



# Technical Assistance Report

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Project Number: 54265-001  
Knowledge and Support Technical Assistance (KSTA)  
December 2020

## Republic of Kazakhstan: COVID-19 Solidarity Fund for Kazakhstan

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Asian Development Bank



**CURRENCY EQUIVALENTS**  
(as of 31 October 2020)

Currency unit	–	tenge (T)
T1.00	=	\$0.00231
\$1.00	=	T432.68

**ABBREVIATIONS**

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
MLSPP	–	Ministry of Labor and Social Protection of Population
SFK	–	Solidarity Fund for Kazakhstan
SME	–	small and medium-sized enterprise
TA	–	technical assistance
UNDP	–	United Nations Development Programme

**NOTE{S}**

In this report, “\$” refers to United States dollars

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## KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 54265-001	
<b>Project Name</b>	COVID-19 Solidarity Fund for Kazakhstan	<b>Department/Division</b>	CWRD/KARM
<b>Nature of Activity</b>	Capacity Development, Research and Development	<b>Executing Agency</b>	Ministry of National Economy
<b>Modality</b>	Regular		
<b>Country</b>	Kazakhstan		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Education	Education sector development - social protection initiatives		0.25
	Technical and vocational education and training		0.29
Industry and trade	Small and medium enterprise development		0.46
		<b>Total</b>	<b>1.00</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum)	0
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity			
		<b>ADB Financing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 1.5		Some gender elements (SGE)	✓
SDG 4.5, 4.7			
SDG 8.2			
		<b>Poverty Targeting</b>	
		General Intervention on Poverty	✓
<b>4. Risk Categorization</b>	Complex		
<b>5. Safeguard Categorization</b>	Safeguard Policy Statement does not apply		
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>1.00</b>	
Knowledge and Support technical assistance: Technical Assistance Special Fund		1.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>1.00</b>	
<b>Currency of ADB Financing:</b> US Dollar			

## I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will assist Kazakhstan in fighting the negative impact on the local labor market of the coronavirus disease 2019 (COVID-19) pandemic by minimizing the effect on the most vulnerable parts of the population and preparing for post-crisis socioeconomic development based on newly emerging industries, professions, and jobs. The Solidarity Fund for Kazakhstan (SFK), created by government agencies with technical and financial assistance from development partners, will provide the training and retraining to build capacity and skills in emerging sectors such as agriculture, e-commerce, and information technology.

2. The TA is aligned with the support measures and new economic development strategy introduced by the Government of Kazakhstan in response to the challenges caused by the COVID-19 pandemic. The TA's objective is to assist the government in providing timely labor market support measures to address crises caused by the COVID-19 pandemic.<sup>1</sup> The TA is included in ADB's country operations business plan for Kazakhstan, 2021–2023.<sup>2</sup>

## II. ISSUES

3. Kazakhstan is facing tremendous challenges as a result of the COVID-19 pandemic and the reduction in oil prices since early 2020, which have jointly resulted in an unprecedented economic and social crisis. The government has adopted programs that seek to diversify the economy, but Kazakhstan remains heavily dependent on extractive industries, with over 70% of export revenues derived from basic commodities, especially oil and gas. This production structure, which is typical of countries affected by so-called “Dutch disease”,<sup>3</sup> creates pronounced economic vulnerabilities that amplify the impact of the ongoing crisis.

4. The economic crisis in Kazakhstan is impacting business activities, especially those of small and medium-sized enterprises (SMEs) with the services sector contracting by 5.6% in the first half of 2020. The full impact on employment has yet to be assessed, but COVID-19-induced measures caused 4.2 million people to be suspended or laid off during the quarantine.<sup>4</sup> A survey conducted by Atameken<sup>5</sup> (an entrepreneur's association in Kazakhstan) in August 2020 suggests that local firms will likely dismiss more than 35% of their employees because of the COVID-19 pandemic assessments of the impact of the crisis on local employment vary, but government agency announcements suggest that out of 8.5 million employed people, over 2 million are expected to temporarily or permanently lose their jobs. Over 3.7 million people are expected to have reduced or no income during the pandemic and will receive social payments from the government. A survey indicates 26% of female respondents lost their jobs or faced a reduction in paid working hours, while 81% of women reported their time spent on domestic work increased.<sup>6</sup> Traditionally, women are predominantly employed in tourism, hospitality, and service sector jobs.<sup>7</sup>

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<sup>1</sup> The TA first appeared in the business opportunities section of ADB's website on 15 May 2020.

<sup>2</sup> ADB. 2020. [Country Operations Business Plan: Kazakhstan, 2021–2023](#). Manila.

<sup>3</sup> Kojo, Naoko C. *Demystifying Dutch Disease*. Policy Research Working Paper. World Bank Group, 2014 Washington, DC.

