

**ASIAN DEVELOPMENT BANK**

**TAR:KAZ 36527**

**TECHNICAL ASSISTANCE**

**TO THE**

**REPUBLIC OF KAZAKHSTAN**

**FOR PREPARING THE**

**REGIONAL RURAL DEVELOPMENT PROJECT**

**September 2003**

## **CURRENCY EQUIVALENTS**

(as of 1 September 2003)

Currency Unit	–	Tenge (T)
T1.00	=	\$0.0068
\$1.00	=	T147.520

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
GDP	–	gross domestic product
MOA	–	Ministry of Agriculture
NRDP	–	National Rural Development Programme
TA	–	technical assistance

## **NOTE**

In this report, "\$" refers to US dollars.

## I. INTRODUCTION

1. The Government of Kazakhstan (the Government) has requested the Asian Development Bank (ADB) for technical assistance (TA) to prepare a regional rural development project. The TA, which is included in the Government's program and ADB's country assistance strategy and program for 2003, will assist the Government to prepare an investment project to develop selected areas in support of the Government's designation of 2003–2005 as the "Years of Rural Revival." ADB has provided initial assistance to the Ministry of Agriculture (MOA) through a small-scale TA.<sup>1</sup> In December 2002 an MOA proposal formed the basis for a draft memorandum of understanding (MOU). Comments were received by ADB from MOA in April 2003. The TA Fact-Finding Mission visited Kazakhstan from 12 to 23 May 2003 for further discussions and to reach agreement on a mutual course of action. This report is based on the findings of the mission and the understandings reached with the Government on the goal, purpose, scope, implementation arrangements, cost estimates, and terms of reference for the TA.<sup>2</sup> A preliminary project framework is found in Appendix 1.

## II. ISSUES

2. Since 1991, Kazakhstan has pursued a vigorous reform program aimed at transforming into a market economy. The reforms have encompassed a wide range of initiatives, including farm privatization, rural enterprise restructuring, liberalization of farm input and output prices, and reduced trade restrictions on agriculture products. Kazakhstan has recently strengthened its macroeconomic performance, including increased fiscal revenues. Despite increases in fiscal revenues from the oil sector there has not been a substantial increase in expenditure. Budget surpluses in 2001 and 2002 are expected to continue in 2003. The rising oil revenues are yet to benefit the majority of the population, particularly in rural areas. While investment in agriculture has remained low at 1.4% of gross domestic product (GDP) during 1999–2001, the 2003 budget is expected to increase expenditure in rural areas.

3. The agriculture sector remains at high risk and low profitability. Its share in GDP is about 8.5% and is unlikely to change significantly in the short term primarily because of increasing oil and gas revenues, limited domestic market, instability of external markets, and weak competitiveness of products due to high transport costs and obsolete technology. Rural unemployment and underemployment are widespread, rural poverty incidence is 38% (2001), and families continue to vacate rural settlements and company towns.

4. The Government's 2030 Strategy<sup>3</sup> outlines a long-term goal to improve rural living standards with a narrowing gap between the rural and urban populations. The Government's strategy until 2010<sup>4</sup> aims at doubling Kazakhstan's GDP by 2010 and sustaining long-term growth in rural living standards principally by fostering a competitive agriculture sector. The State Agrofood Program<sup>5</sup> aims to ensure food security by establishing an efficient agro-industrial complex producing competitive finished products.

5. In April 2002, the President announced the period 2003–2005 as the "Years of Rural Revival." The Government agencies were directed to formulate policies, including financial,

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<sup>1</sup> ADB. 2002. *Technical Assistance to Kazakhstan for Participatory Rural Planning and Development*. Manila.

<sup>2</sup> The TA first appeared in *ADB Business Opportunities* (Internet edition) on 5 September 2002.

<sup>3</sup> Nazarbayev, Nursultan. 1998. *Kazakhstan 2030*. Kazakhstan.

<sup>4</sup> Government of Kazakhstan. 2001. *Strategic Plan of Development of the Republic of Kazakhstan Up To 2010*. Kazakhstan.

<sup>5</sup> Government of Kazakhstan. 2002. *The State Agrofood Program of the Republic of Kazakhstan for 2003–2005*. Kazakhstan.

economic, social, and agricultural, to support the development of rural settlements in areas with potential for long-term income and employment growth under a market economy. The development of these areas is also intended to attract migration of communities out of regions with limited prospects for economic development or environmentally hazardous areas. In June 2002, MOA was assigned to formulate a strategy for this rural settlement development.

