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Social Protection
of Population of the
Republic of Kazakhstan



International Labour
Organization Subregional
Office for Eastern Europe
and Central Asia

The Republic of Kazakhstan: Assessment of Targeted Social Assistance Scheme

Final Report

Decent Work: Integrated Approach to
Social Sphere in Kazakhstan



Astana, 2003

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Currency Equivalents

(as of 03.11.2003)

Currency Unit: Tenge

USD 1 = 147.0 Tenge

Abbreviations

CIS	-	Commonwealth of Independent States
CPI	-	Consumer Price Index
FGT	-	Foster Greer Thorbecke
GDP	-	Gross Domestic Product
HH	-	Household(s)
ILO	-	International Labour Organization
IMF-	-	International Monetary Fund
IR	-	Inception Report
LPH	-	“ <i>Личное подсобное хозяйство</i> ”: Household-run farm
MOLSP	-	Ministry of Labour and Social Protection
PAYG	-	Pay-as-you-go
PI	-	Per capital average income of family member
PL	-	Poverty Line
PRSP	-	Poverty Reduction Strategy Papers
SIF	-	Social Insurance Fund
SM	-	Subsistence Minimum
TSA	-	Targeted Social Assistance
TA	-	Technical Assistance
UN	-	United Nations
UNDP	-	United Nations Development Programme
UNSD	-	United Nations Statistics Division
WHO	-	World Health Organization

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Executive summary

1. Economic and social context

The Republic of Kazakhstan experienced substantial economic and social changes in the 1990s, which derived from the collapse of the former Soviet Union. As a result of long-term, non market-oriented, integrated industrial and production structures, Kazakhstan endured a non-stabilized macroeconomic environment, especially in the first half of the 1990s. At the same time, rich natural resources have brought not only benefit and wealth but also a resource-oriented economic foundation with problems of fiscal vulnerability and sustainability caused by fluctuations in the oil price in the international market.

In terms of its demographic and socio-economic background, Kazakhstan experienced a sharp decrease in the population during the last decade mainly due to a reduction in the birth rate and high emigration. With respect to the aspect of labour market, during the transitional decade, there have been significant changes both on the demand and supply sides of the labour market.

In Kazakhstan, the principal indicators of poverty are the minimum subsistence level and the poverty line. The available data demonstrate that poverty appears to have fallen since 1998. However, almost one third of the population still lives below the subsistence minimum.

2. Targeted Social Assistance scheme in Kazakhstan

The Targeted Social Assistance (TSA) scheme was introduced in January 2002 to improve the existing social assistance scheme. Local governments are fully responsible for organizing and delivering TSA. Delivery of TSA is family-unit based and when aggregated monthly family income divided by the number of family members falls below the poverty line, defined as 40 percent of the subsistence minimum, the family is entitled to receive TSA. The subsistence minimum is calculated for regions and for the country as a whole. The amount of TSA given to recipients as well as the allocation of TSA budget is determined every quarter but actual payments of TSA are made monthly.

In terms of the proportion of TSA recipients by category, children are the main TSA recipients followed by the unemployed, caretakers of children and the working poor. Although the overall number of beneficiaries decreased, some categories of claimant increased as a percentage of the total. Regional diversification of TSA data explains that dependency on TSA is also strongly related to, and affected by, the amount of budget allocation to TSA. The regions differ both in terms of the poverty level and the level of employment. A substantial number of TSA recipients are unemployed and therefore, in relation to social security and social assistance schemes, proper employment strategies need to take into account short, medium and long-term perspectives on labour demand and supply.

3. Measurement of household income

According to Kazak legislations, TSA is given to those who are living with a per-capita income not exceeding the poverty line. It is calculated from the aggregate income of the family divided by the number of persons in the family. This provision has nevertheless raised some methodological questions during the first year of TSA implementation. First, the concept of *family* has been replaced by *household* in the statistical practice of the country. Second, TSA-related legislation has authorized the local bodies to determine the size of the household (family) and number of household (family) members for TSA entitlement and its aggregate income.

However, it must be recognized that the scope of the household requires more precise definition within the TSA scheme in order to prevent fraudulent claims of social assistance. Based on this understanding, the definition of *household* applicable to TSA scheme is precisely described in the text. The introduction of the concept of *household* to the TSA scheme may require certain changes in existing legislation. In addition, based on the review of the general concept of aggregated household income, aggregate income of a household for the purpose of TSA is precisely detailed in the text.

The Poverty ratio in Kazakhstan in 2002 was 24.2 percent. The ratio has declined in recent years, especially in urban areas. However, the incidence of poverty remains relatively high in rural areas. The poverty gap ratio has gradually decreased in Kazakhstan in recent years and the income of those living below the subsistence minimum was, on average, 6.1% lower than the subsistence minimum.

4. Subsistence minimum and poverty

The subsistence minimum in Kazakhstan is an objectively determined level of income (expenditure) proportionate to the value of goods and services included in the consumer's basket. The poverty line is a concept used specifically for targeted social assistance. It is not based on the minimum level of consumption but on the maximum possibilities of the state to extend assistance.

For setting the level of subsistence minimum, the main factor to consider is the food basket. The second issue is the consumer's basket which has the list of essential non-food items and services that comprise a minimum requirement. According to the Governmental decision, the share of non-food items and services are fixed at 30 percent of the value of the consumer's basket. However, the household survey explained that the real share of the non-food items was 47.7 percent and therefore the current proportion used for the essential non-food items seriously underestimates the non-food expenses. As a conclusion, a fairly acceptable and evidence-based proportion in the present context would be 60% for food and 40% for non-food expenses. Segregation of housing expenses from other non-food expenses is also discussed. Based on the review of consumer prices for garments and utility costs, it is proposed in the text that the proportion of these components be 60 – 30 – 10.

An appropriate determination of the poverty line should not be related to the government's ability to extend social assistance to all those who live below the poverty line. Thus, a more appropriate solution would be to base the TSA not on an intermediate line of 40%, which could be criticized as a randomly selected percentage, but on some other objective criterion. There are also economic factors, such as minimum wage, to be taken into account to justify the necessity of TSA.

The concept of equivalence in household size was also discussed in the text. The purpose of presenting this method in this report, despite the difficulties inherent in its immediate use, is to indicate that a method exists of providing fair assistance in an economic way, once the current level of '*poverty line*' is raised to the subsistence minimum.

5. Current TSA implementation – its reality and obstacles

The analysis of household survey and local TSA data explained that a substantial amount of income sources are seriously underreported in the TSA database. In order to make income declaration more transparent, revision of the current form would be needed.

Several normative constraints were discussed in the course of assessing TSA scheme. One of the normative constraints is the quarterly based assessment system of TSA eligibility. Another point is related to the situation of TSA budget depletion, in that legislation stipulates that TSA shall be provided on a first-come, first-served basis in situations where any local government faces serious budget constraints. These legislative constraints consequently hamper the effectiveness of targeting the needy households. For better implementation of TSA, a monitoring mechanism is also essential. However, the main problem of the monitoring process has been the incompatibility of databases between different Oblasts, and between Oblasts and the Information centre of MOLSP.

In order to analyze actual TSA implementation at the oblast level, particular focus was given to two local cases – Karagandy oblast and Almaty city. In these case studies, the financial, budgetary and administrative aspects of TSA are discussed in order to identify the common features of implementation obstacles.

Under the current social security framework in Kazakhstan, the unemployed with no income source tend to immediately become TSA recipients due to the absence of a functioning unemployment benefit system. The high concentration of TSA delivery to the unemployed in Almaty city needs to be tackled from two dimensions: the establishment of a well-functioning national social security framework and further implementation of an active labour market policy initiated by local government.

Conclusion and recommendations

Despite certain problems defining TSA eligibility, budgetary constraints and its implementation, TSA is serving the fundamental purpose of providing basic assistance to the poor in Kazakhstan. Thus, TSA should remain in existence to provide support to the poorest strata of the population. However, for the improvement of current TSA scheme, it is necessary to define and accurately specify the concepts of household and household income. More precisely, it is essential to improve the methodologies used to determine a subsistence minimum and the poverty line, and to create an effective linkage between the existing databases.

The most ideal solution would be to provide TSA to those living with an income below the value of the minimal food basket, using the proposed methodologies to calculate a subsistence minimum and the poverty line. However, the rationale for financing TSA based on this criterion represents another debatable factor in terms of the existing budgetary constraints.

In order to solve the current problems of the TSA scheme, the normative framework needs to be amended accordingly. Problems related to the actual implementation of TSA, such as the lack of a monitoring mechanism and the necessity of improving the database system, need to be discussed and incorporated into the legislative structure. Close consultation between the MOLSP and local governments is further recommended to tackle the current obstacles and improve the existing TSA system.

Introduction

The Government of the Republic of Kazakhstan requested the International Labour Organization (ILO) Moscow, and the United Nations Development Programme (UNDP) Kazakhstan to assess and improve Kazakhstan's Targeted Social Assistance (TSA) scheme. This was to be done within the framework of the ILO/UNDP project entitled "Integrated Approach to Social Sphere in Kazakhstan"¹.

The main objectives of the Kazakhstan TSA project were as follows:

- (1) to examine the current TSA system;
- (2) to develop a methodological framework for TSA appropriate to the present situation in Kazakhstan; and
- (3) to strengthen Kazakhstan's ability to implement appropriate TSA methodologies.

For the purpose of achieving these objectives, the components of Technical Assistance (TA) were divided into two parts with two volumes of final reports. The first volume covered the overall examination of the TSA scheme including a review of household-related concepts, the definition of aggregated household income, subsistence minimum and the poverty line². The second volume provided a review of international experience with social assistance schemes. Case studies in various countries were presented, which will hopefully serve as reference for future policy formulation in the field of social security in Kazakhstan.

To carry out the project the ILO Moscow and the UNDP Kazakhstan created the following project team:³

From the ILO Moscow side,

Ms. Mariko Ouchi, Project Leader, Associate Expert on Social Security of the ILO Moscow Office;

Mr. Shyam Upadhyaya, Lead Consultant, External Collaborator of the ILO Moscow Office;

Ms. Mira Koshkimbayeva, External Collaborator of the ILO Moscow Office and

Mr. Talgat Umirzhanov, The ILO National Correspondent in Kazakhstan.

From the UNDP Kazakhstan side,

Ms. Svetlana Islamova, Senior Programme Coordinator of the UNDP Kazakhstan Almaty Office; and

Ms. Maral Sheshebekova, Poverty Dialogue Project Assistant Manager, UNDP Kazakhstan Astana Office.

Throughout the period of project implementation, the project team was supervised by Ms. Pauline Barrett-Reid, Director of the ILO Moscow Office.

¹ KAZ/03/003B09/11

² This report was drafted by the followings: Chapters 1 and 2 by Ms. M. Koshkimbayeva; Chapters 3 and 4 by Mr. S. Upadhyaya and Chapter 5 by Ms. M. Ouchi.

³ The project team was supported by Ms. Martina Lubyova, Senior Employment Specialist of the ILO Moscow Office. The project team also appreciates the comments on the earlier draft of this report provided by the followings: MOLSP, Department of Labour, employment and Social Protection of Karagangy oblast, Trade Union Federation of The Republic of Kazakhstan, Ms. A. Kypracoba, Mr. N. Kadyrov and Mr. S. Young.

In the first phase the ILO Moscow and UNDP Kazakhstan jointly undertook a fact-finding mission to Astana and Almaty from 17-21 March 2003. Based on the discussions and materials collected, the Inception Report (IR) defining the Terms of Reference for the project was prepared and submitted to the Government of Kazakhstan in June 2003.

In the second phase a technical mission to Kazakhstan (Astana, Karagandy and Almaty) was undertaken by the ILO Moscow and the UNDP Kazakhstan (July 7-25, 2003) to implement the project. The mission team collected a wide range of information from the Ministry of Labour and Social Protection in Kazakhstan (MOLSP), from local governments in Karagandy and Astana, from the Statistical Agency of Kazakhstan and from the Institute of Labour. The mission team also received comments, suggestions and observations on the Inception Report and the anticipated results of the project.

In June 2003, prior to the technical mission, the IR was directly delivered to the MOLSP technical specialists as well as MOLSP high-level officials. In response, the MOLSP requested that two agendas related to the TSA be urgently delivered by the beginning of September:

- (1) the methodology of aggregated income calculation for identifying average income of poor families; and
- (2) the analysis of the structure of the subsistence minimum calculation with emphasis on actual expenses on the food/non food basket (eg. housing, transport, etc.).

On July 3, 2003 an official letter of request was sent to the ILO Moscow Office.

For the purpose of discussing the IR, redefining the scope of work and confirming the time framework with the MOLSP officials, the mission team decided to hold a roundtable with the MOLSP in Astana in July before starting the whole schedule of the technical mission. At the roundtable, the IR was thoroughly reviewed, additional inputs from the Kazak side were received and the above request was again made. In order to answer this urgent request by the MOLSP, two draft chapters of the final report containing the above requested agendas were prepared and submitted to the MOLSP in September 2003.

In the final phase, the project team headed by Ms. Barrett-Reid, Director of the ILO Moscow Office, submitted the final report and presented the findings of this project at the final report delivery seminar in Astana, on the 19th and 20th of November, 2003. At the same time, ILO's Decent Work Approach to Kazakhstan was discussed with constituents. The ILO/UNDP project "Integrated Approach to Social Sphere in Kazakhstan" is expected to serve as a kick-off project for the overall framework and implementation of Decent Work activities, initiated by the ILO Moscow Office.

In order to fulfill the requests by the MOLSP, the final report consists of two volumes serving different purposes. Volume one presents the main findings related to the TSA scheme in Kazakhstan and includes a review of household related concepts to clarify the definitions of household and household income. Recommendations are made for the TSA scheme and also for the overall framework of the social security system in Kazakhstan. Volume two concentrates on case studies of social assistance systems in other countries for comparison purposes, and for future policy formulation in Kazakhstan.

The structure of the final report (volume one) is as follows:

Chapter 1 sets out the economic and social context of the study. It provides brief macro-economic and demographic overviews, outlines poverty and informal sector issues, and summarizes the background and recent developments in the social security system in Kazakhstan.

