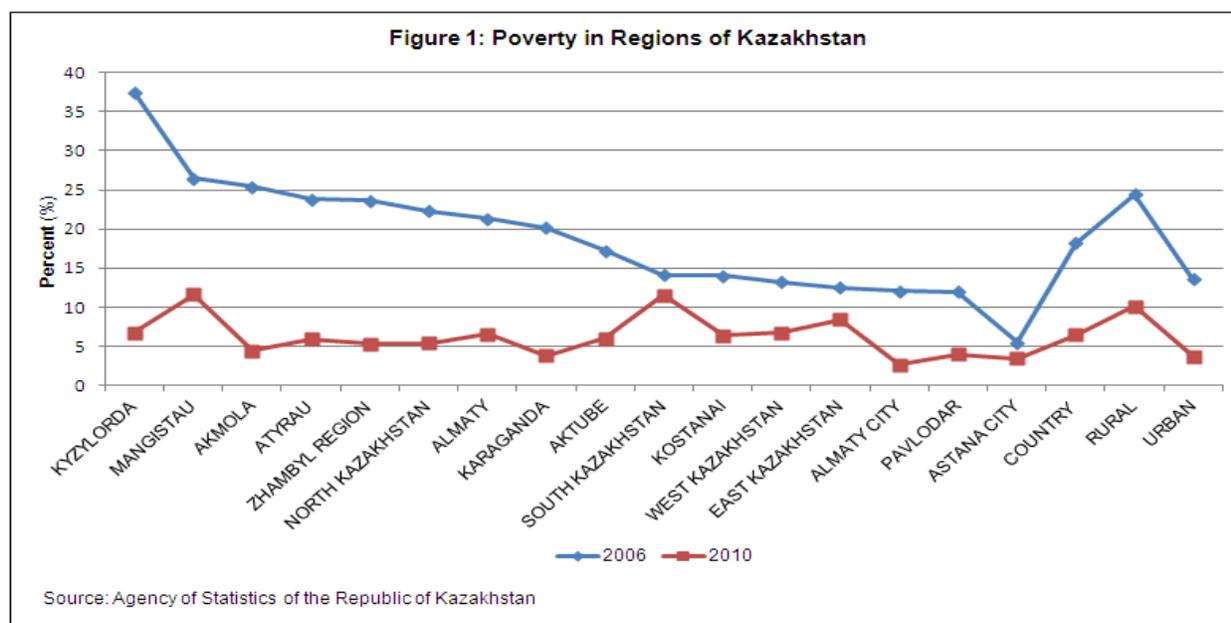


POVERTY ANALYSIS (SUMMARY)¹

1. This assessment summarizes Kazakhstan’s poverty and social profile, assesses its general poverty and inequality situation, reviews the government’s development and poverty reduction agenda, and identifies areas that Asian Development Bank (ADB) interventions can help address from the point of view of promoting inclusive growth in the country.

2. **Measurement of poverty.** Income poverty has been measured on a regular (annual) basis in Kazakhstan since 1999, using data derived from its national household budget surveys. The Statistical Agency of Kazakhstan uses an absolute poverty line to arrive at the official estimates of income poverty in the country. The updated 2005 poverty line is based on the cost of a food basket estimated to guarantee 2,137 calories per day. Food is assumed to represent 60% of the overall consumption of poor households. Using the 2005 poverty line, poverty was estimated to be 6.5% of the population in 2010—i.e., 1,040,000 individuals were living below the poverty line. Income poverty has decreased consistently since 2005. It has declined in both urban and rural areas (from 13.6% to under 4.0% in urban areas from 2005 to 2010; and from 24.4% to 10.0% in rural areas during the same period).

3. **Regional poverty variation.** Regional differences in poverty levels exist, but have narrowed. From 2006 to 2010, income poverty reduced spectacularly in several regions. In Kyzylorda, poverty decreased from 37.5% to 6.7%, or by 31 percentage points; in Mangistau, from 26% to 11.6%; and in Akmola, from 25.4% to 4.4% (Figure 1). Despite these reductions, poverty risk remains relatively high in the regions of Mangistau, South Kazakhstan (11.5%), and East Kazakhstan (8.4%), relative to the national poverty level. Another approach to estimating poverty is the relative one, which is calculated by setting a minimum subsistence that is relative to the median of the country; normally, this is taken at 60% of the median consumption level of the country. On this relative definition, 10.8% of Kazakhstan’s population was estimated to fall below the poverty line in 2009. At 70% of the national median consumption level, 20% of Kazakhstan’s population could be classified poor.