6. ADB assisted MOA with a TA (footnote 1) to support the development of a methodology to screen and classify 160 districts in 14 oblasts (regions) according to their growth potential and constraints to realizing that potential. The TA was successful and MOA adopted the methodology to further classify districts and settlements as part of the National Rural Development Programme (NRDP).<sup>6</sup>

7. MOA initiated a “passportization” survey in December 2002, collecting data on 81 demographic, economic, social, and environmental variables in all 7,660 rural settlements. The methodology and initial classification into settlements with high, medium, weak, and no development potential was discussed with oblasts and rural settlements on 27 February 2003. In parallel, MOA adopted a bottom-up approach to identifying measures to address economic and social infrastructure and environmental mitigation needs of settlements. The lists were progressively aggregated and screened at district and oblast level. The NRDP comprising the classification and proposed measures was circulated to ministries and agencies on 7 April for review and comment. The final NRDP program was approved by the Government in July 2003, including a budget of T67.5 billion (about \$450 million) for 2004–2006.

8. In addition to the NRDP, there are other programs for the revival and development of agriculture and rural areas, the key objective of the social and economic policy of the Government as stated in the President’s Address to the Nation on 4 April 2003. These include: Small Towns Development; Programme of Industrial and Innovative Development to 2015; Program on Poverty 2003–2005; Rural Schools Program 2003–2005; Sector Drinking Water Program 2003–2010; and a proposed Rural Roads Development Program. Moreover, the state government system is to be modernized with a broadening of authority of local governments in resolving issues of territorial development and ensuring effective management at lower levels, and by improving intergovernmental budget relations. This is to include a clear delineation of functions between levels of government, a corresponding budget responsibility, and further institutionalization and strengthening of local governments as part of an ongoing democratization and decentralization process.

9. The preparation of NRDP, other programs, and the modernization of the state government system provides the opportunity for the Government to undertake a more holistic approach to addressing the needs of rural areas. As well as the vertical integration of the current programs, further horizontal integration that combines all programs with changes in government functions and budget authority and responsibility will provide an effective integrated regional development perspective. The changes in planning and intergovernmental and budgetary relationships are introducing a higher level of complexity for local governments at the same time they are introducing a basis for regional and rural planning, which will require institutional adjustments and enhancements for effective implementation.

10. The Government has embarked on an essential adaptation program to successfully design and implement strategies and measures that allow the struggling rural areas to thrive in a market economy. This adaptation process entails measures to stimulate economic growth and the

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<sup>6</sup> Government of Kazakhstan. 2003. *National Rural Development Programme in the Republic of Kazakhstan for 2004–2010*. Kazakhstan.

attainment of sustainable livelihoods, facilitation of a rural population distribution consistent with the development potential through the creation of new opportunities that attract surplus labor from depressed areas, and the provision of adequate and innovative social services that keep pace with growth areas while simultaneously finding solutions to the needs of populations remaining in depressed settlements. Specifically, for rural areas expected to absorb internal migration, the Government wishes to anticipate the size and spatial distribution of rural settlements (optimal rural settlement model).<sup>7</sup> This is being done to determine an appropriate land use plan, physical and social infrastructure demand, and social protection measures needed to ease the transition.

11. To strengthen the support for such an adaptation program, a regional rural development framework would facilitate the design of programs and projects within a sufficiently wide spatial context of market systems, service systems, and ecological systems. To bring the Government's goal of rural economic recovery to its full realization, the following initiatives are urgently required (i) an assessment of the capacity and requirements for regional and rural planning and intergovernmental relations; (ii) development of appropriate regional and rural development plans at the district and oblast levels, and (iii) identification of priority public investments and opportunities and potential for private sector investments. A pilot exercise in one or two oblasts is needed to explore appropriate ways of planning that will maximize the value of investments and the potential growth of rural areas. The TA will prepare a detailed feasibility study for a future investment project.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

12. The objective of the TA is to prepare a feasibility study in selected pilot areas for a planning and investment program that enables oblasts and districts to plan and implement integrated development measures in accordance with their roles and functions. The envisaged project is expected to commence in 2004.

13. The TA will be divided into two phases, with the following key outputs envisaged. Phase I (3 months) will involve an assessment, recommendations, and guidelines for regional planning, primarily at oblast and district level, and will include (i) the integration and refinement of a national regional development framework and regional planning process guidelines for the preparation of oblast/district regional plans; (ii) an institutional assessment for regional and rural planning, including an assessment of capacity building needs, encompassing national framework policy and legislation, organizational aspects, and human resource development requirements (the assessment and key recommendations will be documented); (iii) the adaptation of international good practices and tools for regional planning, particularly the forecast and management of internal migration flows and the modeling of rural settlement development; and (iv) a report and national workshop recommendations on phase I findings and recommendations and review of phase II outputs and activities.