Chapter 2 describes the TSA system in Kazakhstan. It explains the scheme and provides a regional comparison of TSA statistics.

Chapter 3 concentrates on the methodologies of defining household and measuring household income. Asset index, equivalent household size (related to the household income analysis) and the identification of TSA recipients are also discussed in this chapter.

Chapter 4 focuses on the methodologies used in calculating subsistence minimum and defining the poverty line based on calculated results. Statistical analysis of the subsistence minimum is conducted based on a review of the composition and value of the consumer's basket. Suggestions for appropriately defining the poverty line as well as the equivalent scale are also discussed in this chapter.

Chapter 5 presents the normative, financial and administrative analysis of current TSA implementation and identifies implementation obstacles. Due to problems of database restrictions and compatibilities, analyses of actual TSA implementation are conducted with particular focus on two local cases – Karagandy oblast and Almaty city. In these case studies, financial, budgetary and administrative aspects of TSA are discussed in order to identify the common features of implementation obstacles. Karagandy oblast was selected for consistency with the forthcoming ILO-funded project on local economic development in Karagandy oblast. Some of the data here will likely provide supplementary information for that project.

In conclusion and recommendations, the results findings discussed in the previous chapters are summarized in order to present policy recommendations. Policy recommendations focus on the agenda of the TSA scheme and also touch upon the role of TSA as a part of comprehensive social security programs provided by the Kazakhstan government.

The Director-General of the International Labour Organization would like to thank all those who have made themselves available thus far to contribute to this project. In particular, he expresses his appreciation to the Minister of Labour and Social Protection, Ms. G. Karagusova, and her staff⁴.

⁴ For supporting the implementation of the project, the project team expresses gratitude to: Statistical Agency of Kazakhstan, Information and Analytical Center of the MOLSP, the State Pension Payment Center, the Social Protection and Employment Department of Karagandy local government and the Labour, Employment and Social Protection Department of Almaty city.

Chapter 1 Economic and social context

In the early 1990s, Kazakhstan underwent a difficult transition from a centrally planned to a market-based economy. With the collapse of the former Soviet Union, Kazakhstan, along with other former Soviet republics, suffered severe disruption of its long-established and highly integrated production and marketing arrangements. The resulting economic crisis produced high unemployment, declining output (a cumulative reduction of over 50 percent in gross domestic product between 1990 and 1995), contraction in foreign trade (a 40 percent decline in 1993), and rampant inflation (a year-end inflation rate of 2169 percent in 1993). The cessation of transfers through correspondent account credits at the Central Bank of Russia in mid-1993 severely curtailed external financing. Simultaneously, social support systems were disrupted, particularly those associated with state enterprises. Poverty became a serious problem. Reform measures to deal with the crisis began in the early 1990s, such as a program of macroeconomic stabilization and, after Kazakhstan achieved independence in December 1991, structural reforms.

1.1. Economic environment

Kazakhstan is a country rich in natural resources: it is the second largest oil producer in the CIS; has natural gas, mineral, gold, copper, coal, zinc and iron ore reserves; and is a major wheat exporter. Revenues from the oil sector collected by the government in Kazakhstan have increased from about 5 percent of general government revenues in 1999 to 15 percent in 2000, and were estimated to rise to 26 percent of general government revenues in 2001 before falling to 18 percent in 2002, as oil prices were expected to decline. These swings in revenue and the sheer size of the expected oil wealth in the ground pose significant challenges for fiscal and macroeconomic policies.

Table 1.1. Main economic indicators from 1998 to 2002

	1998	1999	2000	2001	2002
GDP, mln. Tenge	1,733,264	2,016,456	2,599,902	3,250,593	3,747,798
Deflator	106	113	117	110	105
Real GDP	1,639,795	1,779,750	2,214,567	2,952,401	3,559,162
GDP, mln. US dollars:					
by official rate	2,214	16,854	18,292	22,154	24,447
PPP	74891,6	77976,8	87607,5	101745,7	112299,8
Volume index of GDP, as percent of previous year	98,1	102,7	109,8	113,5	109,5
Deflator, as percent of previous year	105,7	113,3	117,4	110,1	105,3
GDP per capita, tenge	114,991	135,089	174,707	218,830	252,237
GDP per capita, mln. US dollars					
by official rate	1,469	1,129	1,229	1,491	1,646
PPP	4969,0	5224,0	5892,0	6849,5	7560,1
Volume index of GDP per capita, as percent of previous year	99,8	103,7	110,3	113,7	109,5
Dollar exchange rate, tenge for 1 US dollar	78,290	119,64	142,13	146,73	153,28
Purchasing power parities for GDP, tenge per 1 US dollar	231,436	258,597	296,767	319,707	333,678

* mln.rubles

Source: National Statistical Agency

In economies endowed with rich natural resources, the conventional assessment of fiscal vulnerability, fiscal sustainability and fiscal stance can often be misleading because: (1) natural resource wealth can be a significant source of government revenues, at least for an extended period of time, and is often not treated as part of overall government wealth and national wealth; (2) natural resources are non-renewable and their size is often subject to considerable uncertainty; (3) prices of resource-based commodities (e.g. oil, copper) are volatile, with no discernible trends or cycles; (4) the economy can be subject to the so-called “Dutch disease” phenomenon of real exchange rate appreciation, loss of competitiveness in non-resource intensive tradable sectors and perhaps de-industrialization; and (5) land-locked countries grow at a lower rate than countries that are not landlocked (IMF, 2002).

Kazakhstan is the largest landlocked country in the world. It does not have easy access to markets and does have significant infrastructure needs, but it has a favorable initial fiscal stance. The challenge is to build its capital stock and develop its infrastructure, for example by entering into joint ventures to attract direct foreign investment. Use of proceeds from the depletion of its oil reserves and borrowing (from domestic markets, international capital markets, and international financial organizations) must be balanced with the need to accumulate financial wealth.

The key to achieving sustainable growth in the non-oil sectors is to increase agricultural production and productivity on a sustainable basis, and to invest in road infrastructure, particularly by rehabilitating the roads in the international transport corridors.

The quality of the macroeconomic management defines the stability and size of social payments from the budget. Viable long-term policy decisions determine the welfare and the amount of resources available for social needs in the future. Recognition of these problems by the government of Kazakhstan was manifested first by the creation of the National Oil Fund, aimed at mitigating the short-term fluctuation of revenues.

The Government created the National Fund in 2001. It has the twin objectives of stabilizing Government revenue from the natural resources sector, and saving a portion of the proceeds from depletable resources for future generations. The Fund had accumulated receipts of about 299.1 billion Tenge or \$1.9 billion (7.9 percent of GDP) by the end of 2002.⁵

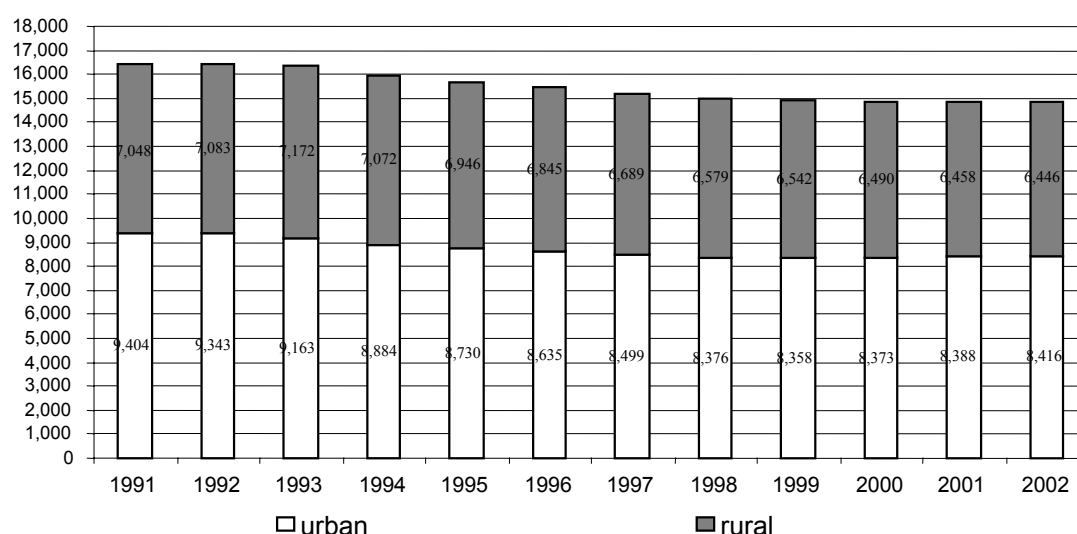
1.2. Demographic and socio-economic background

During the last decade the population sharply decreased from 16.4 to 14.8 million people. There was a slight increase of 16.5 thousand people from 14.846 million in 2001 to 14.862 million people in 2002. On the whole, the decreasing rate of the natural population growth is caused by a reduction of the birth rate and the negative balance of migration. From 1991-2000, almost 2.5 million people emigrated from Kazakhstan, whilst only 0.87 million people⁶ immigrated. A gradual decrease in the rural population, uneven distribution of the population across the country, and low population density are also among the factors affecting natural population growth.

⁵ Annual report on the receipts and use of the National Fund of the Republic of Kazakhstan 2002

⁶ Decree of the President of the Republic of Kazakhstan up to 2010

Figure 1.1. Data on population changes, 1991-2002 (thousands of people)



Source: National Statistical Agency

Due to high emigration, Kazakhstan had the lowest population growth rate among former Soviet Union countries.

The Kazakhstan population is mature: people 65 and older comprise about 7 percent of the population, although there is a gender disparity. Men 65 and older comprise 4.5-4.6 percent of the male population; women 65 and older comprise 9 percent of the female population.

Table 1.2. Age Groups of the population from 1997 to 2000 (thousand persons)

	01.01.1998			01.01.1999			01.01.2000			01.01.2001		
	Total	male	female	Total	male	female	Total	male	female	Total	male	female
Population	15,188	7,321	7,868	14,958	7,205	7,752	14,896	7,176	7,720	14,842	7,149	7,693
under 1-14	4,443	2,248	2,195	4,298	2,177	2,121	4,166	2,113	2,053	4,047	2,056	1,991
15-64	9,703	4,734	4,969	9,650	4,702	4,949	9,732	4,739	4,993	9,794	4,768	5,026
65+	1,043	339	704	1,009	327	682	998	324	674	1,001	326	675

Source: National Statistical Agency

Life expectancy at birth, of the total population, decreased from 67.6 years in 1991 to 65.6 years in 2001. In that year life expectancy at birth for men was 60.3 years, and for women, 71.1 years. During the same period there were deteriorations of the birth and death indexes. The number of births per 1,000 people fell from 21.5 in 1991 to 14.5 in 1999, and slightly increased to 15.3 in 2002. Between 1991 and 2002 the number of deaths per 1,000 people increased from 8.2 in 1991 to 10.7 in 1995-1996, and leveled off at 10 in 2001-2002 (**Statistical Annex 1-II**).

During the transition decade, there have been significant changes both on the demand and supply sides of the labour market. On the demand side, the major factors were transformational recession, which resulted in a decrease in the demand for labour; and structural changes, which led to shifts of labour between industries. On the supply side, the most important factor was high emigration. According to National Statistical Agency, between 1991 and 2002 the number of economically active people has declined from 7.7 to 7.4 million persons, and the number of employed declined from 7.7 million to 6.7 million persons (**Statistical Annex 1-III**).

The proportion of employed and self-employed persons to the total number of employed population has changed between 1991 and 2002: self-employed rose from 4.2 percent to 40 percent and employed decreased by around 36 percent from 95.8 percent to 60 percent. The unemployment rate jumped from 0 percent in 1991-1993 to 13.5 percent in 1999, and decreased to 9.4 percent in 2002 (*Figure 1.2.*).

Figure 1.2. Share of employees and self-employed in the total employed population, and unemployment Rate.



Source: National Statistical Agency

The ratio of the average wage to the minimum wage was 4.9 times in 2002, and to the subsistence minimum 4.3 times (*Table 1.3.*).

Table 1.3. Ratio of nominal, minimum wage and subsistence minimum per capita, from 1996 to 2002

Years	Average nominal wage, tenge	Minimum wage, tenge	Subsistence minimum per capita, tenge	Ratio average wage, times	
				to minimum wage	to subsistence minimum
1996	6,841	1,550	...	4.4	0.0
1997	8,541	2,129	3,505	4.0	2.4
1998	9,683	2,395	3,716	4.0	2.6
1999	11,864	2,605	3,394	4.6	3.5
2000	14,374	2,680	4,007	5.4	3.6
2001	17,303	3,483	4,596	5.0	3.8
2002	20,305	4,181	4,761	4.9	4.3

Source: National Statistical Agency

There are differences between the average wage of the regions and the average wage of the country. In 2002, Mangistau and Atyrau oblasts (oil regions) had the highest level of average wage in the country: 39,391 Tenge and 41,501 Tenge respectively. Akmola, Zhambyl, South-Kazakhstan and North-Kazakhstan oblasts had lower levels of average wage: between 12,424 Tenge and 13,727 Tenge. In 2001, the average earnings in the highest paid sector (financial) were 6.1 times higher than those in the lowest (agriculture).

1.3. Poverty and inequality

During the last decade Kazakhstan, as did many countries with transitional economies, faced a crisis in its social assistance system. In the Soviet period, the system of social privileges, subsidies and allowances were well developed, but oriented mainly to supporting those working in the governmental bodies and so on. As a result, the poor population was excluded from the priority groups entitled to state social assistance.

In Kazakhstan, the principal indicators of poverty are the minimum subsistence level and the poverty line. Kazakhstan's minimum subsistence level equals the value of the minimal consumption basket, which is comprised of 70 percent foodstuffs and 30 percent other goods and services. Expenditure on utilities, transport and medicine comprise a considerable proportion of the budget of low-income households. Obviously, these expenses were not fully taken into account when defining the consumption basket where only 30 percent was assigned to non-food items.

The available data demonstrate that the proportion of people who live below the subsistence minimum decreased from 35 to 28 percent of the total population; poverty appears to have fallen since 1998⁷. However, almost one third of the population still lives below the subsistence minimum.