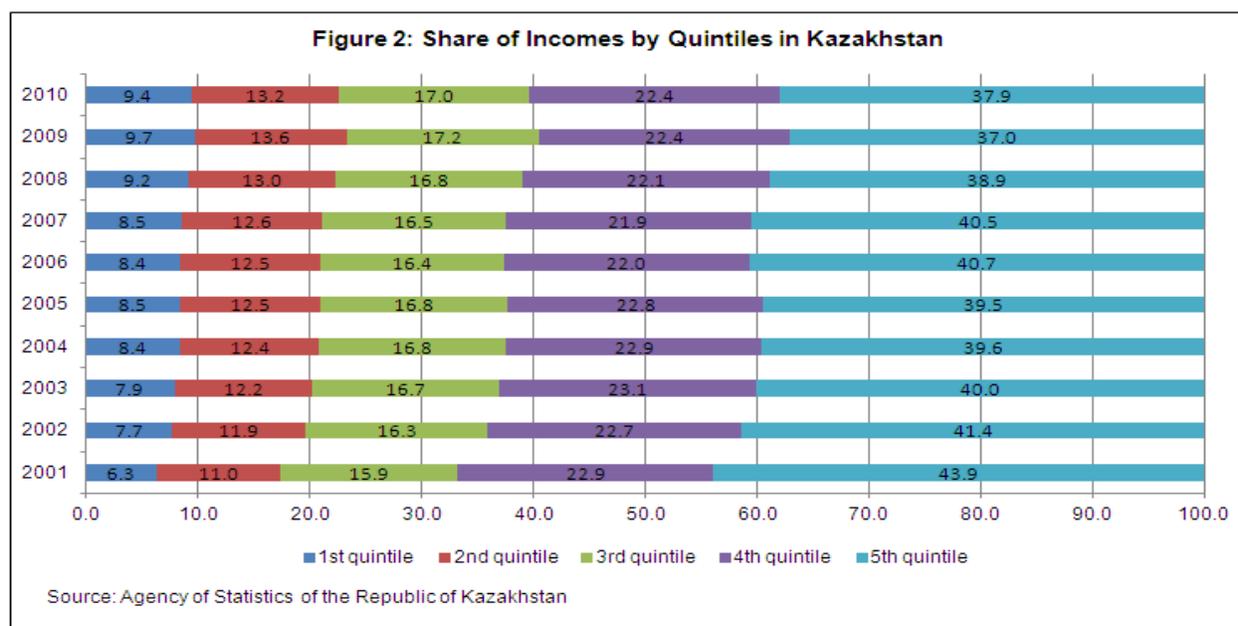
¹ The summary is based on Asian Development Bank and United Nations Development Programme (UNDP). 2012. *A Poverty Assessment of Kazakhstan*. Astana. Unpublished. Available on request.

4. **Income inequality.** Income inequality in Kazakhstan remains significant, despite an overall reduction, as evidenced by a generally declining Gini coefficient between 2001 and 2010 (Table). However, the Gini coefficient increased slightly in 2010. The share of the top income quintile in 2010 in total incomes, at about 38%, increased by about 1 percentage point from 2009, whereas the share of the bottom income quintile fell slightly by 0.3 percentage points (Figure 2).

Table: Kazakhstan Gini Coefficient

Indicator	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gini Coefficient	0.366	0.328	0.315	0.305	0.304	0.312	0.309	0.288	0.267	0.278

Source: Agency of Statistics of the Republic of Kazakhstan



5. **Stylized facts on poverty.** Some stylized facts about Kazakhstan's poverty, gleaned from official data, are as follows:

- (i) Urban poverty has fallen more than rural poverty, but a sizeable proportion of the poor (14%) lives in large cities, perhaps because of migration in search of work.
- (ii) Children represent a large share of the poor (34.5%) and have a higher poverty risk than other age groups. The retirement age population has a lower poverty incidence, partly because pension rates are set above the subsistence minimum.
- (iii) The higher the level of education, the lower is the probability of being poor. However, education does not necessarily protect from poverty: 10% of people with vocational education were also classified poor.
- (iv) Low wage employment in the agriculture and public sectors is associated with higher poverty risk.
- (v) Access to land does not reduce the poverty risk; 6.6% of landowners were poor households compared with only 2.4% of those who did not own land.

6. **Special poverty survey.** A special survey of 1,309 vulnerable households was carried out across seven regions of Kazakhstan as part of this poverty assessment, to supplement

secondary data on poverty available from official sources.² The regions selected were representative of the geographic, climatic, and economic conditions of the country. However, because this was not a statistically representative survey and was focused on vulnerable and poor groups of households only, its results are not directly comparable with the official, statistically representative surveys, whose results have been reported above.

7. One-third of the surveyed vulnerable households did not have sufficient income for food consumption. Most of the poor households were located in remote areas and in suburbs of large cities and small towns. More than half of the households experienced material deprivation of various kinds. The survey findings suggest that certain pockets of extreme poverty and food poverty continue to exist. A third of the vulnerable households surveyed expressed dissatisfaction with the current system of social protection. Only 38% of vulnerable households were found to be connected to centralized water supply. Access to electricity supply, however, was not considered by households to be a significant problem. Households mentioned lack of textbooks and kindergartens as primary obstacles to access to quality education.