14. Assuming successful implementation of phase I, phase II, over a 5-month period, will focus on applying the planning process and tools to the preparation of regional plans and an agreed investment project for funding by ADB as follows: (i) refined regional planning tools through their application in pilot oblast(s) and districts; (ii) draft regional plans for pilot oblast(s) and districts, addressing key economic and social challenges and opportunities, and a monitoring framework (indicators and monitoring mechanisms); (iii) an investment project design for possible

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<sup>7</sup> This term is used in NRDP but is not defined. It seems to mean a rationalization or efficient distribution of rural settlements and populations and provision of an appropriate level of economic and social infrastructure and services.

ADB financing to overcome critical constraints facing rural development, taking into consideration the potential financial, institutional, environmental, and social impacts of the proposed investment(s); and (iv) a common understanding among concerned stakeholders at the national and local levels on the objectives, scope, and implementation arrangements of the proposed project.

## **B. Methodology and Key Activities**

15. The TA will be implemented in a process approach and will build on the Government's initiative in participatory bottom-up planning in the preparation of the NRDP. To achieve a more integrated regional planning perspective, participation will be both horizontal and vertical. Horizontal participation will be conducted through the TA steering committee, technical working group, oblast/district level working groups, stakeholder workshops, and community groups to ensure cross sectoral interests and inter-district interests are addressed. The role of the oblast and district councils will be given particular attention and the intermediation groups (such as non-government and other community-based organizations) that are advocating rural issues and working with rural communities will be closely involved. Vertical integration will be achieved through close cooperation and coordination between staff in MOA and the pilot oblast(s)/districts and communities. The preparation of the draft regional plans will be of a participatory nature involving planning and analysis tools, such as participatory rural appraisal, and an iterative process from community to national level in identifying and prioritizing needs and measures.

16. The activities under phase I will include (i) a review of the existing national level studies relating to various agricultural and rural development programs, policy and legislation, and government functions and responsibilities and related financial authority (including the legislative framework governing the management of internal migration); (ii) a review of the existing planning framework and processes; (iii) development of selection criteria and agreement to the choice of one or two oblasts; (iv) meetings and group discussions with oblast- and district-level staff to assess institutional arrangements and capacity and make recommendations for their enhancement; (v) presentation of available tools for regional planning to national-, oblast-, and district-level staff to discuss their appropriateness and means of adaptation to the regional planning environment; (vi) preparation of the findings and recommendations for discussion with the project steering committee and ADB; and (vii) the conduct of a national workshop for stakeholders to present results and review phase II outputs and activities.

17. The activities in phase II will include (i) basic training of relevant national and pilot oblast and district staff in regional planning processes and tools through training workshops and progressive on the job application of tools to the preparation of regional plans; (ii) the revision of regional planning guidelines identified through the course of preparing regional plans; (iii) identification of priority projects for external funding; (iv) design of an investment project including technical design, environmental analysis, financial and economic analyses, institutional analysis, socioeconomic survey including poverty assessment of potential beneficiaries, and a resettlement plan, if necessary; and (v) agreement on the design and implementation arrangements with all stakeholders through meetings with relevant ministries and agencies, the project steering committee, and progressive workshops with all stakeholders, culminating in a national workshop.

## **C. Cost and Financing**

18. The total cost of the TA is estimated at \$996,000 equivalent, comprising \$506,200 in foreign exchange costs and \$489,800 equivalent in local currency costs. ADB will finance \$677,000 equivalent consisting of the entire foreign exchange costs and \$170,800 equivalent in local currency costs. The TA will be financed on a grant basis by ADB's TA funding program. The

Government will provide \$319,000 equivalent to cover the local currency costs of office accommodation, data compilation, logistical support, and counterpart staff. These costs are in-kind and will be met from current budget allocations of MOA and local government. Detailed cost estimates are given in Appendix 2. Phase I accounts for about 35% of estimated costs and phase II, 65%. The project is expected to entail a loan of up to \$50 million. The Government has been advised that provision of the TA does not necessarily commit ADB to financing the ensuing Project.