Table 1.4. Percent of population whose income is below subsistence minimum and food basket cost

	1996	1997	1998	1999	2000	2001
% of population below subsistence minimum	34.6	38.3	39	34.5	31.8	28.4
% of population below food basket cost	n/a	12.7	16.2	14.5	11.7	11.3

Source: United Nation (2002)

The majority of the poor population live in rural areas. The proportion of the poor among the rural population is more than 50 percent greater than the poor among the urban population: 38 percent and 20 percent respectively. Urban poverty is concentrated in small towns with depressed economies. The share of the population living below the poverty line in depressed small towns reached 41 percent in 2000. Data presented in the Human Development Report for 2000 illustrate gender disparity in the poverty level: nearly 45 percent of women but only 33 percent of men had an income below the subsistence minimum.

In 2002, the Ministry of Labour and Social Protection estimated that around 1,184 million people are eligible for social assistance, of which 56.5 percent are children, 18.1 percent are unemployed, 2.2 percent are pensioners, 7.1 percent are working, 1.7 percent are invalids, 1.3 percent are students and 13 percent fall into other categories.

Analysis of the data of the Kazakhstan Living Standards Survey, which was undertaken in July 1996, found that the regional dispersion of poverty is more striking. The northern part of the country, which is more industrialized and better endowed with natural resources, has a much lower poverty rate than the south whose residents are, for the most part, extremely

⁷ According to the latest figures presented by the Agency of Statistics, the proportion of people who live below the subsistence minimum was 26.9 percent in the third quarter of 2003.

poor. Two out of every three poor people lived either in the south or the east of the country (World Bank, 1998).

Table 1.5. Regional dimensions of poverty in Kazakhstan, 1996

	Headcount	Poverty gap	Severity of poverty
North ^a	9.2	1.9	0.7
Centre ^b	26.4	9	4.4
East ^c	31.3	9	3.6
West ^d	37.8	10.8	4.2
South ^e	69.2	26.4	13

a Kostanai, Pavlodar and North Kazakhstan oblasts and Kokchetau area in Akmola Oblast

b Karagandy (including Zhezkazgan area) and Akmola oblasts

c East Kazakhstan (including Semipalatinsk area), and Almaty oblast (including Taldykorgan area)

d Mangistau, Atyrau, Aktyubinsk oblasts and West Kazakhstan

e Kyzylorda and Zhambyl oblasts and South Kazakhstan

Source: World Bank (1998)

Rural poverty was higher, deeper and more severe than poverty in urban areas. In 2001, the lowest percentage of the poor was registered in Northern Kazakhstan (10%) whilst half the population in Zhambyl and Mangistau oblasts lived in poverty (United Nations, 2002).

Table 1.6. Poverty distributions by Oblast, 2001

	Total		Urban		Rural	
	%	thousand	%	thousand	%	thousand
Kazakhstan	28.4	4104.8	20.4	1631.3	38.0	2473.5
Akmola oblast	20.4	150.1	18.6	64.4	21.8	85.7
Aktobe oblast	29.4	197.3	18.4	67.1	45.3	130.2
Almaty oblast	39.3	612.6	35.0	155.5	41.1	457.1
Atyrau oblast	41.0	183.7	36.4	94.1	48.2	89.6
West Kazakhstan oblast	28.3	170.7	25.2	63.1	30.3	107.6
Zhambyl oblast	48.4	474.7	41.0	185.6	53.4	289.1
Karagandy oblast	22.5	306.2	20.4	229.4	30.7	76.8
Kostanai oblast	26.2	249.1	14.1	73.7	39.4	175.4
Kyzyl Orda oblas	38.5	233	33.0	119.8	47.3	113.2
Mangystau oblast	46.2	151.4	34.6	87.4	95.5	64
South-Kazakhstan oblast	38.4	780.4	28.0	207.1	44.1	573.2
Pavlodar oblast	16.1	123.3	11.8	59.7	21.9	63.6
North-Kazakhstan oblast	10.0	69.7	4.6	11.6	13.6	58.1
East-Kazakhstan oblast	22.1	330.1	16.0	140.3	30.6	189.8
Astana city	2.2	10.3	2.2	10.3	-	-
Almaty city	5.5	62.3	5.5	62.3	-	-

Source: United Nations (2002)

Atyrau and Mangystau oblasts, whose gross regional products per capita are the highest in the country, have the second and third largest proportions of poor people. The most acute poverty situation is in the rural areas of Mangistau oblast, where almost everyone had incomes less than the subsistence minimum.

Whilst almost half of the unemployed were poor, poverty was also marked among the self-employed—demonstrating that in transitional Kazakhstan, employment itself does not guarantee escape from poverty. This is because employment in traditional enterprises has often provided low and delayed wages, whilst income from self-employment or start-up businesses has been fraught with uncertainty.

As in other parts of the world, the poor are especially at risk of receiving low levels of public services. Access to education and health services is worse among the poor. In parts of Kazakhstan this is compounded by the enormous distances people must travel to reach facilities, and the increasing cost of the services due to the ongoing fiscal crisis, which has resulted in both de facto and de jure privatization of services.

It is necessary to point out that another major factor affecting the quality of life for the poor in Kazakhstan is extensive environmental degradation (chemical contamination of rivers in the industrial zones, inefficient irrigation).

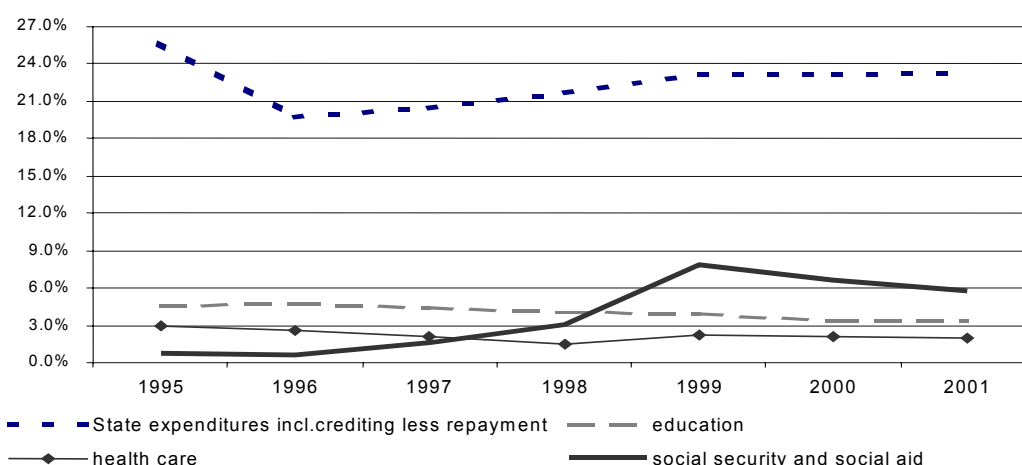
In the former Soviet Union, low-income groups consisted of single mothers with many children, pensioners, and disabled people. Presently, the poor also include people who are able to work and do actually work. This addition results from the newly cascading problems of unemployment, low wages, delays in payment of salaries, and the decrease in real incomes. As of January 2003, the poor in Kazakhstan comprise the following: the largest group (57%) is children, the second group (18%) is unemployed, and the third group (7.1%) is working citizens.

The draft State Program on Poverty Reduction (2003-2005) identifies the main economic and social causes of poverty to be: (1) unemployment, low wages, low pensions and social assistance allowances; (2) degradation of the physical infrastructure, resulting in social alienation of the poor residing in remote areas; (3) shrinking access to free health care; (4) reduction of the number of regular and vocational schools in rural areas; and (5) low effectiveness of the targeted social assistance provided by the state.

1.4. Development of social security in Kazakhstan

The social sector experienced substantial retrenchment at the beginning of the transition process to a market economy. The broad state coverage and universal access to public services (health, education, and social security and welfare including unemployment benefits) that characterized the previous regime could no longer be sustained. Also, state enterprises that now faced market competition could not continue to provide the same social services to their employees, and many of these services had to be transferred to the state, "corporatized", privatized, or discontinued.

Figure 1.3. Government budget operations percent of GDP, 1995-2001

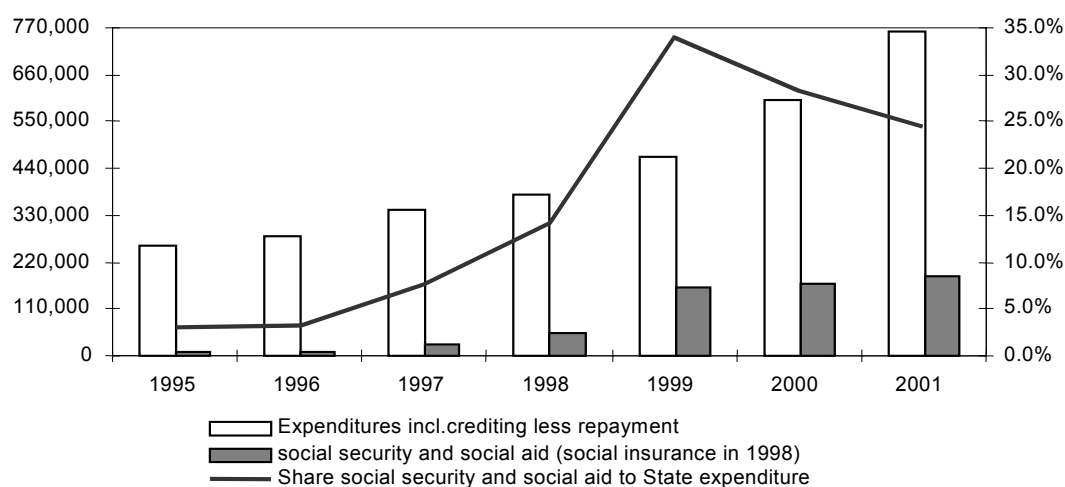


Source: National Statistical Agency

In the wake of these structural transformations, the government expenditures in the social sectors dropped dramatically in the early 1990s, and started recovering to reach about 9 percent in the second half of the decade. Social security and welfare expenditures have fluctuated directly with the crisis, and elucidate the general pattern of social expenditure. As a share of government expenditure, spending on social security and welfare increased from 3 percent in 1995 to 34 percent in 1999, but decreased since 1999 to reach 25 percent in 2001.

About one-fifth of health and education expenditures have been funded by the republican budget. Until 1998, extra-budgetary funds contributed another one-fifth to health financing, and the local budgets covered the rest (about 80 percent of education expenditure, and 60 percent of health care). Social security and welfare used to be mostly funded by extra-budgetary funds and local budgets. With the elimination of the extra-budgetary funds in 1998, the republican budget absorbed all the pay-as-you-go pension liabilities, as well as the responsibility for "categorical" State Special Benefit, whilst the local budgets increased their responsibilities for health care and poverty-targeted social assistance programs.

Figure 1.4. Government and social security expenditure and share of social security expenditure to state expenditure 1995-2001 (million Tenge)



Source: National Statistical Agency

Until 1998, Kazakhstan's social protection system comprised pay-as-you-go (PAYG) pensions for the elderly; a range of price discounts; pensions and subsidies for veterans and the disabled; unemployment benefits; and other cash benefits, including family or child allowances. The system was characterized as having too many objectives, making the programs less effective and services inefficient. Moreover, the provision of social assistance was fragmentary, administration was difficult, and the costs were not transparent. As of December 1998, 47 categories of recipients received 202 different types of distinct price discounts (ranging from eyeglasses to public transportation and hospital care), imposing an enormous burden on the budget as well as the administration.

The structure of the social protection system and sources of funding changed substantially in early 1998: extra-budgetary funds were eliminated; responsibility for pensions (PAYG), State Special Benefits (categorical) and State Social Allowances were shifted to the republican budget, and poverty-Targeted Social Assistance and assistance to the unemployed were transferred to local budgets. This new assignment of responsibilities is well defined and formalized in the 1999 Budget System Law. Previously, the benefits and allowances were paid either out of oblast budgets or from the pension fund or social insurance fund, but the system was not sustainable, and arrears have accumulated. The change in the funding of the State Special Benefits is aimed to ensure that at least all the "privileged categories" (veterans of WW II, their families and survivors or other special categories such as victims of Chernobyl, former political prisoners or veterans of Afghanistan war) would receive their benefit payments on time. Since April 1999, the various benefits and discounts were abolished and a unified Special State Allowance was introduced in their place. The Employment Fund and Unemployment Benefits have been abolished and the Government has indicated that the emphasis should now be on active labor market programs, specifically on public works programs and retraining.

The Government of Kazakhstan initiated a drastic pension reform to move from a pay-as-you-go (PAYG) to a funded system. The Law "On Pension Provision in the Republic of Kazakhstan", adopted in June 1997, and effective January 1998, enacted this reform. Its main objective was to decrease the state budget burden, and avoid demographic problems, which were expected to have negative effects on the PAYG scheme. The Kazakhstan accumulation pension system consists of two pillars: mandatory and voluntary. The PAYG system itself was eliminated in 1998, but most people over the next several decades will be covered by two pensions. One is the PAYG pension reflecting their work history at least six months before July 1, 1998 and the other one is an accumulated pension under the funded system, based on mandatory contributions to the private accumulation pension funds since January 1, 1998. The funded system requires a contribution of 10 percent of salary by the workers themselves, which is directly deducted from their salary and placed in their individual account. Self-employed workers are also obliged to contribute to the current funded pension scheme.

The present PAYG system is financed by a social tax (payroll tax), which is 21 percent of the salary paid by employers. Under the current system, all social taxes go directly to the state budget. Once the Social Insurance Fund (SIF) starts its operation; social taxes will be divided into 18 percent for the state budget and 3 percent to the SIF. The rate of social tax is expected to decrease by 1.5 percent in 2005, 2.0 percent in 2006, and 3.0 percent in 2007. However, the problem of finding other financial resources to compensate for the gradual decrease of social tax income still remains a major concern. Under the PAYG system, the pensionable

ages are 63 for men with 25 years of contribution, and 58 for women with 20 years of contribution⁸.