<sup>4</sup> Ministry of Labor and Social Protection data.

<sup>5</sup> National Chamber of Entrepreneurs, [research results of COVID-19 impact on SMEs](#).

<sup>6</sup> United Nations (UN) Women Kazakhstan and the United Nations Population Fund (UNFPA). [The Impact of Covid-19 on Women's and Men's Lives and Livelihoods](#), 2020. Nur-Sultan.

<sup>7</sup> Republic of Kazakhstan, Ministry of National Economy, Committee on Statistics. [Gender](#).

5. Social discontent and fragmentation are expected to increase as the proportion of the work force being laid off increases and the most vulnerable people experience the negative economic impact of the prolonged containment measures (e.g., social distancing and quarantines). These measures have also served to substantially transform the labor market. Several professions are struggling as a result of reduced demand for traditional skills and the ongoing significant transformation in and the increased use of remote working arrangements, leading to a surge in unemployment. Impacts on services and manufacturing production have resulted in massive layoffs. The tourism industry has been heavily affected as countries closed borders and blocked the movement of people to contain the spread of COVID-19. Increasing displacement in the labor market and the low capacity of the labor force to adapt to new job opportunities will likely lead to deep social and economic impacts that push more people into poverty.

6. Through training programs and a subsequent increase in labor force capacity in Kazakhstan, the TA will help the government achieve the targets set out in President Tokayev's state of the nation address on 1 September 2020, specifically increasing the contribution of SMEs to gross domestic product to 35% by 2025, and increasing the number of people employed to 4 million.<sup>8</sup>

7. The proposal from the Ministry of National Economy to establish SFK was further elaborated through a series of informal meetings among prospective partners, with subsequent support provided to Kazakhstan in March–October 2020 by ADB, the United Nations Development Programme (UNDP), the World Bank, and other development partners. The SFK will focus on delivering training and re-training programs to help poor and vulnerable people who lost their jobs due to the pandemic find new jobs in the post-COVID-19 economy. Initially, the SFK was intended to also assist with the provision of material relief (food and medicine) and the creation of an online platform for the provision of public services to SMEs. These activities were, however, supported by ADB's Asia Pacific Disaster Response Fund and other government programs that were not anticipated during the concept stage of the TA. The Asia Pacific Disaster Response Fund approved a \$3.0 million emergency grant<sup>9</sup> to the government to provide medical supplies and life-saving equipment in response to the COVID-19 pandemic. The government updated its request for the SFK to focus on retraining and skills upgrading to develop capabilities and expertise in industries and sectors that are expected to provide most business development opportunities in the post-COVID-19 environment. Joint financing and management of TA activities by ADB, UNDP, and the World Bank in collaboration with the government are expected to produce relevant synergies and complementarities.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

8. The TA is aligned with the following impact: supporting measures and new economic strategy introduced by the government to respond to COVID-19 challenges. The TA's outcome is timely labor market support measures provided by the government to address crises caused by the COVID-19 pandemic.<sup>10</sup>

#### B. Outputs and Activities

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<sup>8</sup> President of Kazakhstan [State of the Nation address, September 1, 2020](#).

<sup>9</sup> Approved by the President of ADB on 27 Aug 2020. *COVID-19 Emergency Response*.

<sup>10</sup> [The list of the government support measures for COVID-19 outbreak](#).

9. **Output 1: Report on emerging professions for Kazakhstan prepared.** To properly design and deliver new labor-related training programs, the SFK will support conducting an analysis of the professions needed in the post-COVID-19 environment as part of the ongoing initiative of the Ministry of Labor and Social Protection of Population (MLSP) and BTS Education.<sup>11</sup> Building skills in the COVID-19 context will be integrated into a labor market modernization roadmap developed by the MLSP under the framework of the World Bank's Skills and Jobs Project,<sup>12</sup> including online skills enhancement training for people who are (i) unemployed and unproductively self-employed, and (ii) currently employed but in need of training. Concurrently, the SFK will assist with developing individual employment schemes supported by mentoring, counseling, and orientation. This output will be delivered from December 2020 until April 2021.

10. **Output 2: Training programs for skills development delivered.** The SFK will develop and deliver a complete set of training and retraining programs for skills development to help poor and vulnerable people who lost their jobs due to COVID-19 find new job opportunities in the post-pandemic environment, including women in rural areas. Such training can be extended to reskilling and upskilling of those workers who are at risk of losing their jobs as a result of problems adapting to emerging needs for skills and new business processes. To accomplish this, the SFK will help quantify total job losses in the country and assess the impact of COVID-19 on individual and family incomes. International and local experts will help identify emerging industries and sectors in the post-COVID-19 pandemic environment and design focused training programs for the local workforce to serve both national and international markets. Many firms will realize the need to realign their business processes, products and services to new standards of production, trading, packaging and delivery, and the successful restarting of business operations post-COVID-19 will require new skills and adaptation of vocational training. The output will be delivered in close collaboration with MLSP and coordinated with the World Bank's ongoing Skills and Jobs Project (footnote 12). This output will be delivered from January 2021 until December 2022.