#### **D. Implementation Arrangements**

19. MOA will be the Executing Agency for the TA. A steering committee will be established to supervise the TA, chaired by the vice minister of agriculture, and include representatives of the Ministry of Economy and Budget Planning, Ministry of Finance, Ministry of Industry, Ministry of Transport, Ministry of Education, Ministry of Health, Ministry of Environmental Protection, Center for Systems Research, Agency for Statistics, Agency for Land Resources Management, Agency for Migration and Demography, and Committee for Water Resources and other agencies as required. Under the guidance of the steering committee, a TA working group will be established, chaired by the head of the Department of Analysis and State Regulation of the Development of Agro-Industrial Complex and Rural Territories, MOA. The working group will comprise technical staff from the agencies represented in the steering committee and the oblast and district representatives.

20. The TA will be implemented over an 8-month period in two phases and is expected to commence in December 2003 and be completed by the end of August 2004. Phase I will be 3 months and Phase II, 5 months. Nineteen person-months of international consulting services will be required, with the following expertise: regional planner and team leader, institutional specialist, regional economist, environmental assessment specialist, rural sociologist/resettlement specialist, and others as needed. Also 40 person-months of local consulting services will be required as follows: institutional and local government specialist, rural economist, rural sociologist, environment assessment specialist, civil engineer, agronomist, livestock specialist, and others as needed. Outline terms of reference are in Appendix 3. The consultants will be required to submit inception, phase I, interim, draft final (phase II), and final reports and key working papers. All consultants will be recruited through a consulting firm in accordance with ADB's Guidelines on the Use of Consultants. A simplified technical proposal procedure using the quality- and cost-based selection procedure will be adopted for recruiting the consulting firm. Equipment purchased under the TA will be procured in accordance with ADB's Guidelines for Procurement. An initial poverty and social impact assessment of the proposed project is presented in Appendix 4.

21. The Government will provide (i) administrative assistance to the consultants for obtaining visas, customs clearances, and other permits to perform their tasks in relation to the terms of reference; (ii) all documents and information available to agencies within the government that will facilitate the work of the consultants; (iii) adequate office space for all consultants with appropriate furniture; (iv) local communications facilities and direct access to international communication facilities (the cost of international communications will be borne by the consultants); and (v) counterpart staff to work with the consultants.

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

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, not exceeding the equivalent of \$677,000 on a grant basis, to the Government of Kazakhstan for preparing the Regional Rural Development Project, and hereby reports this action to the Board.

### PRELIMINARY PROJECT FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<b>Goal</b>  To adapt rural areas to the new market oriented economy	Number of households below the poverty line declines from ___% to ___%  Gross economic outputs grow by an average of ___%  Improved household access to basic services	Project monitoring and evaluation data  Project Completion Report  Data from the oblasts and district governments and Agency for Statistics	Stable macroeconomic, trade relation and political environment in the country and project area.  Relocation policies are carefully implemented to ensure livelihoods are maintained.
<b>Purpose</b>  Oblasts and districts plan and implement regional development in accordance with their roles and functions and good planning practices	Improved regional framework to guide oblast and district planning, based on natural regions affording market opportunities  Improved regional plans in selected areas, reflecting market potential for key commodities, other investment opportunities and service provision needs  Improved regional planning practices, including stakeholder participation  Sustainable investment projects in selected areas	Monitorable indicators to be developed during project preparation.  Data from the oblasts and district governments and Agency for Statistics  Project monitoring and evaluation data  Project progress reports  Project completion report	Government maintains its policies and budgetary commitment to local government strengthening and rural development



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

<b>Item</b>	<b>Foreign Exchange</b>	<b>Local Currency</b>	<b>Total Cost</b>
<b>A. Asian Development Bank Financing</b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	399.0	0.0	399.0
ii. Domestic Consultants	0.0	100.0	100.0
b. International Travel	52.1	0.0	52.1
c. Local Travel	0.0	10.5	10.5
d. Reports and Communications	5.0	11.0	16.0
2. Equipment <sup>a</sup>	10.0	0.0	10.0
3. Training and Workshops	0.0	10.6	10.6
4. Surveys <sup>b</sup>	0.0	6.0	6.0
5. Miscellaneous Administration and Support Costs <sup>c</sup>	0.0	20.7	20.7
6. Representative for Contract Negotiations	5.0	0.0	5.0
7. Contingencies	35.1	12.0	47.1
<b>Subtotal (A)</b>	<b>506.2</b>	<b>170.8</b>	<b>677.0</b>
<b>B. Government Financing</b>			
1. Office Accommodation, Utilities, and Local Communications	0.0	77.0	77.0
2. Remuneration of Counterpart Staff	0.0	56.0	56.0
3. Surveys by Oblasts/Districts	0.0	135.0	135.0
4. Data and Publications	0.0	35.0	35.0
5. Transport in Project Area	0.0	16.0	16.0
6. Contingencies	0.0	0.0	0.0
<b>Subtotal (B)</b>	<b>0.0</b>	<b>319.0</b>	<b>319.0</b>
<b>Total</b>	<b>506.2</b>	<b>489.8</b>	<b>996.0</b>

<sup>a</sup> Includes 3 computers and printers, photocopier, fax, and software.