With the support of the World Bank, the Government of Kazakhstan is currently reviewing the first period of implementation of its newly introduced funded pension system. Originally, the Kazakhstan pension system was expected to switch entirely to a fully funded system by 2029. The review of the funded system is, in fact, meant to provide alternative policy scenarios in the event that the current pension contribution, 10 percent of earnings, is not sufficient to guarantee retirement income.

The SIF, which will encompass survivors' benefits, unemployment benefits and work injury benefits, is expected to create a comprehensive structure of social security benefits, with the exception of old-age benefits. Providing a decent and well-functioning health insurance scheme is considered to be one of its most urgent tasks. The Government is working on this agenda very carefully, as in the past the health fund went into bankruptcy. Currently the Ministry of Health is working on a draft law concerning health insurance, and it is expected that medical insurance will be introduced in 2005. Medical insurance will probably be provided by the State Pension Payment Center, which is under the Ministry of Labour and Social Protection, during the initial period, but this function is likely to be transferred to the SIF.

Maternity-related benefits started in January 2003. The Government plans to provide three types of maternity-related benefits: (1) a one-time benefit upon the birth of a child; (2) benefits during child care (every month until the child reaches one year); and (3) a child allowance for children up to 18 years old. At the moment, only the first benefit is available, but the introduction of the second and third benefits is expected in the near future. The Government has been allocated a budget of 2.9 billion Tenge to finance the one-time maternity benefit upon the birth of children in 2003. In addition to the first benefit, the second benefit is expected to be financed from the state budget, whereas the third benefit is expected to be financed from the local budget.

⁸ Early retirement is available to people in the following categories: age 55 if living in ecologically damaged zones with a maximum radiation risk; age 53 for mothers living in rural areas with 5 or more children above the age of 8 (it applies not only in the rural areas but also in the urban areas).

Chapter 2 Targeted Social Assistance scheme in Kazakhstan

Social assistance can be considered a last resort protection. Residents who have no rights to replacement income or have lost these rights can still benefit from social assistance, subject to a means test. Social assistance then clearly plays an economic role in terms of sustaining aggregate demand. An active policy for reinsertion into the labour market, accompanying social assistance benefits, can play a major role in the activation and reinsertion of (long-term) benefit recipients.

2.1. Mechanism of TSA scheme implementation

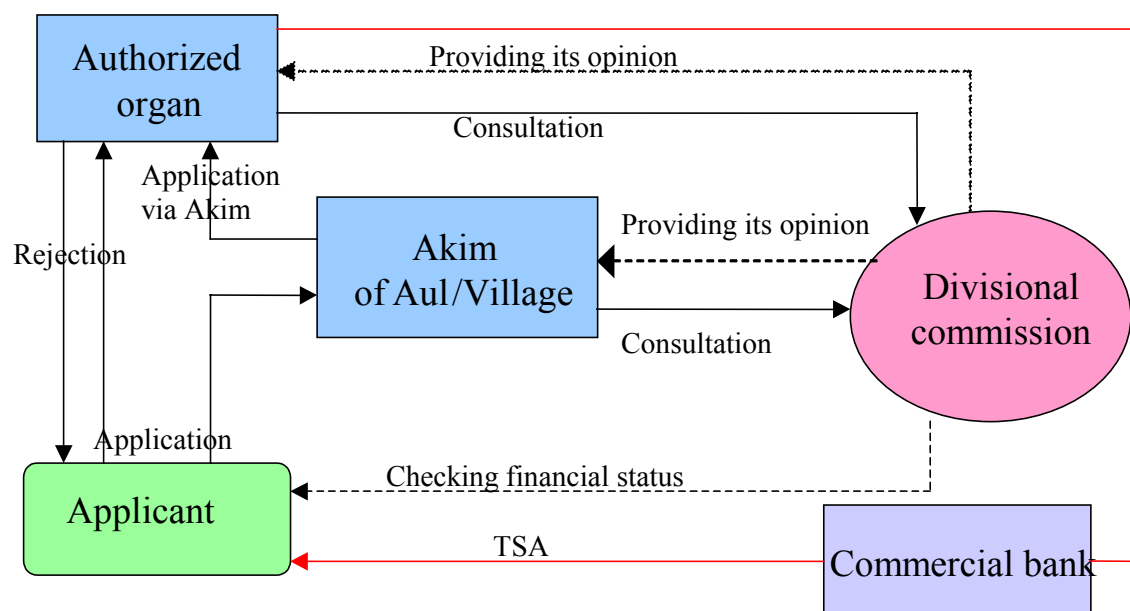
The Targeted Social Assistance (TSA) scheme, a decentralized social assistance scheme, was introduced in January 2002 to improve the existing social assistance scheme. The Law “On the State Targeted Social Assistance”, effective January 1, 2002, is considered part of the poverty alleviation program in Kazakhstan, and regulates the provision of targeted benefits to the poor.

Local governments are fully responsible for organizing and delivering TSA. Under the local governments there are divisional commissions responsible for checking the source of income of those applying to receive TSA. Divisional commissions reach conclusions on the need to provide TSA in a form to be approved by the akims of oblasts, Astana and Almaty cities. They examine the income position of applicants and their families, and forward their conclusions to the authorised agency or akim of the aul/village. The application is processed as follows:

1. The individual, or an individual on behalf of his/her entire household, makes an application to the Akim of aul/village or to the authorized agency of the oblast, according to where he/she lives.
2. The akim or authorized agency registers and forwards the application to the divisional commission.
3. The divisional commission checks the income of the individual/household and reaches a conclusion about eligibility for TSA. It forwards its conclusions to the body that generated the application; the Akims of auls/villages or the authorised agency of the oblast. These actions by the divisional commissions need to be completed within 5 days of the original instruction by the Akim of aul/village or the authorised agency.
4. If the applicants sent their applications to the Akims of auls/villages, the Akims must forward the documents and conclusions to the authorised agency, within twenty days of the date of application.
5. The authorised agency makes a decision to provide TSA or not within ten days of receipt of the application. This decision is subject to the approval of the akims of oblasts, Astana and Almaty cities and is dependent upon sufficiency of funding. The applicant is advised of the decision in writing, with the basis being specified in the case of rejection.
6. Following approval by the oblasts, TSA is provided. If TSA is not approved, applicants can appeal to higher authorities

The decision to provide TSA is made by examining the financial status of the applicants. Detailed information is compiled, which includes information such as family composition and income (including in-kind income, consumption from land plots and assets).

Figure 2.1. Administration structure of TSA



- - - Divisional commission gives opinion on the need to provide TSA after checking on applicant's income

The local administration forms a divisional commission to examine the composition and income of the family. Information provided in the application is checked with the household registration record to verify whether the applicant and other members of the family are genuinely living there. Income data are also checked with related documents as far as possible.

The family requesting the social assistance submits an application to the responsible authority and declares the income of all of its members according to the format prescribed for this purpose (refer **Figure 2.2.**)

When aggregated monthly family income divided by the number of family members falls below the poverty line, the family is entitled to receive TSA. The poverty line is defined quarterly as a fixed percent of the subsistence minimum and the Law “On the Subsistence Level”, effective January 2000, defines the subsistence minimum. The Kazakh Nutrition Institute determines the items in the food basket as well as consumption norms for each food item. Based on age, sex and consumption norms, an average consumption norm is calculated for each food item. The subsistence minimum is calculated for regions and for the country as a whole.⁹ For the calculation of the national average subsistence minimum, the average consumption norm for food items is multiplied by the average retail prices fixed by the Agency of Statistics and this determines the national average cost of the food basket. However, the retail prices used to determine the regional subsistence minimum vary

⁹ From this year, the subsistence minimum is also calculated at the district level.

according to the oblast/region. Therefore, the subsistence minimum differs from region to region because of the difference in retail prices.

Figure 2.2. Sample format of TSA application

<u>Household register no.</u>								
Income data of the members of applicant household For __ quarter of year _____								
(Name of the applicant)						(Address)		
SN	Name of the household members	Place of work or study If unemployed, evidence is required from concerned authority	Documented income		Other income			
			Labour income	Pensions and allowances	Family business	Stipend	Aliment	Others

The current system in Kazakhstan allows all regions to fix their own subsistence minimum based on retail prices. At the national level, the latest average subsistence minimum is 5,243 Tenge according to the results of the 2nd quarter in 2003. Hence the average poverty line, based on the average subsistence minimum, is 2,097 Tenge. The amount of TSA given to recipients, as well as the allocation of TSA budget, is determined every quarter but actual payments of TSA are made monthly. Eligibility for TSA and its amount is reviewed according to changes in family composition and income situation. Review of TSA eligibility during a quarter while receiving TSA is instigated by the voluntary declaration of TSA recipients regarding any changes to family income. Individuals and families can contest decisions made by the local governments in court. If a member of a family receiving TSA refuses one job offer, TSA will not be offered during the following 6 months.

The amount of TSA given to the recipients is the difference between household income and the poverty line. The amount of TSA is calculated as follows:

$$\begin{aligned}
 & (\text{PL}-\text{PI}) \times \text{number of family members entitled for TSA}^{10} \\
 & = \text{Total amount of TSA for one family per month}
 \end{aligned}$$

PL: Poverty Line

PI: per capita average income of family member

= Aggregated family income/number of family member

During the first three months of 2003 the total expenditure on TSA in Kazakhstan amounted to approximately 2.1 billion Tenge. The number of recipients in Kazakhstan in the first

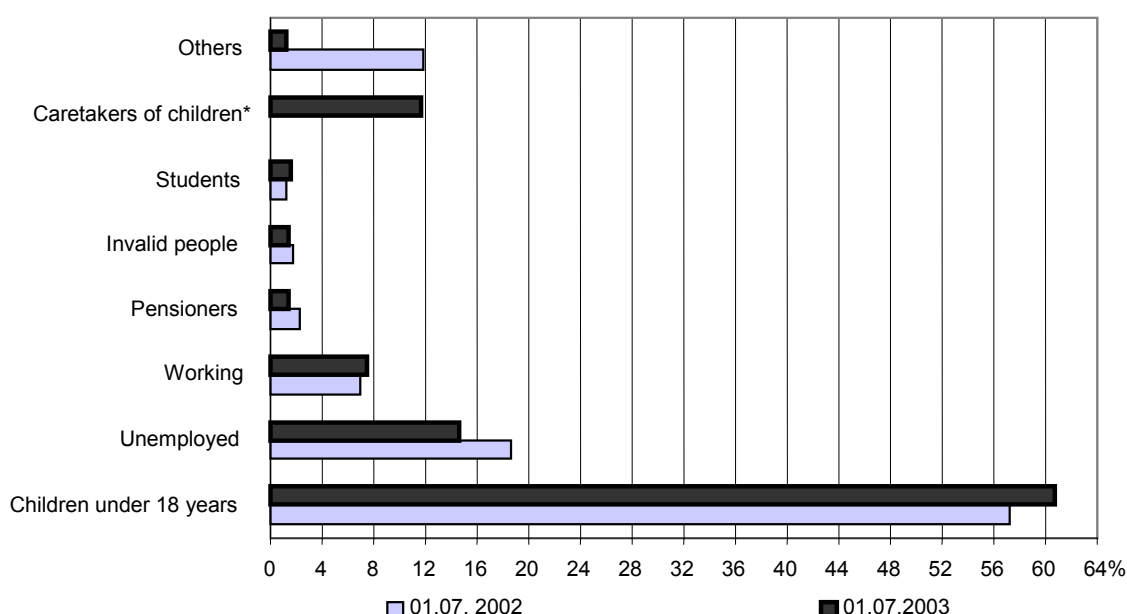
¹⁰ If there is an unemployed person in the family, this unemployed person is obliged to register with the employment center in the district/municipal in order to receive TSA. If there is any non-registered unemployed persons in the family, the total amount of TSA given to the family entitled to receive TSA would be calculated as follows: (PL-PI) x (Family member - number of unemployed persons not registered) = Total amount of TSA per month.

quarter of 2003 was 675.7 thousand. The average amount of TSA provided to each recipient in the first quarter of 2003 was about 1018 Tenge.

Until 2002, only children under 18 were entitled to receive social assistance benefits. Although the whole population of Kazakhstan, including adults living below the poverty line, is now entitled to receive TSA, children under 18 remain the main TSA recipients and comprise 60.8 percent of the number of TSA beneficiaries in the country.

Figure 2.3. indicates the share of TSA recipients by category in the first half-year of 2002 and 2003. Comparing preliminary TSA recipients by category data on 01.07.2003 with the same information on 01.07.2002, the number of beneficiaries decreased from 1039.2 thousand to 774.3 thousand people: the number of recipients under 18 years dropped by 124.6 thousand; the number of unemployed recipients decreased by 80.3 thousand; the working category decreased by 14.9 thousand; pensioners, invalids and others categories decreased by 12 thousand, 7.8 thousands and 23.6 thousand respectively. Although the overall number of beneficiaries decreased, some categories of claimant increased as a percentage of the total. For example, the percentage of the total TSA allotted to children less than 18 years rose from 57.3 percent to 60.8 percent; the percentage given to working claimants rose from 7.0 percent to 7.4 percent and to students from 1.3 percent to 1.6 percent.

Figure 2.3. Share of TSA beneficiaries by category (01.07.2002 and 01.07.2003)



* - Others category includes Caretakers of children category on 01.07.2002

Source: Ministry of Labor and Social Protection

To assess TSA eligibility, all kinds of income, including assistance from relatives but excluding targeted housing subsidies, are taken into account¹¹. Some people declare zero income in order to be eligible to receive TSA. To avoid this problem, household income surveys are conducted at the oblast/municipal/district level for the purpose of defining the real income level of families.

¹¹ In some regions, there is a special system which allows registered charity to be included as income.

Family composition and size, which also affect eligibility for TSA, are usually determined by the number of actual family members living together and registered at the same address. However, there are some cases where lodgers and/or distant relatives live with a family without declaring their income, but making joint expenditures. Pensioners are considered to be part of a family if they live with their children. But pensioners are critical of this approach, as they consider their pensions to be individual and not part of household income. A clear definition of household is essential to deliver TSA to those truly in need.