8. **Non-income poverty.** Kazakhstan's progress on non-income poverty has also been impressive. Kazakhstan has almost 100% literacy and high enrolment rates. It was ranked a high human development country in the 2011 *Human Development Report*,³ it has achieved many of its Millennium Development Goals (MDGs), and is making progress toward meeting its MDG Plus targets by 2015.⁴ Despite this progress, Kazakhstan still runs the risk of not meeting some MDGs by 2015. Increased access to improved water sources and sanitation facilities in rural areas, strengthened health services to help reduce child and maternal mortality, and increased efforts for prevention against the HIV epidemic are areas where more effort is needed. Moreover, infrastructure needs to be improved for better access to markets and social services; employment opportunities need to be enhanced, especially through small and medium-sized enterprises (SMEs); the quality of social services need to be improved; and reliable safety nets for vulnerable groups, including the aged and the unemployed, need to be strengthened. Improved vocational education and skills training is also needed to create greater opportunities for sustainable livelihoods.

9. **Economic growth and poverty reduction.** Kazakhstan's rapid economic growth—combined with targeted interventions including programs on poverty alleviation, rural water, and employment—is correlated with the significant decline in poverty. Aside from the 2 years of the financial crisis, Kazakhstan has achieved remarkable economic growth over the last decade, fuelled by the extractive industries, especially oil, gas, and minerals. This strong growth has contributed to reducing the incidence and depth of poverty by providing employment opportunities, access to capital, social and economic infrastructure and services, resulting in increasing per capita incomes. This has resulted in marked improvements in living standards of households in Kazakhstan.

10. **Gainful employment as a solution for poverty.** With strong economic growth, Kazakhstan's rate of unemployment fell to 5.8% in 2010 from 8.0% in 2005 according to official estimates. This fall is directly correlated to the reduction in the incidence of poverty. It is not just the level but also the quality of employment that is crucial for poverty reduction and inclusive growth. As noted in para. 5, low wage employment could be associated with higher poverty. The typically low-paid informal sector employment in Kazakhstan remains significant. Therefore, the

² Regions covered in this survey include Almaty, Akmola, Atyrau, East Kazakhstan, Mangystau, Kyzlorda, and South Kazakhstan.

³ UNDP. 2011. *Human Development Report 2011. Sustainability and Equity: A Better Future for All*. New York.

⁴ UNDP. 2010. *Millennium Development Goals in Kazakhstan*. Astana.

quality of work of people holding informal jobs needs constant improvement to lead to higher wages and increased productivity for these people to make a decisive break from poverty.

11. **Social protection.** Social protection systems in Kazakhstan provide a degree of sustenance for the poor. The current social protection system comprises social insurance benefits, social assistance benefits, and social services. Pensioners, in particular, are well protected since pensions are linked to the subsistence minimum. However, poor families with children remain vulnerable as social protection benefits are generally not sufficiently high to meet costs associated with school education. Disability pensions are also considered too low to provide an adequate level of social protection for the affected population.

12. **Government's poverty and inclusive growth programs.** Under the government's poverty reduction program, 2000–2005, important progress was made in closing the income gap between the upper and lower strata of the population by generating productive employment opportunities. This program contributed significantly to reducing poverty. On completion of the first decade of Kazakhstan's Strategy 2030 in 2007, the government's self-assessment noted that the country had accomplished 100% of the poverty reduction targets set for the period.⁵

13. The government's Accelerated Industrialization Development Program, 2010–2014 supports growth and employment creation by identifying priority economic sectors and providing funds for modernization of enterprises, improving access to infrastructure, and building human resources. The government proposes to increase the potential and efficiency of human capital through integrated modernization of the national education and healthcare systems, as well as more effective human resources management. Improving people's living standards and increasing the effectiveness of public services is planned to be achieved through the creation of a modern social security system and a focus on modernizing housing and public utilities.

14. The Government of Kazakhstan is implementing a Business Road Map—2020 Program which attempts to protect and sustain employment, particularly in the aftermath of the global financial crisis. This road map aims at maintaining existing and promoting new employment opportunities by supporting growth of non-oil economic sectors. The road map supports new businesses through subsidized interest rates and guarantees on bank loans, and promotes infrastructure development. It also offers training and support services to existing and new businesses.

15. **Recommendations for ADB support.** Priority actions to overcome the remaining poverty in Kazakhstan should focus on achieving the country's MDG Plus targets, closing the income inequality gap, making targeted regional interventions for balanced development, strengthening education and health systems, developing SMEs for employment generation, enhancing the social protection system, and upgrading municipal services.

16. Building on its comparative advantages and areas of expertise, ADB will support the government's poverty reduction agenda by (i) supporting modernization of urban and municipal services for improved living standards and achieving the MDGs, (ii) developing transport and energy infrastructure to create economic and employment opportunities, and (iii) strengthening access to finance and promoting the role of SMEs to support entrepreneurship and generation of new jobs.

⁵ The Kazakhstan Strategy 2030, approved in 1997, sets out a vision for the country over 30 years and outlines a long-term road map for achieving this vision. Kazakhstan 2030 is being implemented through a series of 10-year plans developed by the government.