11. **Output 3: Training programs for small and medium-sized enterprises to enter emerging industries delivered.** The SFK will develop and deliver training programs in collaboration with the Damu Entrepreneurship Development Fund to assist SMEs enter emerging industries that are expected to emerge in the post-COVID-19 economy, such as agriculture, e-commerce, and information technology. The programs will also support women entrepreneurs and capacity building. Online programs will be targeted to improve existing skills and provide education on new competencies required to promote entrepreneurship activity. Courses will be delivered in accordance with business needs and provided in the Kazakh and Russian languages. This output will be delivered from January 2021 until December 2022.

## C. Cost and Financing

12. The TA is estimated to cost \$1,000,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The indicative key expenditure items are listed in Appendix 2.

## D. Implementation Arrangements

13. The Ministry of National Economy will be the executing agency and will facilitate the overall coordination of all SFK activities for the government. ADB will administer the TA through the

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<sup>11</sup> BTS Education. [Our projects](#).

<sup>12</sup> World Bank. [Republic of Kazakhstan: Skills and Jobs Project](#). Washington, DC. 2015.

Kazakhstan Resident Mission of its' Central and West Asia Department, and in close coordination with relevant sector and thematic groups of the Sustainable Development and Climate Change Department.

14. The implementation arrangements are summarized in the table.

<b>Implementation Arrangements</b>	
<b>Aspects</b>	<b>Arrangements</b>
Indicative implementation period	December 2020 – December 2022
Executing agency	Ministry of National Economy of the Republic of Kazakhstan
Implementing agency	UNDP
Procurement	ADB and UNDP will implement an Administrative Arrangement, under a revised and updated version of the Memorandum of Understanding between the two organizations signed on 12 April 2019 (this has been applied in projects for the promotion of the Sustainable Development Goals in Kazakhstan). In addition, ADB's prior clearance must be secured before the signing of any procurement or consultant contracts to be financed under the Administrative Arrangement.
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook (2020, as amended from time to time)</i> .

ADB = Asian Development Bank, TA = technical assistance, UNDP = United Nations Development Programme  
Source: Asian Development Bank.

15. UNDP will serve as the SFK's administrator on behalf of all cofinanciers and it will be responsible for procurement, consultant recruitment, and financial reporting. However, ADB's prior clearance must be secured before the signing of any procurement or consultant contracts to be financed under the Administrative Arrangement between ADB and UNDP. The SFK will not be a separate legal entity and will be recognized as part of UNDP. To administer and manage ADB's contribution, UNDP will set up a dedicated project in its information system, Enterprise Resources Programme Atlas, in line with UNDP rules and regulations. The detailed role of UNDP in the TA and its financial and technical relationships with ADB is defined in the Statement of Intent, which will be signed following approval of the TA by the government and UNDP.<sup>13</sup> The SFK will be governed by a steering committee, which will serve as the facility's main decision-making body. The steering committee will be chaired by the Minister of the Ministry of National Economy and will include one representative from each of the participating organizations (ADB, MLSPP, UNDP, and the World Bank). The steering committee will have the authority to encourage contributions to SFK from other organizations and, if required to reallocate these contributions in favor of new beneficiaries, subject to relevant ADB policies.

16. **Transfer of funds.** Transfer of funds to UNDP will be governed by the Administrative Arrangement on the basis of the Memorandum of Understanding signed by ADB and UNDP on 12 April 2019.<sup>14</sup> The details of proposed disbursement and funds flow arrangement are described in UNDP's Financial Management Assessment.<sup>15</sup> The funding will not lead to any potential adverse environmental and/or social impacts.

<sup>13</sup> Statement of Intent between the United Nations Development Programme and the Asian Development Bank (accessible from the list of linked documents in Appendix 3).

<sup>14</sup> Administrative Arrangement between the United Nations Development Programme and the Asian Development Bank (accessible from the list of linked documents in Appendix 3).

<sup>15</sup> Financial Management Assessment, Transfer of Funds, and Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 3).