2.2. Notion of targeting

Targeting refers specifically to the identification of those who will or will not be eligible for a social program. Targeting implies that some groups of individuals should be excluded from receiving the program benefit.

The goal of targeting is to concentrate resources on those who need them most. If benefits go only to the needy, the level of benefit given to each recipient can increase or the cost of the program can be reduced. Good targeting means that the program reaches most poor people. If the program missed a significant number, then its impact on poverty would be reduced commensurately. Thus good targeting improves both the cost-effectiveness of a program and its impact on welfare.

Whilst targeting is beneficial in that it increases the efficiency of poverty and social programs, it also has costs. There are three kinds of costs: administrative, incentive and political. Only by assessing the costs and benefits of each targeting mechanism is it possible to determine the most appropriate targeting outcome.

Targeting requires a mechanism to distinguish between the poor, so that they can be given a benefit, and the not poor, so that they can be prevented from getting the benefit. This mechanism incurs costs. In general, the more exact the sorting of the poor from the not poor, the more likely it is that the administrative costs of targeting will be high. For example, to identify the categories perfectly, the welfare of every individual in the population would have to be examined. This examination would include careful consideration of seasonal and in-kind income, household composition, local prices, the value of assets and so on and would require the information to be verified. This is hard to do and would probably be very expensive. An imperfect means test would only examine the incomes of those who applied for the program and would ignore issues such as seasonal and in-kind income and verification. This would be cheaper to administer, but would identify the genuinely poor only imperfectly. The Kazakhstan social assistance scheme combines elements of both approaches.

Targeting schemes can have incentive effects that are side effects of their principal goal. There are three major negative incentive effects that offset the benefits of targeting: labor-leisure choice, relocation and unproductive use of time or resources. To measure the accuracy of a targeting initiative, it is necessary to define the target group, to find out the number of targeting errors and to aggregate that information.

Lack of available data means that this study does not calculate leakage rate (looking at all those who are in the program), which is defined as the number of not poor beneficiaries divided by the total number of people served by the program, nor does it calculate the under-coverage rate (looking at the poor who ought to be in the program), which is defined as the

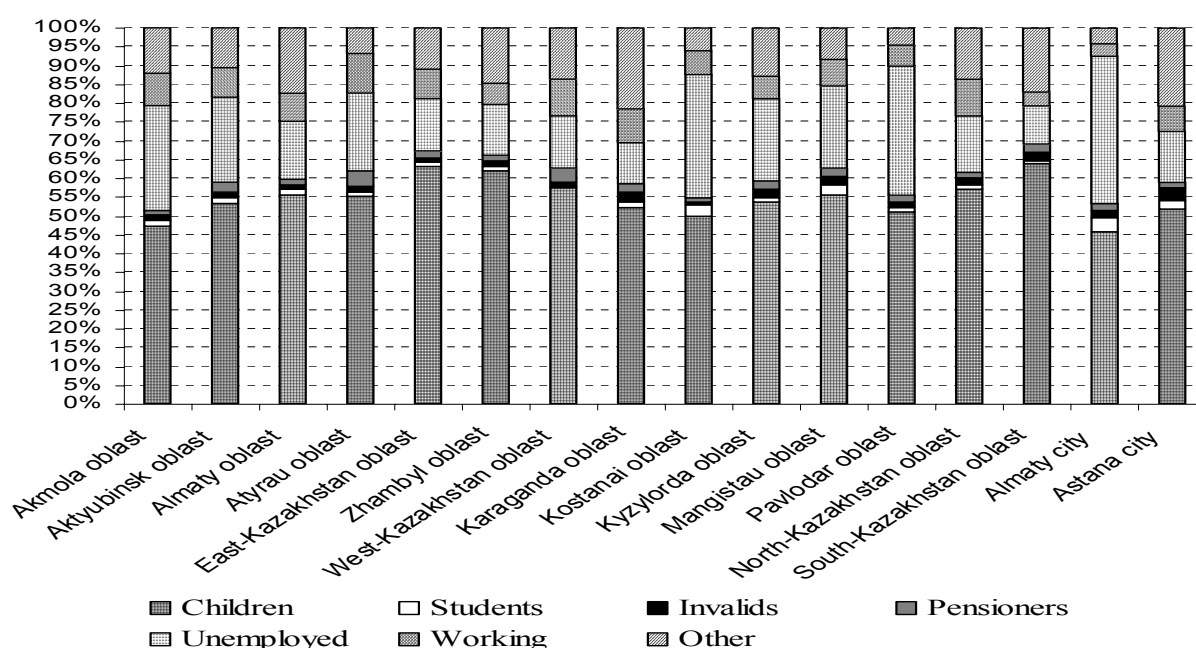
number of the poor who ought to be in the program but were left out divided by the total number of poor.

Participation rates (the percentage of those who ought to be served and are served) are low. In 2002 the average participation rate in the country was 50.5 percent. The rates in Astana city, Kyzylorda and Kostanai oblasts were 15.8, 23.7 and 33.0 accordingly. The rates may be lower than they should be because the program budget only covers the first applicants; this is a financial constraint that is not inherent in the program's design. Raising participation rates (lowering errors of exclusion) would require not a change of targeting mechanism or an improvement in the coverage of the system, but more complete financing for the program so that it could fulfill its design.

2.3. Regional comparison of TSA beneficiaries, TSA benefit amount and TSA finance

The target groups in Kazakhstan include the following: children; unemployed; working people; elderly people; those who are disabled, caretakers of disabled people and young people that are studying.

Figure 2.4. Share of TSA beneficiaries by category among oblasts in 01.01.2003



Source: Ministry of Labor and Social Protection

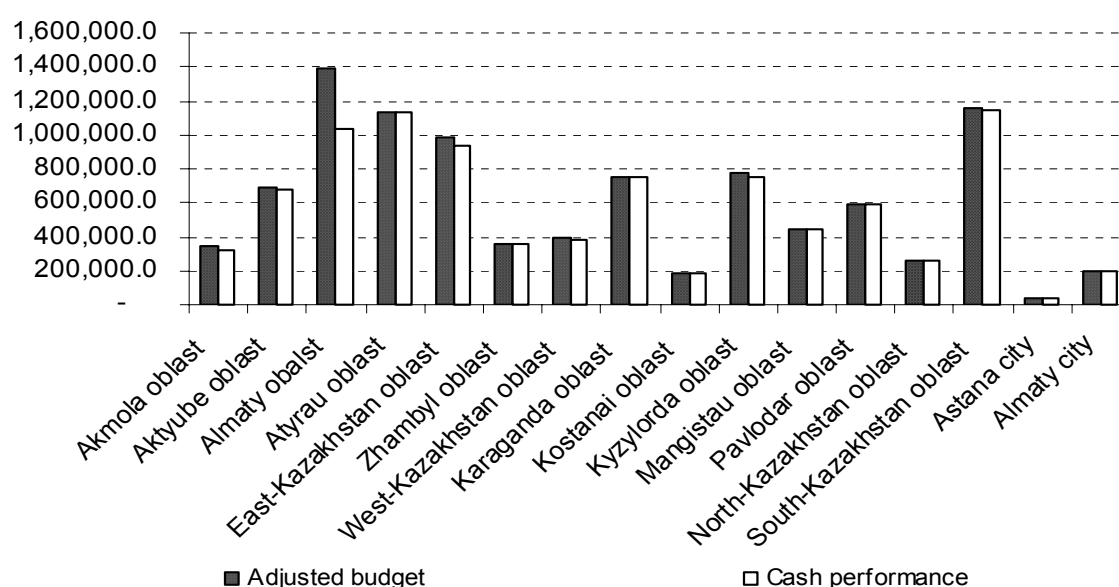
Regional comparison of TSA shows that in 2002 the largest group of TSA beneficiaries among the oblasts was children ranging from 46 percent to 64 percent. An average family in Kazakhstan contains 3.6 people; however, this differs by region and place of residence. The southwest regions, inhabited mainly by the indigenous population, have big families. This includes Kyzylorda (5.1 people), South-Kazakhstan (4.9), Atyrau (4.6), and Zhambyl (4.1). The risk of being poor is much higher for families with many children. South-Kazakhstan, Zhambyl and East-Kazakhstan oblasts had the highest share of child-beneficiaries in TSA: 64, 63 and 62 percent accordingly. The unemployed category represents the second biggest group of TSA beneficiaries, accounting for between 10.4 and 39.4 percent of total TSA

recipients. From 4.3 percent to 21.6 percent of TSA beneficiaries are included in the “other” category. Karagandy oblast, Astana city, Almaty and South-Kazakhstan oblasts had 21.6, 20.7 and 17 percent accordingly. It is necessary to note that around 10 percent of TSA beneficiaries were working people in Atyrau, West-Kazakhstan and North-Kazakhstan oblasts.

The amount of average benefit is different around the country: in the beginning of the year the highest TSA benefit amount was 1,506 Tenge and the lowest TSA benefit was 500 Tenge. All oblasts except Mangistau had a tendency to increase and then decrease the amount of benefit paid out during 2002. In the country overall, Mangistau oblast had the highest benefit amount of 1,740 Tenge, which was increased by 482 Tenge during the year. At the same time Kyzylorda and South-Kazakhstan oblasts had the lowest amount of benefit, approximately 500 Tenge at the end of the year¹².

Atyrau, Kostanai and Almaty oblasts met their budgets exactly. The worst example of local budget expenditure performance was in Almaty oblast and Astana city, recording 74.5% and 84.7% accordingly. Karagandy, Mangistau, Pavlodar, North-Kazakhstan and South-Kazakhstan oblasts were close to 100 percent.

Figure 2.5. Performance of local budget expenditures in 01.01.2003



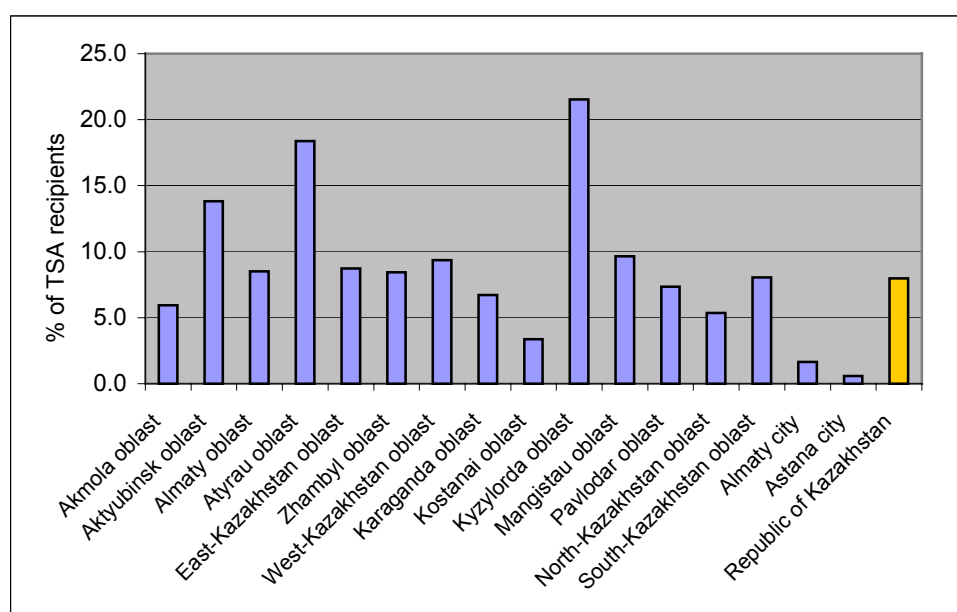
Source: Ministry of Labor and Social Protection

Another type of poverty mapping in Kazakhstan involves calculating the percentage of TSA recipients in the total population in each oblast/city. As shown in **Figure 2.6.**, the highest TSA dependency, in terms of the number of TSA recipients, is observed in Kyzylorda oblast. Atyrau oblast is second and Aktyubinsk is third whilst Astana and Almaty recorded the two lowest figures. Dependency of TSA is also strongly related to and affected by the affordability of TSA or, to be more precise, the amount of budget allocation to TSA. In this respect, the largest budget allocation to TSA is made in Almaty oblast, South-Kazakhstan oblast is second and Atyrau third (refer **Statistical Annex 2-VI.**), these allocation figures do not necessarily match the results of Figure 2.6. However, the following fact also needs to be

¹² There is no data on the 4th quarter in Zhambyl oblast

taken into account: the poverty line, given as the criterion of determining TSA amount, differs from oblast to oblast. As a result of these different poverty lines, the correlation of TSA budget allocation and percentage of TSA recipients becomes unclear and therefore it is difficult for us to accurately assess whether or not all poor people in need of TSA actually receive it. Nevertheless, Figure 2.6. certainly illustrates the incidence of regionally segmented poverty in Kazakhstan.

Figure 2.6. – Percentage of TSA recipients out of total population in each oblast/city



Note: Data on TSA recipients as of 01.01.2003 whereas data on population in each oblast/city as of 01.01.2002.

Source: Own calculation by using data in Statistical Yearbook in Kazakhstan in 2002 and MOLSP data.

