

**Consultation with the Government, Parliament, CSOs, NGOs, Think Tanks and Private Sector  
World Bank Group Country Partnership Framework for Kazakhstan FY19-23  
Meetings Summary  
April 11-13, 2018**

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Between April 11th and 13th, 2018, the World Bank Group (WBG) conducted in-country consultations with the Government of Kazakhstan as well as representatives of parliament, civil society, think tanks, and the private sector. The consultations involved participation from Almaty, Astana, Aktau, Karaganda, Kostanay, Pavlodar, and Shymkent.

The period for consultations on the draft Country Partnership Framework (CPF) for FY19-23 will continue until May 31, 2018. A CPF Consultation [web page](#) has been set up with background documentation on the draft CPF and contributing analysis and diagnostics. Individuals or groups wishing to participate in the consultation, are encouraged to send their comments to [astana\\_office@worldbank.org](mailto:astana_office@worldbank.org).

We are particularly interested in views on the following questions:

1. Does the draft CPF identify the right priorities for World Bank Group support Kazakhstan over the next five years?
2. What are the main constraints to achieving Kazakhstan's development goals?
3. How do we increase the impact of World Bank Group support to Kazakhstan? What has worked in the past and what needs to improve?

**KEY HIGHLIGHTS OF INPUTS:**

There was broad support for the proposed priorities and objectives of the draft CPF, with an appreciation for its close alignment to the Government of Kazakhstan's (GoK's) own strategy and objectives as embodied in the seven major systemic reforms of the Kazakhstan 2025 Strategy.

**Participants agreed with the focus on improving the efficiency and effectiveness of Kazakhstan's public sector and improving the conditions for private-sector development and investment.** These two goals were seen as closely interconnected, with successful and sustainable private-sector development and growth unlikely without fundamental and ambitious reform to the public sector. Reform of public-sector institutions and policies was seen as essential if Kazakhstan was to diversify its sources of growth away from extractives, successfully establish a secure and prosperous middle class, achieve the momentum needed to join the ranks of the OECD group of countries, modernize its economy, and avoid getting "stuck in transition".

Many participants agreed that a greater willingness on the part of the public sector to step back and **create the space necessary for the private sector to develop** was essential to private-sector led growth. They also saw **increased digitalization** as an integral part of Kazakhstan's growth strategy. In responding to feedback from government representatives, the WBG agreed to give greater attention in the partnership framework to **capacity building at the regional and local levels**, including with respect to fiscal management as well as regional development. The WBG

was also encouraged to maintain its support to Kazakhstan in responding to the country's environmental and climate challenges, including by advocating an approach to growth and development that anticipates and helps mitigate the potential consequences of different growth and development strategies.

There was recognition of the challenges faced in implementing previous and ongoing lending operations, noting that failure to remove impediments identified would undermine the effectiveness of future engagements. Both the GoK and WBG committed to addressing procedural, regulatory and administrative hurdles to project implementation to reduce the time from project approval to the achievement of results. Participants welcomed the opportunity provided by discussions of the next five-year partnership strategy to recommend a more medium-term, programmatic approach to setting priorities for the analytical, diagnostic and advisory work supported by the GoK-financed Joint Economic Research Program (JERP) and the Bank's own budget resources, which were seen as instrumental in informing the policy dialogue between the GoK and WBG.

Many participants, including both from the Government and private sector, agreed with the identification of the **financial sector** as a significant risk to the achievement of the development objectives supported by the CPF. These risks were two-fold. A failure to confront and address governance shortcomings in the financial sector could lead to a repeat of the large fiscal costs associated with bailing out the banking sector, which would crowd out development spending, including in critical areas such as education, infrastructure development and maintenance, and social assistance. Moreover, without significant change, the financial sector would continue to fall short of providing the financing needed, and in affordable terms, to fuel entrepreneurship and investment, particularly with respect to SMEs. The GoK indicated a desire for WBG support to strengthen local currency lending and develop domestic capital markets, while they are working to issue their first local currency sovereign Eurobond. The private sector identified financial literacy as an impediment in enabling access to credit for small and medium-sized businesses.

Participants from civil society expressed appreciation for the opportunity to comment on the objectives and priorities of the draft partnership framework as well as the WBG's ongoing commitment to ensuring that its work was appropriately informed by citizen engagement and the views of critical stakeholders. Several suggested a role for the World Bank in building the capacity of civil society to monitor and contribute to the shaping of government policy and performance.

Virtually all participants encouraged the WBG to enhance the CPF's focus on the **development of human capital** for a modern economy, including through education, training and market relevant skills development. This was seen as essential if Kazakhstan was to successfully harness and apply rapidly evolving technology to achieve the potentially significant improvements in productivity. WBG representatives agreed on the importance of the human capital dimension and expressed the intention to give greater emphasis to it in the next iteration of the CPF.

At the same time, participants noted that better educated and trained workers was a necessary but not sufficient condition for a prosperous, entrepreneurial and modern society and economy, and that workers, and youth in particular, also needed the incentives and opportunities to use and develop their knowledge and skills. This would require improving Kazakhstan's ability to generate good jobs and attract, retain and reward talented workers by addressing various shortcomings, including in municipal services, infrastructure, schools and housing.

Civil society organizations reiterated the need for continued focus on protection of the environment and socially inclusive regional development supported by increased access to modern healthcare and education. Significant regional disparities were noted several times by participants, particularly in relation to strategic assistance to regions, the need for local government development, opportunities for adult education, poverty reduction, and social housing.

The GoK and WBG were encouraged by participants to support private-sector development and productivity growth by working toward a more transparent public-sector, including with respect to procurement and privatization, and by moving away from a reliance to subsidies as a means of support to business, shifting instead to the construction and maintenance of quality infrastructure (particularly in transport) and by creating an enabling environment that would improve incentives for innovation and growth and encourage competition.

Private sector participants, in particular, highlighted that the poor quality of infrastructure, particularly roads, safety associated issues and lack of modern logistics are key impediments to development of private sector business and trade both domestically and cross border. Furthermore, large monopolies in infrastructure, such as in the rail and energy sectors, were affecting business planning due to arbitrary and frequent tariff adjustments. In energy, the high potential of renewables was raised and to complement grid connectivity and help cover the large land mass of the country. In agriculture, it was noted that heavy subsidies and "old style" government policies in support of specific sub-sectors were distorting market development.