

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Republic of Kazakhstan	Project Title:	Micro, Small and Medium-Sized Enterprise Development
Lending/Financing Modality:	Project	Department/Division:	Central and West Asia Department/Public Management, Financial Sector, and Trade Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Asian Development Bank (ADB)'s Country Partnership Strategy (CPS) (2012–2016) for Kazakhstan introduced a sharpened operational focus on two key areas to support diversification and industrial development: (i) modernizing infrastructure and utilities while seeking innovative and flexible solutions to narrow investment and viability gaps; and (ii) improving access to finance for small and medium-sized enterprises (SMEs), trade, and investment in infrastructure through public-private partnerships (PPPs). Governance and institutional reforms, private sector development, regional cooperation, knowledge exchange, climate change and environmental sustainability, and gender equity are the main drivers of the CPS. The sector results framework for finance has two relevant indicators for this project (i) share of bank loans to SMEs increases to 20% of gross domestic product (GDP) in 2016 (2011 baseline: 15%); and (ii) proportion of loans going to women entrepreneurs under Damu Entrepreneurship Development Fund (Damu) programs increases to 33% of loans by 2016 (2013 baseline: 10%).

The government recognizes that a prosperous SME sector can be a major creator of employment and innovation. Micro and SMEs (MSMEs) in Kazakhstan are more responsive and adaptable than larger enterprises<sup>a</sup> and are ultimately a key to the country's long-term economic growth and poverty reduction. A number of government initiatives have been taken to address the barriers faced by SMEs. The state *Roadmap for Business–2020* and the *Strategy for Industrial-Innovative Development of Kazakhstan 2015–2019* provide the general policy framework.<sup>b</sup> Limited SME access to finance is a key constraint identified in the 2050 Development Strategy adopted by the government.<sup>c</sup> The strategy supports an increased role for the MSME sector in economic diversification. The project will provide credit support for MSMEs through Damu's and an apex fund for microfinance, to be channeled through commercial banks and microfinance institutions. It will also support MSME clustering and access to business support services. This will create jobs, and will contribute to regional development objectives, contributing to raise incomes. Women businesses will be targeted both for credit and for support services.

#### B. Poverty Targeting

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

#### C. Poverty and Social Analysis

##### 1. Key issues and potential beneficiaries.

Kazakhstan has made rapid progress in poverty reduction. Poverty incidence—measured as the proportion of the population living below a stipulated minimum resource requirement—has reduced from 39% in 1998 to 3.8% in 2012.<sup>d</sup> Kazakhstan's Social Assistance Program provides minimum welfare support to individuals defined as ultra poor, with an income equivalent to 40% of the subsistence minimum or less. In 2009, the ultra poor threshold was T5,487 (\$36.40) per month or just over \$1 per person per day. In 2008, 244,000 individuals applied for targeted support under the Social Assistance Program. This dropped to 166,000 by the first half of 2010, suggesting that people have benefited from the government's employment generation program.

Unemployment has dropped steadily to 5.2% (2013) from 13.5% in 1999. It is likely that these figures are low as there is a high level of subsistence employment. Large sections of the rural population are classified as employed (self-employed) because they have access to land. According to survey results 32% of the self-employed had access to land, but 80% of them used the plot only to produce food for own consumption. In Kyzylorda region, for example, over 50% of the economically active population considered themselves unemployed.<sup>e</sup>

MSME development is important for poverty reduction, because it allows both economic diversification and provides relatively greater opportunities for employment of lower-income households.

##### 2. Impact channels and expected systemic changes.

Impact on economic empowerment for women and rural (agriculture-based) population and increased income opportunities will be through increased access to loans, leases and other forms of finance to MSME borrowers for investment, working capital and other agreed purposes. Business networks and clusters that include women businesses and rural and agricultural entrepreneurs will be incentivized and subsector assessments and growth diagnostics will look at specific gender constraints. Women businesses, rural

## 3. Focus of (and resources allocated in) the PPTA or due diligence.

The PPTA will help review the social, poverty and gender impacts of previous ADB SME support projects to identify lessons learned and good practices. Issues to be reviewed during project design include collecting data and identifying specific constraints in accessing finance and business development services for women entrepreneurs and identifying economic subsectors where women's businesses have higher and lower presence. Diagnostic analysis will be gender sensitive and a gender action plan will be developed for the project.