2.4. Regional comparison of poverty line and subsistence minimum

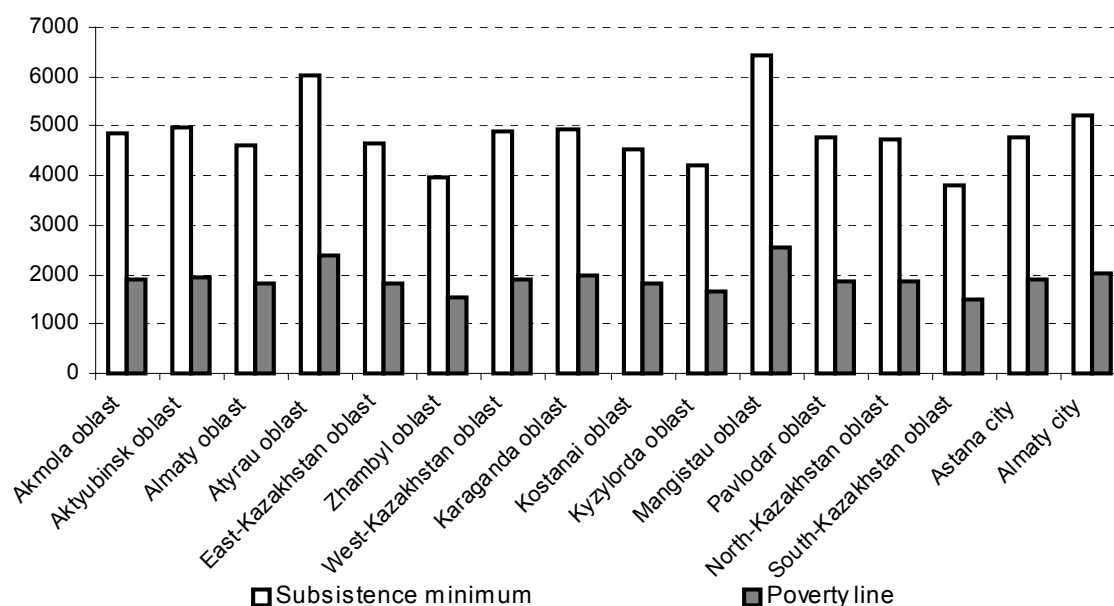
The extent of poverty in Kazakhstan is regionally variable, indicated primarily by inter-regional difference in incomes. There is almost a three-fold difference in average wage by region. It is indicative that high economic indexes do not always result in an improved situation for the poor. For example, Mangistau oblast has one of the highest indexes of the gross regional product per capita; nevertheless, it has the highest percentage of the poor.

Moreover, there is a considerable difference in the cash income of the population within regions. In Mangistau oblast, where 46.2 percent of the population is poor, especially in rural areas, the average nominal wage in the mining industry is 8.5 times more than in agriculture. It appears that in itself economic growth does not guarantee the improvement of the state of the population if there is no effective redistribution of funds.

Mangistau and Atyrau oblasts had the highest amount of subsistence minimum: 6,453 Tenge and 6,045 Tenge respectively and also the highest poverty line levels as well because poverty line is defined as 40 percent of the subsistence minimum. South-Kazakhstan oblast had the

lowest amount of subsistence minimum: 3,900 Tenge. The Poverty line among oblasts varied from 2,535 Tenge to 1,502 Tenge.

Figure 2.7. Level of subsistence minimum and poverty line in 2002



Source: Ministry of Labour and Social Protection

2.5. The Effect of TSA on the labour market, unemployment and the minimum wage

The regions differ both in the poverty level and in the level of employment. Decreased demand for labour in the regions is often determined by the peculiarities of their social and economic development, the rate of structural modification, technical re-equipment of production facilities and other factors.

Long-lasting unemployment is explained by the fact that some labor resources do not meet the existing market demand in terms of age, qualification and psychological parameters. The situation is also aggravated by the trend of reducing personnel at existing facilities. Opportunities for self-employment, household farming or starting small businesses are hindered by the lack of necessary skills and the absence of starting capital.

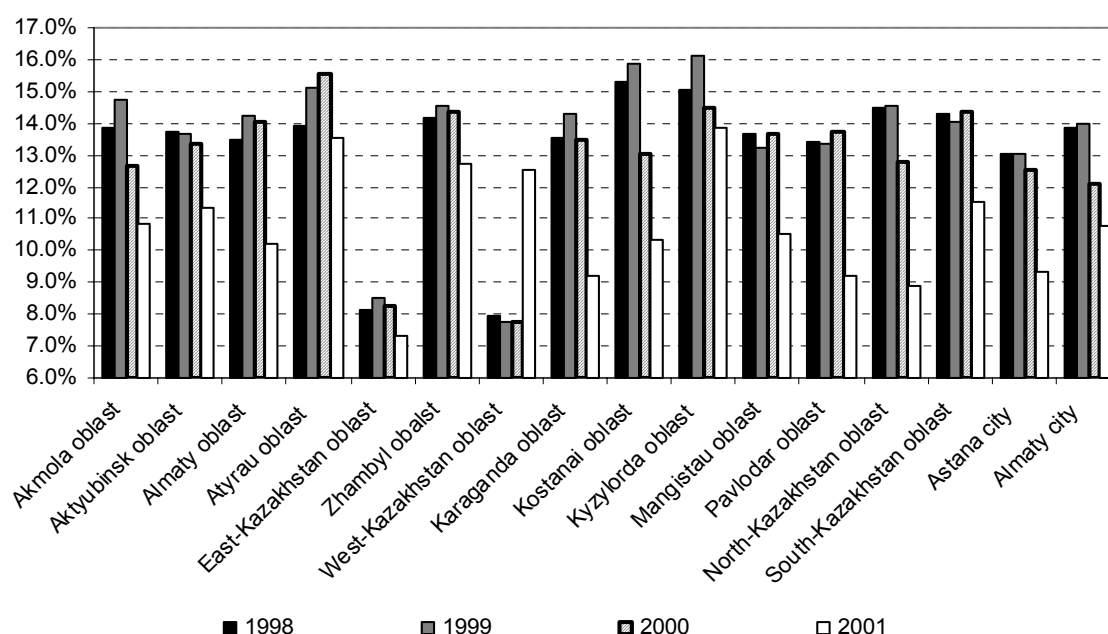
As shown in **Statistical Annex 2-II.**, a substantial number of TSA recipients are unemployed. This tendency is most prominent in Almaty city, Pavlodar oblast and Kostanai oblast. Under the current legislation, unemployed people become ineligible to receive TSA if they refuse a job offer. However, taking and/or completing vocational training for unemployed people is not mandatory prior to receiving TSA. In spite of the limited budget of local governments, it is still necessary to actively provide vocational training opportunities, which will directly contribute to local economic development. One ideal proposal would be to provide the necessary vocational training to the unemployed during the period they receive TSA.

Employment and associated income have a significant impact upon the components of living standards, such as nutrition, health, education and reproduction of the population. A low level of employment is the major reason for poverty.

The proportion of employees and self-employed persons to the total number of employed in the population has changed between 1991 and 2002: the self-employed rose from 4.2 percent to 40 percent and employees decreased by around 36 percent from 95.8 percent to 60 percent. Growing self-employment can testify both to economic growth and to the need for survival strategies.

According to the 2001 survey on employment, people from 15 to 39 years of age represented the largest group of unemployed, and younger people from 15 to 24 constituted 30.8 percent. The number of unemployed (persons without paid work, actively looking and ready to work) made up 780.3 thousand. This is less than the previous year by 126 thousand people or 14 percent. Approximately half (56.7 percent) the number of unemployed are women.

Figure 2.8. Unemployment rate, 1998-2001



Source: National Statistical Agency

In 2001 Kyzylorda, Atyrau and Zhambyl oblasts had the highest unemployment rate in the country 13.9, 13.5 and 12.7 percent accordingly. The lowest unemployment rate was in East-Kazakhstan (7.3 percent), North-Kazakhstan (8.9 percent) and Pavlodar (9.2 percent). **Figure 2.8.** shows that East-Kazakhstan oblast had the lowest unemployment rate during 1998-2001.

In 2001 the highest proportion of women amongst the unemployed was in Mangistau (68.8 percent), Pavlodar (67.5 percent) and Astana city (66.5 percent); the lowest proportion of women was in Kostanai (47.9 percent), Kyzylorda (50.8 percent) and North-Kazakhstan (51.9 percent) (**Statistical Annex 2-VIII.**).

Indications of long-lasting unemployment are becoming increasingly prominent. In 2001, one third of those registered as unemployed had been in search of a job for a period exceeding one year. Those who were long-term unemployed comprised 23 percent. The qualification

requirements for jobs are becoming more stringent, thereby reducing the opportunities for young people without work experience and the required skills. The deficit of jobs increases the problems facing the disabled. They have the lowest status in the labor market. It is also very difficult to find jobs for repatriates who are, as a rule, unqualified.

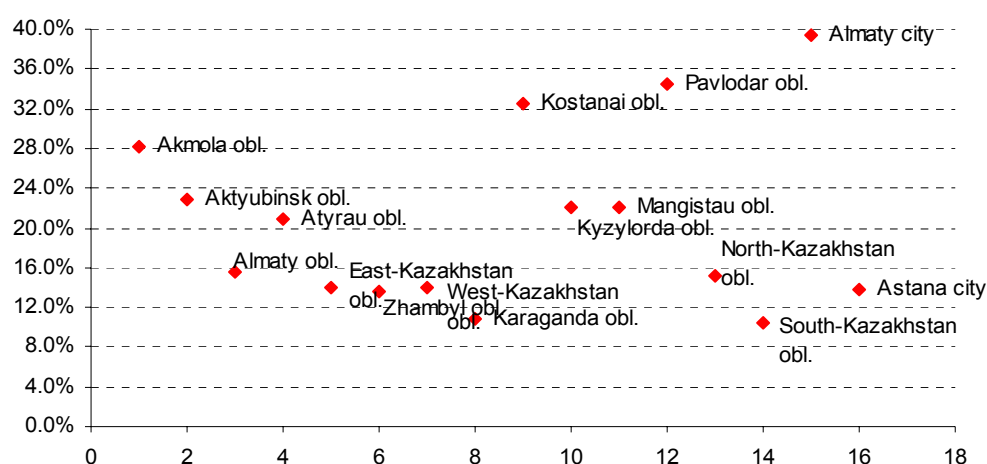
The problem of women's employment is critical in rural areas and small towns. An unemployed woman has to bear a double burden: she spends time taking care of the rest of her family, and at the same time has to hunt for additional sources of income. Discrimination, practiced by employers, on grounds of gender and age aggravates the situation for people of pre-pensionable age, particularly women. Women have more problems with employment because employers prefer to recruit men. In 2001 the percentage of men among those registered as unemployed was 8.9%, and the percentage of women was 12.0%.

The main factors affecting the poverty of women are the differences in employment available to men and women, a gap between the respective wages of men and women and women's ability to compete in the labour market. Women, as a rule, are engaged in sectors with lower wages and salaries (health, education, social services, cultural sector).

Illegal labour migration, primarily from the CIS countries, is another problem affecting the labour market of Kazakhstan. Some Kazakhstan employers are inclined to hire illegal cheap labour migrants irrespective of their low qualifications. In such cases the local population has to compete against unfair competition, resulting in the expansion of the informal sector and illegal employment.

Figure 2.9. shows that unemployed people in Almaty city comprised 39.4 percent of all TSA beneficiaries. Also Pavlodar, Kostanai and Akmola oblasts registered high numbers of unemployed needing TSA.

Figure 2.9. Share of TSA unemployed beneficiaries as of 01.01.2003



Source: Ministry of Labor and Social Protection

There are many low-income and part-time jobs. Wages vary greatly depending on the type of economic activity and the differences between various sectors of the national economy in terms of labor productivity and qualifications of personnel. TSA is within the reach of the unemployed and also low-income earners. At present, the poverty line is based on the subsistence minimum in each oblast and is set as a criterion of TSA eligibility. The national

average of the subsistence minimum as of the second quarter in 2003 was calculated as 5,243 Tenge, whereas the minimum wage is currently set at 5,000 Tenge per month, equal to the amount of the minimum pension. Theoretically, minimum wage and minimum pension amounts need to be set above the level of the national subsistence minimum. However, due to a high proportion of economic activity and possible income gain in the informal economy, a minimum wage set in the formal economy does not really serve as a genuine benchmark of a minimum standard. Just like some other developing countries, the minimum wage in Kazakhstan is set at relatively low level. As Law No.474-1 stipulates, the gap between minimum wage, minimum pension benefit level and subsistence minimum needs to be decreased gradually¹³.

Social assistance, combined with employment policy, also contributes to social stability. The absence of social assistance has costs such as increased social unrest and criminality. Social unrest and criminality are costly for the economy, either because they divert resources from their productive ends, destroy infrastructure or reduce investment. Social assistance can therefore be seen as a productive factor.

2.6. Problems of TSA scheme in Kazakhstan

There are problems identifying poor citizens because they hide their real total revenue. Social assistance may be granted upon application but the number of recipients is not always proportional/equal to the number of the population with incomes under the poverty line.

There are several TSA-related problems in rural regions. First, the TSA scheme sometimes acts as a disincentive to engage in farm work. Second, even though people are motivated to work, it is rather difficult to implement effective labour market policies in rural areas with limited employment opportunities. Difficulties in conducting successful micro-credit schemes in rural areas have been identified, but no effective remedy to solve this problem has yet been found.

Proper employment strategies need to take into account the short, medium and long-term perspectives on labour demand and supply. The difficulty lies in precisely forecasting labour demand and unemployment in different sectors and professions. All national and regional development programmes in the fields of employment and poverty alleviation should be linked, and included within the context of common economic and social goals.

It is necessary to define and improve the concepts of household and household income, improve the methodologies used to determine the subsistence minimum and poverty line, create an effective linkage between the existing databases (household budget, individual household and social security related database) and evaluate the role and capacity of local governments in terms of the financial and administrative aspects of TSA.

¹³ Law No.474-1 stipulates that “the minimum amounts of monthly wage and monthly pension shall be set annually by a statutory act on the basis of the subsistence minimum proceeding from the principle of gradually bringing these amounts to the subsistence minimum level by means of stage-by-stage rises”.

Chapter 3 Measurement of household income

The Republic of Kazakhstan adopted the Law on State targeted social assistance on 17 July 2001 that came to effect from 1 January 2002. According to this law and other government regulations issued later, the targeted social assistance (TSA) is given to those living with a per-capita income not exceeding the poverty line. The per-capita income is calculated from the aggregate income of the family divided by the number of persons in the family.

This provision, which appears to be quite clear and simple, has nevertheless raised some methodological questions during the first year of TSA implementation. First of all, the concept of family has been replaced by household in the statistical practice of the country. The Statistical Agency of the Republic of Kazakhstan following international recommendations (on population and social statistics, on the system of national accounts and others) uses household as a reporting unit (similarly institutional unit, statistical unit) for socio-economic surveys.