#### **IV. THE PRESIDENT'S DECISION**

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis, to the Government of Kazakhstan for the COVID-19 Solidarity Fund for Kazakhstan, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

**Impact the TA is Aligned with**  
Supporting measures and new economic strategy introduced by the Government of the Republic of Kazakhstan to respond to COVID-19 challenges.<sup>1</sup>

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<b>Outcome</b>			
Timely labor market support measures provided by the government to address crises caused by the COVID-19 pandemic.	a. At least 50% of training program participants, of which at least 40% are women, are gainfully employed by December 2022 (2019 baseline: not applicable)	a. Program reports and studies, quarterly	Frequent turnover of key officials in government may affect delivery of the output activities.
	b. At least 20% of SMEs reported entering new industries by December 2022 (2019 baseline: not applicable)	b. Program reports and studies, quarterly	
<b>Outputs</b>			
1. Report on emerging professions for Kazakhstan prepared.	1. Report on emerging professions delivered by April 2021 (2019 baseline: not applicable)	1. Consultants' report, monthly	Consultant not able to collect primary data on time due to travel restrictions inside the country
2. Training programs for skills development delivered	2.a. At least 80% of capacity-building participants reported improvement of skills and knowledge in their field of expertise or work, by December 2022 (2019 baseline: not applicable)	2.a. Survey of training and/or retraining program participants	Beneficiaries are unable to fully utilize the skills and knowledge learned.
	2.b. At least 40% of capacity building activity participants are women, by December 2022 (2019 baseline: not applicable)	2.b. Survey of training and/or retraining program participants	
3. Training programs for SMEs to enter emerging industries delivered.	3.a. At least 20% of capacity-building SMEs reported entering emerging industries, by December 2022 (2019 baseline: not applicable)	3.a. Survey of SME training participants	

<sup>1</sup> [The government of Kazakhstan responded with a comprehensive package of anti-crisis measures.](#)

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
	3.b. At least 30% of SMEs owned or led by women benefitted from capacity building activities and entered emerging industries, by December 2022 (2019 baseline: not applicable)	3.b. Survey of SME training participants	

<p><b>Key Activities with Milestones</b></p> <p><b>1. Output 1 Report on emerging professions for Kazakhstan prepared</b></p> <p>1.1 Develop TORs and hire consultants to assess COVID-19 impact on labor market (Q4 2020–Q1 2021)</p> <p>1.2 Quantify total job losses in Kazakhstan due to COVID-19's impact on men and women using sex-disaggregated data (Q1 2021)</p> <p>1.3 Assess which people are the most affected people by social group, region, and sector of employment using sex-disaggregated data (Q2 2021)</p> <p>1.4 Identify emerging industries and sectors in the post-COVID-19 pandemic environment and their potential for generating new jobs for men and women, using sex-disaggregated data (Q2 2021)</p> <p><b>2. Output 2 Training programs for skills development delivered</b></p> <p>2.1 Develop TORs and hire consultants to deliver training programs for skills development (Q1 2021)</p> <p>2.2 Assist with the development of individual employment schemes supported by mentoring, counseling, and orientation in coordination with existing employment centers (Q1 2021–Q4 2022)</p> <p>2.3 Deliver training and/or retraining programs for skills development for the unemployed, unproductively self-employed, and employed in need of training (Q1 2021–Q4 2022)</p> <p><b>3. Output 3: Training programs for SMEs to enter emerging industries delivered</b></p> <p>3.1 Develop TORs and hire consultants to develop training programs for SMEs focused on entering emerging industries (Q1 2021–2 2021)</p> <p>3.2 Deliver gender inclusive training and/or retraining programs for skills development in emerging industries for SMEs (Q1 2021–Q4 2022)</p> <p>3.3 Assist with the delivery of the government's measures to fight the impact of COVID-19 on the labor market (Q1 2021–Q4 2022)</p> <p>3.4 Provide training and/or retraining services for SMEs most affected by COVID-19 (Q1 2021–Q4 2022)</p> <p><b>TA Management Activities</b></p> <p>Preparation of TA completion report (Q4 2022)</p>
<p><b>Inputs</b></p> <p>ADB: \$1,000,000 (TASF- other sources)</p>
<p><b>Assumptions for Partner Financing</b></p> <p>Outputs not administered by ADB that are necessary to reach the outcome include.</p> <p>Training programs for skills development delivered: the government of Kazakhstan, UNDP, WB</p> <p>Training programs for SMEs to enter emerging industries delivered: UNDP</p>

ADB = Asian Development Bank, COVID-19 = coronavirus disease 2019 Q = quarter, SME = small and medium-sized enterprises, TA = technical assistance, TOR = Terms of Reference, UNDP = United Nations Development Programme, WB = World Bank.

Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Amount</b>
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	300.0
ii. National consultants and resource persons	400.0
b. Out-of-pocket expenditures	
i. International and local travel	150.0
ii. Reports and communications	50.0
2. Seminars, workshops, forum, and conferences	50.0
3. Contingencies	50.0
<b>Total</b>	<b>1,000.0</b>

Note: The technical assistance (TA) is estimated to cost \$1,000,000, of which contributions by the Asian Development Bank are presented in the table.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

Source: Asian Development Bank estimates.

## LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54265-001-TAReport>

1. Terms of Reference for Consultants
2. Financial Management Assessment, Transfer of Funds, and Risk Assessment and Management Plan