<sup>b</sup> Socioeconomic survey and data collection.

<sup>c</sup> Office supplies, translation/interpretation services, and secretarial services.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The following consultants (person-months in parentheses) are required: (i) international (a) regional planner and team leader (7.0), (b) institutional specialist (3.0), (c) regional economist (2.0), (d) environmental assessment specialist (2.0), (e) rural sociologist/resettlement specialist (2.0), and (f) unallocated (3.0); and (ii) domestic (a) institutional and local government specialist (7.0), (b) rural economist (6.0), (c) rural sociologist (6.0), (d) environment assessment specialist (3.0), (e) civil engineer (2.0), (f) agronomist (1.5), (g) livestock specialist (1.5), and (h) unallocated (13.0).

2. The unallocated services will be used to provide additional inputs identified as the planning focus and design of the project become more specific. Likely expertise includes a legal specialist, engineers, resettlement, agribusiness, and enterprise development specialists.

### **A. Detailed Tasks for Phase I**

#### **1. Selection of Oblast(s) for Pilot Testing of Regional Planning**

3. Selection of one or two oblasts will be based on criteria agreed with the technical working group and approved by the steering committee. The criteria will include at least the following: (i) primarily agriculturally oriented oblast(s) with medium to high economic potential; (ii) oblast(s)/districts willing to adhere to the planning approach jointly developed under the technical assistance (TA); and (iii) if more than one oblast is selected, they should be in close proximity for focusing TA resources.

#### **2. Integration and Refinement of the National Regional Development Framework**

4. Undertake a detailed review of Government policy, legislation, regulations and strategies to better identify the current regional planning framework that will guide the oblast and district planning. Key references for review include *Strategic Plan of Development of the Republic of Kazakhstan until 2010*; Address to the Nation in April 2002 regarding 2003–2005 as Years of Rural Revival; *National Rural Development Programme of the Republic of Kazakhstan for 2004–2010*; Small Town Development Concept; Concepts of Regional Policy of the Republic of Kazakhstan and Asian Development Bank (ADB)-financed TA 3898-KAZ: *Participatory Rural Planning and Development*, February 2003.

5. Define and agree with the Government a consistent regional development framework for application in the selected oblast and districts.

6. Agree with the steering committee and the pilot oblast(s) and districts the regional planning process to be adopted at oblast and district level.

#### **3. Institutional Assessment for Regional and Rural Development Planning**

7. Assess the policy and legal framework, organizational structure, and human resources of the key agencies including the Ministry of Agriculture (MOA), Ministry of Economy and Budget Planning (MOEBP), Ministry of Environmental Protection (MOEP), Agency for Land Management, and Water Resources Committee, to more clearly understand the mandates and roles and how these agencies together formulate policy and programming for regional rural development. In addition, determine how individually and collectively these agencies currently

support oblast- and district-level planning efforts. As part of this assessment, review the documents listed in task 2 (paragraph 4), and the Concept of Separation of Powers between State Government Levels and Improvement of Inter-budgetary Relations (August 2002), and other relevant documents, such as the Law on Budget, the Budget Code and other legislation and regulations governing the establishment and operation of these agencies.

8. Assess the pilot oblast(s) and districts for the capacity-building needed for them to undertake effective regional planning and management. The assessment should include organizational structure of oblast and district planning; settlement land-use planning processes and techniques; midterm (3–5 years) planning, processes, and techniques; pro-poor planning and social assistance; environmental assessments; social impact assessment; application of sustainable development principles; coordination mechanisms used within oblasts and districts; project appraisal; monitoring and evaluation approaches for plans and projects; public-private partnerships; resource and financial mobilization; stakeholder and user group participation; relation with nongovernment organizations; and operation and maintenance of rural infrastructure/cost recovery through user fees. In addition, the assessment should consider, to the extent possible, the operational and organizational efficiency of oblasts and districts in delivering its public goods and services.

9. Based on these assessments of national agencies, and pilot oblast(s) and districts, prepare an outline for a 5-year capacity-building program. Preliminary capacity building will be undertaken during the course of the TA through workshops and on-the-job training.