The main data source of the income and expenditure and level of living of the population of Kazakhstan is the Sample survey of households, (obviously based on the data collected from households). The second aspect is that the related law and regulation on TSA has authorized the local bodies to determine the size of the household (family) and number of household (family) members for TSA entitlement and its aggregate income. In order to make the TSA implementation more effective and transparent the Ministry of Labour and Social Protection of the Republic of Kazakhstan (MOLSP) is working to improve this process. It has been particularly necessary to define such terms as household and aggregate household income, which are the key aspects of providing TSA. In this report, an attempt has been made to suggest some methodologies based on national and international practice.

3.1. Household definition

In the former USSR, population census and other statistical inquiries were based on ‘family’ rather than ‘household’. The difference between the two concepts is that a family has the nucleus of a married couple through which other members are related. This aspect is clearly recognised in the *Law on Marriage and Family* of the Republic of Kazakhstan, which defines the family as *a group of people who are abided with the rights and duties over a common property and personal relations originated from marriage, adopting children or other forms of acquiring children....* The household is not necessarily based on the marital relationship even though its composition is very similar to a family in most of the cases. The concept of the household has been introduced to the statistical practice of Kazakhstan.

The household is sometimes defined as all persons living together in a housing unit (UNSD, 1998). This is the concept of a dwelling unit. This is the unit recommended for use in the analysis of income distribution in the Canberra Report (Canberra Group, 2001). A more common definition is based on the housekeeping concept. It is the one recommended for use in the 2000 round of population censuses (UNSD, 1998), and it defines a household as follows:

A household is classified as either:

1. a one-person household, that is to say, a person who makes provision for his or her own food or other essentials for living without combining with any other person to form part of a multi-person household; or
2. a multi-person household, that is to say, a group of two or more persons living together who make common provision for food or other essentials for living. The persons in the group may pool their incomes and may, to greater or lesser extent, have a common budget. They may be related or unrelated or constitute a combination of persons both related and unrelated (ILO, 2003).

These definitions of household presume that an appropriate distinction is made from the institutionalised population. Statistical surveys conducted for measurement of household income and expenditure cover the civilian, non-institutionalised population. The household as a statistical unit includes only persons considered as permanent residents. It includes persons temporarily away from home such as those on vacation, in hospital for short-term treatment and students living away in school, college or university during the academic year. However, the household does not include members of religious orders living in monasteries, convents or similar institutions, long-term patients in hospitals, including mental hospitals and others who are absent for longer periods.

Each member should have some claim upon the collective resources of the household. Therefore, although a paid employee (particularly a non-family member) engaged at a small private/family business, a servant or a paying guest would share food and accommodation, it is not appropriate to include their income as part of the household income calculation in the context used for TSA criteria in Kazakhstan. This is mainly because this category of people generally neither pool all their income together with the others nor have a common budget and such persons have no claim on the share of the collective resources of households.

Household composition for TSA implementation:

The definition of household is also used in household-based statistical inquiries conducted by the Statistical Agency of Kazakhstan. Because the determination of the subsistence level and other statistics of income and expenditure are based on household, there is a need to maintain conceptual uniformity in TSA implementation.

However, it must be recognized that the scope of the household requires more precise distinction for the TSA scheme in order to prevent any false claim of social assistance. The *Law of Targeted Social Assistance* in Article 3 has stated that an individual can apply for TSA on her/his own behalf or on behalf of the *family* with a document that shows the latter's composition. The *TSA Law* itself has not specified the composition of the family, but its Article 4 (Paragraph 6) has mentioned that the family (*not household*) does not include:

- children under full state protection
- old and disabled permanently living in designated facilities
- persons on urgent military service
- persons in prison and in enforced treatment.

The Law on TSA has not specifically mentioned that members of a household must have been registered in the same place of residence as evidence that they are living together. However, it has been clarified in the Regulation on aggregate income adopted by the Ministry

of Labour dated 13 February 2002, that the number of persons in the family is counted as those living together and having been registered in the same place of residence. Therefore, the local authorities ask for registration as a prerequisite for eligibility for TSA. In most cases, such a requirement is justified to discourage the applicant from including ‘outsiders’ on the list of household (*family*) members. On the other hand, there have been a few cases reporting that the provision of registration prevented needy people from getting social assistance. It is especially true in urban areas that attract large numbers of people in search of a better job.

Based on the above discussions, it is recommended that the targeted social assistance be provided to *households*, defined as follows.

The *household* includes all members living together and those who are absent temporarily such as:

- persons on travel and vacation
- patients in hospital for short-term treatment
- students living away for study in school, college or university
- persons away for a seasonal job for a period of less than 3 months.

On the other hand, the *household* does not include persons living together temporarily as a guest, a paying guest, a paid employee or a servant, who may share the food and accommodation with household members.

The household does not include the following persons:

- persons living away from home for a job for more than 3 months
- persons on military service
- members of religious orders living in monasteries, convents or similar institutions
- long-term patients including those in mental hospitals
- prisoners serving long sentences
- old and disabled persons living permanently in retirement homes and other designated facilities

Local authorities need to check the registration records and related documents when TSA is requested in order to verify whether the person is absent or present for short or long periods.

Introduction of the concept of household to the TSA scheme may require certain changes in the existing regulation.

First, the concept of the *family* currently in use needs to be replaced by the household¹⁴. Second, it is absolutely necessary to precisely define who is the recipient of TSA. Article 2 of Law No. 246 on the TSA scheme says that *the right to targeted social assistance is given to citizens of the Republic of Kazakhstan... who have a per-capita income below the poverty line*. A citizen can only have individual income, whereas the term of per-capita income is a concept of averaging out from a group income. A citizen having an income above the poverty line may still be eligible to apply for TSA when the collective income (household income) is

¹⁴ The family definition recommended for use as a derived unit in population censuses (UNSD, 1998) states that: “The family within the household, a concept of particular interest, is defined as those members of the household who are related, to a specific degree, though blood, adoption or marriage” (ILO, 2003).

less than the amount of (*Poverty line x number of household members*). Therefore, it is not an individual, but a household that can be the recipient of TSA equal to:

$$TSA = (Poverty\ line \times number\ of\ household\ members) - Total\ household\ income$$

Thus, a more appropriate definition for the distribution of TSA is: *TSA is granted to a household living with an average income per member below the poverty line.*

A household and the members of a household eligible for TSA are two different things. For example, a member of the household who is unemployed but has refused a job offered to him/her is not entitled to TSA. However, it does not mean that this person is no longer a member of that household. Therefore, members of households are classified in two different categories: *eligible* and *not eligible* for TSA. Such classification can be made according to the legal provision in Article 2 of Law No.246 on TSA. If the household has any member who is not eligible for TSA, then the amount of TSA to be provided can be computed by:

$$TSA = (Poverty\ line \times number\ of\ eligible\ persons\ in\ HH) - Total\ household\ income$$

A correctly defined composition of households leads to the precise computation of aggregate income. If any member has been excluded from the list of TSA eligible persons, then his/her income cannot be regarded as part of the total household income. It is especially applicable to those members who are living away. For example, if a student is not included in the list of eligible members, then the stipend received cannot be part of the household income. Similarly, any member living away for a longer period for a job cannot be a member of a household, thus the income from the job is also excluded. However, if these persons are helping their household by sending a part of their income, such amounts are to be included in the household income.

Since entitlement of TSA is not based on the amount of individual income but on the aggregated household income, any adult member of the household can be the applicant on behalf of the household. In theory, it does not affect the eligibility for TSA even if that person has an income above the poverty line as long as aggregated household income is below the poverty line multiplied by number of household members. However, in reality, those whose individual income is below the poverty line tend to apply for TSA, rather than those whose income is above the poverty line.

3.2. The household income¹⁵

The total income of a household is the sum of all kinds of income in cash or in kind of each member, as well as the mixed and collective income of the household as a whole. The personal income of the employed household members comes from wages and salaries and other types of remuneration. Retired members get pensions, whilst other members (especially women, children, disabled etc) may receive different kinds of incomes from the current social transfers. If one or more household members are engaged in any kind of economic activities on their own account, also termed as self-employed work, they get mixed income, which combines the remuneration for time worked as well as profit. The household may also have a

¹⁵ For the latest international study on the methodologies on household income statistics, please refer the series of publications prepared by the Canberra Group (<http://www.lisproject.org/links/canbaccess.htm>), in particular, the publication on “– An expert group on household income statistics – Final report and recommendations” (2001, <http://www.lisproject.org/links/canberra/finalreport.pdf>).

collective income from the sale or rent of property under common ownership. Thus, a household may be deemed as having the following sources of income:

Income from employment

Income from employment covers the remuneration received from primary and secondary occupations in civil, military or security services or any other kinds of employment. It includes the earning from regular, temporary, part-time and seasonal work including public work arranged by the Labour bureau during the waiting period when a household member was unemployed. It also includes any compensation or terminal allowance received upon completion of the contract period of the previous job.

Remuneration from the job may include following types of payments:

- Wages and salaries; overtime, bonus etc
- Living and other allowances
- Saving from travel allowances (*on official purposes*)
- Services in kind (*medical care, accommodation*)
- Goods in kind (*clothing, food, other goods*)

Income from household economic activities

A household can be engaged in different kinds of economic activities with the purpose of producing goods and services for its own consumption as well as for the market. The service produced by a household entirely for its own consumption cannot be counted as income. However, services produced for the market can be exchanged for cash or kind and therefore count as household income. Consumption of self-produced goods needs to be taken into account as part of the household income in kind. The household also gets income from the sale or exchange of products in the market. The income from economic activities is not the same as the output. The output is the value of the goods and services produced over a certain period of time. The output combines the cost of production and surplus. In the case of larger establishments or farms, the labour cost and the material cost are separated in the balance sheet. But in the economic activities carried out at the scale of a household, only material cost is deducted from the total value of output assuming that the necessary labour input for this activity is solely provided predominantly by a household member with no cash salary for their work contribution¹⁶.

It is also necessary to identify self-employed activities in the formal and informal sectors. It is possible to distinguish employees engaged in self-employed activities in both the formal and informal sectors. For example, if self-employed economic activities are oriented to manufacturing production, rather than agricultural production, it is possible that the self-

¹⁶ Simple equation for calculating income from mixed economic activities (in other words “Mixed income”) is drawn as follows:

$$\text{Mixed Income} = \text{Output} - \text{Cost of Production} - \text{Depreciation}$$

Cost of production may become zero if household driven economic activities are carried out without salary payment. However, labour cost may be possibly charged to the cost of production even if it is a household driven economic activity, as it is possible to have employees in the informal sector.

employed person may have his/her own employees regardless of whether these activities are conducted in the formal or informal economy¹⁷.

Household economic activities in Kazakhstan can be broadly classified into two groups: private farm activities and the other activities.

** Private farm activities*

The household survey results have shown that 95.5% of the households in rural areas of Kazakhstan own the land. 80% use it for production of goods for their own consumption or for sale. Another 7% use their land for livestock purposes. The household-run farm activities called **Личное подсобное хозяйство** (LPH) are production units within the household sector engaged in producing goods and services from agriculture and livestock related activities for their own consumption as well as for the market. LPH are directly owned and controlled by members of households and cannot be separated from households. Thus, they cannot be regarded as an independent legal entity. Land, machinery and other assets, fixed or otherwise, are defined as belonging to households, and not to any farm or enterprise. Their owners are personally liable, without limit, for any debts or obligations incurred in the course of production.

The surplus arising from the productive activities of LPH represents a mixture of two very different kinds of income: remuneration for work done by household members and a return from entrepreneurship. Therefore, this surplus is described as "mixed income".

** Other economic activities*

Similar activities are conducted by households also in the non-agricultural sector, which are widely known as family businesses or entrepreneurship. In the small townships and municipal areas, it is often observed that household economic activities are concentrated in trade, restaurants, and various kinds of services. The household generates a similar type of mixed income from the goods and services produced and sold from these units.

Property income¹⁸

The property income includes the income from financial and non-financial assets. The income from the financial assets is the *interest* from the bank deposits and other forms of lending and the *dividend* for the share owned by a household (or its members). The scope of the financial assets in the lower income group of the population might be very limited. However, there may be income from the non-financial assets, such as land, buildings, machinery and equipment, vehicles and furniture¹⁹.

¹⁷ For more details on income from self-employment, please refer (ILO, 2003, pp.14-15).

¹⁸ For more details on property income, please refer (ILO, 2003, pp.15-17).

¹⁹ In international definition, antiques, ornaments and other valuables are not considered as property income but wealth.

The most recent data from the household survey has shown that 90% of households in Kazakhstan own a separate apartment or an individual house. Households may rent or sell their non-financial assets. Income from non-financial assets includes²⁰:

- ♦ Rent from goods (machinery and equipment, means of transport etc.)
- ♦ Rent from land
- ♦ Rent from apartment, houses and other kinds of buildings

In the household budget analysis, income of households is balanced with expenditure. But when the aggregate income is computed separately, it is important to note that the cost of maintaining the property should be taken into account. For instance, an apartment or a house rented out requires repair and maintenance for which a household may have to spend part of the rent received.

Current transfers²¹

Current transfers are payments to a household for which no return is asked from the recipient. Current transfers can take place under the different schemes of social assistance provided mainly by the government or public institutions, such as:

- ♦ Government assistance
- ♦ Pension
- ♦ Stipend
- ♦ Social insurance

Other types of transfers take place between enterprises and households and between households themselves. Such transfers include:

- ♦ Claim for non-life insurance
- ♦ Assistance from friends and family members living within the country and abroad (remittance)
- ♦ Alimony
- ♦ Fines and penalties paid to the household as per decision of the court of law
- ♦ Other current transfers

Thus the aggregate household income as mentioned above consists of:

- ♦ Income from employment
- ♦ Income from the household economic activities
- ♦ Income from the property, and
- ♦ Current transfers

²⁰ In international definition, sale of household assets and valuables are not considered as income but depreciation of wealth, or in other words “liquidated assets”. If there is any capital gain by holding these assets, it is considered as wealth, not income.

²¹ For more details on transfers, please refer (ILO, 2003, pp.18-21).

