movement of locust swarms. By checking the growth of the locust population in Kazakhstan, the project will have regional benefits by reducing the movement of locust swarms into the territory of Kazakhstan's neighbors.				
9. Executing Agency: Ministry of Agriculture		11. Project Implementation Period: Start: 2000 End: 2001		
10. Previous Bank Experience with EA (Good, Fair, Poor): N/A		Expected Issues: To be determined.		
12. Portfolio Feedback: N/A				
14. Environmental Category: A (EIA required)		16. Processing Year:		
15. Input Date: 20-Jul-1999				TA
			2000	

KAZAKHSTAN

PROJECT PROFILE																								
1. Project Name: Railway Restructuring Sector Development Program		2. Sector/Subsector: Transport and Communication (Railway Subsector)																						
3. Dev. Objective: Primary: ECO Secondary:		5. Beneficiary Participation/Consultation Needs: Railway communities. Railway staff.																						
4. Rationale & Objectives: The Project will assist the Government in creating a commercially oriented railway enterprise through restructuring the railway sector. The Project will also assist in establishing and maintaining competitive freight tariffs through rehabilitation and strengthening of a section of one of the routes for international and transit traffic.																								
6. Scope: The scope will include: (a) confirmation and implementation of a railway restructuring program which will meet the costs of separation of infrastructure from route services, commercialization of ancillary units and staff, and provisions for staff reductions; (b) rehabilitation and strengthening of a priority track section and other priority investments; (c) consulting services for implementation of a policy action plan and track investment.																								
7. Estimated Cost & Financing Plan (\$): (a) TA: Amount - \$850,000 for PPTA (1999) Source - JSF (b) Loan Project Cost (\$m)				(c) Remarks The SDP is composed of a program component that is of a fast-disbursing nature and a project (2000-2002) component. Consultants for PPTA selection in January 2000.																				
<table border="1"> <thead> <tr> <th>Financing (Source)</th> <th>FC</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>ADB</td> <td>125.0</td> <td>0.0</td> <td>125.0</td> </tr> <tr> <td>Cofinancing</td> <td>TBD</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>Borrower</td> <td>TBD</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>Total</td> <td>125.0</td> <td>0.0</td> <td>125.0</td> </tr> </tbody> </table>					Financing (Source)	FC	LC	Total	ADB	125.0	0.0	125.0	Cofinancing	TBD	TBD	TBD	Borrower	TBD	TBD	TBD	Total	125.0	0.0	125.0
Financing (Source)	FC	LC	Total																					
ADB	125.0	0.0	125.0																					
Cofinancing	TBD	TBD	TBD																					
Borrower	TBD	TBD	TBD																					
Total	125.0	0.0	125.0																					
8. Estimated Benefits and Beneficiary Groups: The railway sector will operate according to commercial principles. Exporters will benefit from lower freight rates.																								
9. Executing Agency: Kazakhstan Temir Zholy (Kazakhstan Railways)		11. Project Implementation Period: Start: 2000 End: 2003																						
10. Previous Bank Experience with EA (Good, Fair, Poor): N/A		15. Expected Issues:																						
12. Portfolio Feedback: N/A																								
14. Environmental Category: B		16. Processing Year:		TA																				
15. Input Date: 20-Jul-1999				1999																				
				2000																				

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)
PIPELINE UPDATE**

KAZAKHSTAN

March 2000

KAZAKHSTAN
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002
(Amounts in \$ million)

Sector/Project Name	Strategic Dev't Objectives ^a		Responsible Division	Year of PPTA	PROJECT COST					
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)	
						OCR	ADF			Total
2000 FIRM LOANS										
Agriculture and Natural Resources										
1. Farm Restructuring Sector Development Program	ECO	HD	AEFN	1996	60.9	50.0	-	50.0	4.1	6.8
2. Locust Management Emergency Project	ENV	-	AEFN	-	22.0	10.0	-	10.0	12.0	-
Subtotal					82.9	60.0	-	60.0	16.1	6.8
Transport and Communications										
1. Almaty-Bishkek Regional Road Rehabilitation	ECO		IETC	1996	112.4	65.0	-	65.0	-	47.4
Subtotal					112.4	65.0	-	65.0	-	47.4
Total					195.3	125.0	-	125.0	16.1	54.2
2001 LOAN PIPELINE										
Transport and Communications										
1. Railway Restructuring Sector Development	ECO	-	IETC	1999	125.0	125.0	-	125.0	-	-
Subtotal					125.0	125.0	0.0	125.0	-	-
Total					125.0	125.0	0.0	125.0	-	-
2002 LOAN PIPELINE										
Transport and Communications										
1. Third Road Rehabilitation	ECO	-	IETC	2000	184.6	120.0	-	120.0	TBD	TBD
Subtotal					184.6	120.0	0.0	120.0		
Total					184.6	120.0	0.0	120.0	TBD	TBD

^a ECO = Economic Growth; ENV = Environmental Protection; and HD = Human Development.
TBD = to be determined.

KAZAKHSTAN
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Deepening of Agricultural Reforms and Development Program ^a	AEFN	AD	800.0	-	800.0
2. Forest Improvement ^a	AEFN	PP	700.0	-	700.0
3. Locust Management ^a	AEFN	PP	100.0	-	100.0
	Subtotal		<u>1,600.0</u>	<u>0.0</u>	<u>1,600.0</u>
Transport and Communications					
1. Building Capacity for Project Implementation and Restructuring ^a	IETC	AD	150.0	-	150.0
2. Improvement of the Road Sector Efficiency ^a	IETC	AD	750.0	-	750.0
	Subtotal		<u>900.0</u>	<u>0.0</u>	<u>900.0</u>
Others					
1. Support for WTO Membership ^a	IEFI	AD	600.0	-	600.0
2. Poverty Reduction Study ^a	PE3	AD	800.0	-	800.0
	Subtotal		<u>1,400.0</u>	<u>0.0</u>	<u>1,400.0</u>
Total			<u>3,900.0</u>	<u>0.0</u>	<u>3,900.0</u>
2001 TECHNICAL ASSISTANCE PROGRAM					
Transport and Communications					
1. Third Road Capacity Building	IETC	PP	750.0	-	750.0
2. Strengthening Railways ^a	IETC	AD	1,000.0	-	1,000.0
	Subtotal		<u>1,750.0</u>	<u>0.0</u>	<u>1,750.0</u>
Total			<u>1,750.0</u>	<u>0.0</u>	<u>1,750.0</u>
2002 TECHNICAL ASSISTANCE PROGRAM					
Transport and Communications					
1. Third Road Capacity Building ^a	IETC	AD	750.0	-	750.0
	Subtotal		<u>750.0</u>	<u>0.0</u>	<u>750.0</u>
Total			<u>750.0</u>	<u>0.0</u>	<u>750.0</u>

^a Piggy-backed to a loan.