#### **4. Adaptation of Tools for Regional Planning**

10. Based on the institutional assessment, the consultants will introduce internationally recognized good practices in regional and rural development planning, as appropriate to Kazakhstan. Specifically, the consultant will

- (i) Develop and adapt guidelines, criteria, and other tools that can enhance the process of planning and the quality of regional plans; and
- (ii) organize training and workshops with national, oblast, and district planning staff to share these tools and support their application.

11. The tools will include those relating to the forecast and management of migration flows: for example, social impact assessment of population from labor surplus regions and incentives to support labor mobility, and models for development of rural settlements.

#### **5. Phase I Report and National Workshop**

12. Prepare a report in both English and Russian languages on the findings and recommendations made for tasks 1 to 4 and a review of the proposed outputs and activities for phase II. Circulate the report to invited stakeholders to the national workshop on regional and rural development planning. Participants should include representatives of government agencies, local government, external agencies, nongovernment organizations, and academia. Prepare proceedings of the workshop and distribute to all participants.

13. Prepare a detailed workplan for phase II for agreement by the Government and ADB.

## C. Detailed Tasks for Phase II

### 1. Refined Regional Planning Tools Through Application In Pilot Oblast(s) and Districts

14. Based on the feedback received in the training activities and in the application of the tools in the preparation of the oblast and district regional plans, refine the planning tools and, to the extent possible, develop appropriate guidelines.

### 2. Draft Regional Plans for Pilot Oblast(s) and Districts

15. Based on the national regional development framework, planning process, and institutional assessment agreed in phase I and the National Rural Development Programme (NRDP) district classification and proposed measures, conduct oblast- and district-level workshops to formulate a long-term development vision and strategy for regional development. Additionally, an agreement on the detailed oblast/district planning process will be reached.

16. Undertake detailed data collection, strength-weaknesses-opportunities-threats (SWOT) analysis, and other planning exercises aimed at understanding regional opportunities and needs. These exercises will be participatory in nature, involving anticipated beneficiaries and other stakeholders. The exercise will culminate in the identification of projects that are consistent with the regional vision and strategies. These projects will form the regional plan and exhibit integration or clear connections in terms of their spatial dimension, sectoral nature, timing, and funding sources. Some of these projects may cross district and oblast boundaries.

17. Building on the NRDP set of indicators used in the “passportization” survey (para. 7, main text), develop a monitoring framework appropriate for use by the various levels of government.

### 3. Investment Project Design

18. In parallel with the preparation of regional plans and the projects identified, prepare a detailed feasibility assessment and design for an investment project to be funded by ADB. The project can be a single investment with multiple components or a multisector project and implemented over 5 years.

19. The investment project should focus on the key priorities identified in the planning process and could include rural infrastructure supporting agriculture development and access to social services; agriculture and agribusiness support services particularly for private enterprises; and institutional development and capacity building at national, oblast, and district levels and community-based organizations.

20. In preparing the project, the consultants will undertake the following:

21. **Participatory Approach.** In parallel with the regional planning process, ensure the participation of all stakeholders from national to community levels in the identification, design, and implementation arrangements for the project. The breadth and depth of participation should be appropriate to ensure that the beneficiaries, and national and local agencies, reach consensus and commitment on the design and implementation arrangements and, where necessary, responsibility for operation and maintenance and cost recovery activities.

22. **Project Framework.** A project framework will be prepared progressively through the phase II design period of the project. This should progressively proceed from a problem analysis to a complete project framework with agreed goal, purpose, outputs, and activities, including identification of realistic performance indicators and targets, appropriate monitoring mechanisms, and identification of key risks and assumptions. The project framework should be used as a design tool for the project.

23. **Social Assessment.** Identify the beneficiaries and groups expected to be affected by the project and undertake an initial social assessment in accordance with ADB's *Handbook for Incorporation of Social Dimensions into Projects*. Give particular attention to undertaking a socioeconomic survey to profile the beneficiaries including gender disaggregated demographic, economic, and social data where possible, plus the incidence of poverty, vulnerable groups, ability and willingness to pay for cost recovery activities, and any adverse impacts anticipated from the project. Include a brief assessment of the key policy, legislative, institutional, and budgetary frameworks for land management. Identify the capacity for communities to effectively manage and implement activities at settlement level. Identify appropriate mediation measures.

24. As part of the social assessment, review the pilot oblast(s) and districts for any voluntary migration occurring from areas that are environmentally hazardous or with potential weak growth potential. Assess the location and significance of this population movement, any linkage to the identified project areas, and the need for a resettlement plan. This assessment and plan preparation, if necessary, should be in accordance with ADB's *Handbook on Resettlement: A Guide To Good Practice*.