## 4. Specific analysis for policy-based lending. NA.

**II. GENDER AND DEVELOPMENT**

## 1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?

The Organization for Economic Co-operation and Development (OECD) Social Institutions and Gender Index ranks Kazakhstan 14th among 86 non-OECD countries in 2012.<sup>f</sup> Kazakhstan established the National Commission on Family Affairs and Gender Policy to address gender issues. In 2003 the Concept on Gender Policy was approved, followed by the adoption of the Strategy for Gender Equality for 2006–2016. Women constitute 53% of Kazakhstan's population and 66.7% are economically active (76.1% for men). The high participation rates reflect high levels of education for women. However, women's unemployment rate is 5.9% (compared to 4.6 % for men), and women are more likely to work in lower-paid sectors at lower salaries than men (69.6% of men's wage, on average). A comprehensive survey of gender issues in the SME sector was completed during Tranche 1 of the Small and Medium Size Investment Program.<sup>g</sup> Results indicated that women entrepreneurs are more frequently engaged in trade (41% vs. 26% for men), core services (accommodation, food and tourism [8% vs. 5% for men]), and other services (17% vs. 15% for men). These sectors tend to have lower productivity and lower growth prospects. Focus group discussion data suggests a range of issues. Besides problems that are typical for small businesses generally such as access to funding, information, and highly skilled personnel, there are other gender-specific problems related to:

- (i) the need to balance work with the family and child care;
- (ii) limited ability to manage and control own time and travel;
- (iii) huge physical exertion, hard work and long working hours leading to health problems;
- (iv) absence of family support; and
- (v) social stereotypes and traditions requiring a woman to have a more passive role.

Self-employment may not offer women a reasonable return on their labor, especially in rural areas. Women in Kazakhstan more often start a business because of necessity and the lack of alternative employment options, whereas men are more likely to be motivated by a desire to take advantage of a perceived opportunity. Female entrepreneurs tend to operate microenterprises and small businesses, and in rural regions often engage in home-based production or other entrepreneurial activities that are compatible with household duties. A critical issue is their limited access to finance, especially loans from commercial banks.<sup>h</sup>

## 2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes  No Please explain

A Gender Action Plan will be prepared during PPTA to ensure outreach to women.

## 3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes  No Please explain

## 4. Indicate the intended gender mainstreaming category:

GEN (gender equity)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

**III. PARTICIPATION AND EMPOWERMENT**

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. Main stakeholders include the business community and they will be consulted, through focus groups and through the representative business associations, through project design.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? The project will support the institutionalization of consultation mechanisms with the private sector, that will ensure participation of those at higher risk of exclusion such as informal businesses and women owned or managed MSMEs.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? Representatives of businesses, and non-governmental institutions providing business development support.

Information generation and sharing (H)  Consultation (M)  Collaboration  Partnership

<p>4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The project will support the institutionalization of consultation mechanisms with the private sector, that will ensure participation of those at higher risk of exclusion like informal businesses and women owned or managed MSMEs.</p>
<b>IV. SOCIAL SAFEGUARDS</b>
<b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>There are no expected involuntary resettlement impacts.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI
<p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment <input checked="" type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>Employment generated will be a measure of the project's results. Citizens will benefit from new jobs created. Social impacts, including mechanisms to ensure application of core labor standards and other applicable laws and regulations will be assessed during project processing. Recommendations to revise the existing exclusion of women from hundred of occupations in the Labor Code will be discussed with relevant authorities during project processing.</p>
<b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? Social and Environmental Specialists.</p>

<sup>a</sup> Sector Assessment: Small and Medium-Sized Enterprises Finance (Appendix 6).

<sup>b</sup> Government of Kazakhstan. 2010. *Business Roadmap 2010*. Astana; Government of Kazakhstan. 2010. *The Accelerated industrial-innovative Development (AIID) of Kazakhstan 2010–2014*. Astana. A second stage of the AIID was approved in May 2014 for the period 2015-2019.

<sup>c</sup> Government of Kazakhstan. 2012. *Development Strategy of the Republic of Kazakhstan to 2050*. Astana.

<sup>d</sup> Government of Kazakhstan, State Statistics Agency. 2012. *Annual Statistics*. Astana.

<sup>e</sup> ADB and UNDP. 2012. *An Assessment of Poverty in Kazakhstan*. Manila.

<sup>f</sup> <http://genderindex.org/ranking/Europe%20and%20Central%20Asia>

<sup>g</sup> Sange Research Center. 2013. *Kazakhstan: Improving Capacity to Support SME Development*. Astana.

<sup>h</sup> ADB. 2014. *Kazakhstan Country Gender Assessment*. Manila.