25. **Environmental Assessment.** Prepare an initial environmental examination (IEE) and summary IEE in accordance with ADB's *Environmental Assessment Requirements and Environmental Review Procedures of the Asian Development Bank* as well as Government environment requirements. The IEE and summary IEE will identify all potential environmental impacts (negative and positive) and describe mitigation measures, monitoring requirements, budgetary requirements, and institutional arrangements. If a more detailed environmental impact assessment (EIA) is required, the consultants will prepare the necessary terms of reference and prepare the EIA and summary EIA in accordance with ADB and Government requirements.

26. **Cost Estimates and Financing Plan.** Prepare detailed cost estimates using the COSTAB software, including appropriate categories of investment, operational costs, upfront charges, commitment charges, and interest during construction. Costs will include foreign exchange (including direct and indirect costs) and local cost components, and physical and price contingencies. The local cost will include duties and taxes, which should be identified separately. Prepare a financing plan with contributions from the Government, ADB, private sector, and beneficiaries.

27. **Implementation Arrangements.** Examine the project implementation capacity of the executing and implementing agencies and describe the organizational arrangements for project implementation, including executing and implementing agencies, and project coordination. Prepare project implementation schedules and procurement packages for civil works, equipment, and services in accordance with ADB guidelines.

28. Prepare terms of reference for international and domestic consultants to support the implementation of the project.

29. Based on the project framework, prepare a project performance monitoring system to facilitate project monitoring and evaluation compatible with and/or feasible within the capacity of the executing and implementing agencies.

30. **Financial and Economic Analysis.** Assess the financial accounting and financial management systems of the project implementing agencies. Provide recommendations for the accounting and management of project expenditures, contract management, and flow of funds from the Government and ADB.

31. Undertake financial and economic analysis of the components and the project as a whole, and assess recurrent costs and implications for participating entities in accordance with ADB's *Guidelines for the Economic Analysis of Projects*. Include sensitivity analysis, distribution effects of the benefits, and a poverty impact assessment.

#### 4. Phase II Report and National Workshop

32. Prepare a report in both English and Russian languages on the findings and recommendations made for tasks 1 to 3. Circulate the report to stakeholders invited to the second national workshop on regional and rural development planning. Participants should include representatives of government agencies, local government, external agencies, nongovernment organizations, and academia. The workshop should consider the lessons learned, the proposed toolkit for regional planning, and mechanisms for institutionalizing these lessons and tools. Prepare proceedings of the workshop and distribute to all participants.

#### D. Reporting Requirements and Tripartite Meetings

33. The TA implementation is expected to take place over an 8-month period, including a break of 1 month between phase I and phase II to allow time for the Government and ADB to review phase I and the outputs and activities proposed for phase II. The consultants will produce the following reports: (i) **Inception report:** Required at the end of 4 weeks, it will include the agreed criteria and selection of 1–2 oblasts for pilot testing, findings of the initial review of the national regional development framework, and a work plan for the rest of phase I. A tripartite review meeting will be held in week five. (ii) **Phase I report:** Required at the end of week 11 for the first national workshop at the end of phase I, the report will be in accordance with requirements in para. 12. A tripartite review meeting will be held prior to the commencement of phase II. (iii) **Interim report:** Required at the end of week 20 to present a progress on the preparation of the regional plans and design of the project, the report will include outlines of the plans and the project design, including a project framework, and will identify key issues requiring resolution, particularly relating to environmental assessment and relocation/resettlement. A tripartite review meeting will be held in week 22. (iv) **Draft final report:** Required at the end of week 28, the report will present the draft regional plans and the complete design features of the project covering all aspects (paras. 19–32). A tripartite review meeting will be held in week 32. (v) **Final report:** Following the tripartite review and receipt of comments from stakeholders a final report will be prepared.

34. All reports will be produced in both the English and Russian languages. Five copies of each report in English will be distributed to ADB and two copies in English and five copies in Russian will be distributed to the Government. In addition, key working papers will be prepared and submitted to the Government and ADB.

## SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS

### A. Linkages to the Country Poverty Analysis

<b>Sector identified as a national priority in country poverty analysis?</b>  Yes	<b>Sector identified as a national priority in country poverty partnership agreement (PPA)?</b>  Yes, as per PPA signed 24 July 2003.
<b>Contribution of the sector to reduce poverty in Kazakhstan:</b> Although the share of agriculture gross domestic product (GDP) has declined sharply from 16.3% in 1993 to 9.0% in 2001, a significant portion of the country's population still remain in the rural areas. The share of rural population was 42% in 1990 and this went up to 44% in 2001. Poverty incidence is also higher in rural than in urban areas. In 2001, the proportion of poor in the rural areas is 38.0% as contrasted to the urban areas, with only 20.0% and the national poverty incidence of 28.4%. Official unemployment in that year was much higher in rural (12.6%) than in urban areas (8.0%). The highest proportion of rural poor is found in the following oblasts: Almaty, Atyrau, Jambyl, Kyzyl Orda, Mangistau, and South Kazakhstan. Atyrau and Mangistau, two of the country's oblasts that in 2000 registered the highest regional GDP at the aggregate and per capita levels because of their oil and gas endowments, had more than half of their population receiving lower than the subsistence minimum levels. In addition, they showed highly unequal sharing of the income between the 10% of the richest and the 10% of the poorest households, with the majority of the poor residing in the rural areas. Increasingly difficult access to potable drinking water has resulted in a rise in waterborne diseases in these two regions. Mangistau registered the highest infant and maternal mortality rates across oblasts and high incidences of tuberculosis and infectious and parasitic illnesses. The case of Atyrau and Mangistau highlights the point that while positive growth is important, the nature and source of growth are equally important considerations to ensure broad-based growth. At the other extreme are Almaty, Jambyl, Kyzylorda, and South Kazakhstan oblasts, which recorded the lowest GDP and house more than half of the country's poor population. The population of the four oblasts depends on their rural economy. Desertification has adversely affected the agriculture lands of Jambyl and South Kazakhstan. Environmental problems and restricted water supply exacerbate the poverty in Kyzylorda, which showed rising infant mortality rates, tuberculosis incidence, and infectious and parasitic illnesses.	

### B. Poverty Analysis

#### Proposed Classification: Other/Economic Growth

<b>What Type of Poverty Analysis Needed?</b> Kazakhstan is a vast country, which manifests varied topographic, sociocultural, and economic factors across oblasts. To ensure a focused rural development strategy, peculiarities of the socioeconomy must be examined at the pilot oblast and district levels. Poverty is oblast-specific and multifaceted, meaning that poverty is both income and nonincome induced. To identify the appropriate broad-based and pro-poor growth interventions, poverty analysis will have to be disaggregated at least at the oblast and district level (if data permits), examining the income and other determinants of poverty, the relations of environment and poverty, and gender and poverty. The poverty assessment will require both quantitative and qualitative analysis and the extensive use of participatory approaches in evaluating the root causes of and pro-poor growth measures against rural poverty.
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**C. Participation Process**

**Stakeholder Analysis:** A combination of stakeholder and problem analysis will be undertaken in both the process of regional planning and the design of the investment project to ensure that priority needs and measures are identified and developed. Participatory approaches that maximize the participation of the community, including the rural poor, in the preparation of regional plans and the design and implementation of the investment project will be developed.

**D. Potential Issues**

<b>Component</b>	<b>Significant/ Non Significant/ Uncertain/ None</b>	<b>Strategy to Address Issues</b>	<b>Plan Required</b>
Resettlement	Uncertain	Extent of resettlement required will depend on the districts and settlements directly benefiting from the investment project. Considering that the rural Kazakhstan is very sparsely populated, and that resettlement is not likely to be substantial, the resettlement requirement will be minimized. However, this issue will be closely examined in phase II.	Resettlement requirement, if necessary, will be implemented following the Asian Development Bank's <i>Handbook on Resettlement: A Guide To Good Practice</i>
Gender	Uncertain	Ad hoc evidence suggests that during the economic transition, gender disparities in terms of access to employment and wage compensation may be growing in every sector of the rural economy, including agriculture.	Gender disparities will be examined in the project area.  Specific monitoring actions and covenants will be introduced, as necessary, to ensure women have equal rights to employment and pay in the project area.
Affordability	Potentially significant	Some elements of the investment project may require required increases in users fees and operation and maintenance costs by beneficiaries.	Dialogue needed with the beneficiaries, local governments and the Anti-Monopoly Commission to ensure that affordable cost recovering fees are introduced.



Component	Significant/ Non Significant/ Uncertain/ None	Strategy to Address Issues	Plan Required
Labor	Not significant	Creation of substantial job opportunities will depend on the nature of the investment activities undertaken. Local governments need to implement effective regulation and monitoring to ensure that enterprises implement fair hiring and employee management practices.	Local governments should monitor enterprises to ensure fair labor management practices.
Indigenous People	None	Rural Kazakhstan has no known indigenous minority groups.	
Other Risks/ Vulnerability	None	None noted.	