Therefore, it is proposed that the aggregate income of a household for the purpose of TSA should consist of:

- ♦ Income from employment (all, as described above including self-employment income)
- ♦ Income from household economic activities to include
 - the value of goods consumed from own production (at producer's prices)
 - the receipts from sale of goods and services less material cost
- ♦ Property income
 - Dividends
 - Interest
 - Rent for land
 - Rent for apartments, houses and buildings (less the cost of repair and maintenance)
 - Rent for machinery, equipment, other goods (less the cost of repair and maintenance)
- ♦ Current transfers, *excluding*:
 - Housing allowance
 - Receipts from TSA
 - State assistance for childbirth and funerals
 - Other exclusions envisaged by existing regulations
 - Payment to institutions by friends or relatives on behalf of the household member (this includes payment to hospitals and clinics for medical treatment, payment to educational institutions for the tuition of children and any other payment on which the household has no legal claim.

3.3. Income structure and poverty measures

The household sample survey conducted quarterly by the Statistical Agency of Kazakhstan provides data on household income and expenditure. The survey is based on probability sampling and covers 12000 households representing all Oblasts. Survey results are produced at national as well as Oblast level. The total nominal income of households is computed from income related to consumption and the estimated value of income taking into account time spent on self-employed activities and differences arising from the current data sources on employment. The estimate for the latter part is made at the macro level. The survey results have shown that the nominal income per-capita increased by 13.7% in 2002 compared to the previous year. After adjustment using the consumer price index of 5.9%, the real income growth in 2002 was estimated at 7.4% compared to the previous year.

Table 3.1. Nominal income and expenditure structure of households in 2000-02

	2000	2001	2002
Estimated average per-capita nominal income per-month (Tenge)	6102	7334	8339
Annual change of the nominal income, (in %)	10.2	20.2	13.7
CPI, point to point at the yearend, (in %)	13.2	8.4	5.9
Annual change of the real income, (in %)	- 2.7	10.9	7.4
Income related to consumption (Tenge)	5030	5729	6518
Out of which:	100.0	100.0	100.0
From monetary income (in %)	78.6	85.8	87.0
From own production (in %)	21.4	14.2	13.0
Consumption expenditure on: (in %)	100.0	100.0	100.0
Food, beverages and tobacco	49.9	54.4	52.3
Non-food items	38.0	34.4	36.8
Housing	12.1	11.2	10.9

Data: Statistical Agency of Kazakhstan

The total income estimated from the household survey results and aggregate income concept used in the MOLSP for the purpose of social assistance has some differences that should be taken into account. The Statistical Agency, following international practice, calculates the total income (otherwise termed as the nominal monetary income, even though the income in kind is included) taking into account all kinds of current transfer including amounts received by the household from the targeted social assistance scheme. However, the aggregate total income for TSA implementation is calculated according to the legal provision stipulated in the TSA Law and MOLSP Regulations and currently does not include income from:

- targeted social assistance
- housing assistance
- state assistance for childbirth and funerals
- goods and services received at a concession rate

Another difference is that the total income estimated by the Statistical agency includes household expenditure, which is actually an objective approach of estimating income. The aggregate income concept used for TSA aims to combine income sources directly. This approach is necessary to identify individual households but the income figures reported are often arbitrary.

The results of the household survey are presented in a concise form in the publications of the Statistical Agency. TSA law separately counts the income from the private farm activities of households. These activities are classified as self-employment, thus figures are presented combined with the labour income. In other words, the labour income in the household survey results is the sum of individual income and mixed income (family business, private farm activities etc.). Therefore, the labour income represents a very high percentage of the total income of households, both in urban and rural areas.

Table 3.2. Household income structure in urban and rural area, 2001

Income sources	Urban	Rural	All
Income from employment and self-employment	80.0	76.0	77.0
Current social transfers	14.0	20.0	17.0
Other receipts	6.0	4.0	6.0
Total	100.0	100.0	100.0

Data: Statistical Agency of Kazakhstan

Similarly, current transfers other than from the social security scheme such as remittance, alimony, gains from the lottery, property income and all other sources are referred to as ‘Other receipts’ in **Table 3.2**, above. In the rural area current social transfers accounted for one-fifth of the income of surveyed households, which makes rural households more dependent on social assistance than those in urban areas. On the other hand, rural households have a smaller allocation of ‘Other receipts’ that are a component of property income.

The household survey results are also used to calculate the Poverty ratio (Headcount index), Poverty gap ratio (Poverty depth index) and the Severity of poverty ratio. These ratios are all part of the Foster-Greer-horbecke (FGT) class of poverty measures. Although the latter two measures have other significance, the Headcount index is the most commonly applied measure and indicates the incidence of poverty. This measure shows the percentage of the population having an income level below the poverty line. While in many other countries, the poverty line is determined at the level of the subsistence minimum, in Kazakhstan, the poverty line is a concept used for the purpose of social assistance that is fixed by the government. At the moment, the poverty line is fixed at 40% of the subsistence minimum. The poverty measures are computed based on the subsistence minimum, not on the poverty line. Thus, the Poverty ratio shows the percentage of the population living below the subsistence minimum. The difference between the subsistence minimum and the poverty line in the context of Kazakhstan is discussed later in detail.

The Poverty ratio in Kazakhstan in 2002 was 24.2%, which means that almost a quarter of the population was living with an income²² below the subsistence minimum, which was 4,761 Tenge per-person per-month for the year of 2002.

Table 3.3. Poverty ratio among urban and rural population by years

	2000	2001	2002
Urban	30.0	20.0	15.6
Rural	34.2	38.5	34.7
Kazakhstan	31.8	28.4	24.2

Data: Statistical Agency of Kazakhstan

As shown in **Table 3.3**, the Poverty ratio in Kazakhstan has declined in recent years. This change is quite significant in urban area. However, the incidence of poverty remains

²² Income here and in other calculations of poverty measures means income related to consumption

relatively high in rural areas. The lowest rate of poverty was observed in Astana (2.2%), Almaty (4.1%) and in the urban area of North-Kazakhstan Oblast (4.8%). Higher rates of poverty were reported in Mangystauskaya Oblast (39.8%) and Almatinskaya Oblast. Despite the fact that Mangystauskaya Oblast ranks among the highest in per-capita income, the poverty ratio especially in the rural area of this Oblast was the highest in the country (84.6%).

The Poverty gap ratio measures the difference between the income levels of the poor and the subsistence minimum: the greater the difference, the higher the poverty gap reflecting the depth of poverty. In 2002, the Poverty gap ratio in Kazakhstan was estimated at 0.061 or 6.1%. This means that the income of those living below the subsistence minimum was, on average, 6.1% lower than the subsistence minimum. The poverty gap ratio has gradually decreased in Kazakhstan from 10.3% in 2000, 7.8% in 2001 to 6.1% in 2002. However, there are different opinions with respect to the actual level of the subsistence minimum on which all these measures are based.

3.4. Asset variables for poverty measurement

The income or expenditure data allows us to determine an absolute level of poverty on the basis of the minimum subsistence requirement in terms of food consumption and basic non-food expenses. However, analysing the assets possessed by households can also expose relative poverty. Assets are attained from accumulated income and represent the long-term economic status of the household. Many of today's poor households suffered a sharp reduction in income in the 1990's. Nevertheless, unlike in many developing countries, a large portion of population in Kazakhstan possesses a considerable amount of assets.

However, many households do not comprehend their economic status and prefer to rely on assistance and protection from the state. The household survey results have shown that 90% households own a house or apartment. 95.5% of rural households own the land and 82.9% of them use the land for production activities that bring income to them. Similarly, 82.9% rural households also own the livestock. A significant number of households possess a range of household equipment, generally excluding latest technology items such as cellular phone or personal computer but including such items as refrigerator, television, washing machine etc. as shown below.

Table 3.4. Number of households owning different asset items (in % to total households surveyed)

Asset items	Urban	Rural	Kazakhstan
Individual house	23.1	69.8	40.4
Apartment	71.1	13.8	49.9
Refrigerator	94.7	70.0	85.6
Washing machine	77.2	58.9	70.4
Sewing machine	55.1	50.3	53.4
Vacuum cleaner	54.8	20.9	42.2
Television	97.1	96.3	96.8
Video deck	29.6	15.6	24.4
Personal computer	3.5	0.2	2.3
Microwave oven	3.0	0.3	2.0
Passenger car	17.1	17.1	17.1
Motorbike	2.6	6.3	4.0
Gas or electric oven	97.3	96.2	94.0
Cellular or radio telephone	6.4	0.7	4.3
Land	42.4	95.5	62.1
Out of which:			
Used in production activities	38.7	82.9	54.8
Other use	3.7	12.6	7.3
Livestock	13.2	78.9	37.5

Data: Statistical Agency of Kazakhstan; reported as of 1 January 2003

It is possible to construct an asset index by calculating scores according to the asset items possessed by a household. The availability of these items in a household indicates its overall economic status. Some of the asset items are dichotomous, so a score can be created by simply adding one point or 'Yes' and zero for 'No' as shown below:

Asset items	Do you own these items? Yes 1; No 0	
	Household 1	Household 2
1 Refrigerator	1	1
2 Washing machine	1	1
3 Sewing machine	0	1
4 Vacuum cleaner	1	1
5 Television	1	1
6 Video deck	1	0
7 Personal computer	0	0
8 Microwave oven	1	0
9 Passenger car	1	0
10 Motorbike	0	1
11 Gas or electric oven	1	1
12 Cellular or radio telephone	0	0

However, such an approach does not take the value of the assets into account. Similarly, some other asset items cannot be simply scored on the basis of 'yes/no' answers. For example, the number of rooms or living space in an apartment or individual houses cannot be calculated in this way. For rural areas, the main asset item would be the land and cattle. In that case it would be necessary to know the land area and number of cattle owned. Creating

an asset score for these items involves a more complicated computation due to the weighting pattern and non-technical personnel cannot calculate it. For analytical purposes, however, it would be interesting to compare households ranked by income/expenditure level and by asset scores.

The idea of taking the asset variables into account for scaling the degree of poverty was discussed during the mission. It was not met with approval. The main criticism was that most of the asset items owned by the poorest households were actually purchased in the Soviet time and no longer have any sale value. A number of 'poor' families may own a car that they cannot afford to run and cannot sell. Therefore, using the asset score would not be practical.

However, information on asset items should be collected from applicant households. It would help to monitor the economic status of households and MOLSP may find it necessary to analyse the asset variables at a later stage.

Chapter 4 Subsistence minimum and poverty

These terms are closely related simply because the poverty line is determined on the basis of the subsistence minimum, which is the value of goods and services at prevailing prices necessary to meet the basic requirement of a human being for supporting life. The category 'poor' covers individuals whose income (expenditure) is below this subsistence minimum. As mentioned above, the concepts of the subsistence minimum and the poverty line in Kazakhstan are defined differently in the Law on Subsistence Minimum adopted on 16 November 1999²³. The subsistence minimum is defined as the *value of the consumer's minimum basket*, whereas the poverty line is defined as the *income necessary to meet the minimum requirement, which is set up by the Government depending on economic possibilities*. At the same time the government regulation recognises that the poverty line should be close to the subsistence minimum.

The subsistence minimum in Kazakhstan is an objectively determined level of income (expenditure) proportionate to the value of goods and services included in the consumer's basket. The procedure of determining the subsistence minimum in Kazakhstan is methodologically well established, although specialists have been discussing areas for improvement. The poverty line is a concept used specifically for targeted social assistance. It is not based on the minimum level of consumption but on the maximum possibilities of the state to extend assistance. The poverty line, from the state perspective is a social as well as a financial liability. Therefore, the discussion on this subject has gone well beyond the circles of professionals and has attracted the interests of the wider population, media and politicians. This report raises issues related to methodological improvement.

4.1. Composition of the consumer's basket

Determination of the subsistence level for poverty measurement has two obvious merits. First, it is based on the consumption of goods and services, which reflects the national habits in terms of food and clothes according to tradition and climatic conditions. Based on norm criteria, it establishes an absolute level of consumption. Secondly, it is easy to monitor by comparing the number of people living below this absolute level over time and across geographical regions. The subsistence minimum comprises goods and services that are considered to be basic requirement for supporting life. Such a list is widely termed a consumer's basket. The consumer's basket consists of two sets of goods and services.

The first and the more important is the food basket. The size and structure of the food basket is calculated to meet a certain nutritional intake expressed mainly by calorie intake. Calories are only one input into the overall nutritional status, but it is fairly common to assume that other important inputs, such as proteins, micro-nutrients and so on, are also satisfied when calorie requirements are met. The requirement of the calorie intake differs according to the age group, sex and geographic condition of the people. At the moment, the food basket

²³ The relationship between subsistence minimum and poverty line differs from country to country even within the CIS. For instance, in Azerbaijan, poverty line per month is fixed at 120,000 Azeri Manats (approximately USD 24.39 with the exchange rate of 1 USD = 4,920 Azeri Manats) and methodologies on subsistence minimum as well as food and non-food items in the basket are still under development. In Belarus, subsistence minimum per month is fixed at 107,610 Belarussian Rubles in June 2003 (approximately USD 51.98 with the exchange rate of 1 USD = 2,070.2 Belarussian Rubles) and notion of poverty line is used to mean that people living below the poverty line are those whose income is less than the subsistence minimum.

contains the items at the per-capita level of 2172 kcals per day, which satisfies the WHO standard. The food basket also considers food habits and the availability of the goods in the local market. For example, it would be meaningless to include maize, prawn or mango in the food basket of Kazakhstan.

The chemical composition of the food basket and necessity for its differentiation over the climatic zones of the country are discussed in detail in the report of the Academy of Nutrition (Ministry of Education and Science, 2003) and the Labour Institute (Bereshev, 2001). This report does not aim to suggest any changes to the observations made in these reports.

The second component of the consumer's basket is the list of essential non-food items and services that comprise a minimum requirement; such as clothes, shoes, housing and different kinds of services. According to the decision of the Government dated 8 April 2000, the share of non-food items and services are fixed at 30% of the value of the consumer's basket. The current value of the consumer's basket is given below.

Table 4.1. Composition and value of the consumer's basket

	Annual rate of per-capita consumption	Price Per-unit (as of Jun-03)	Value for a month (in Tenge)
Wheat flour high grade	5.91	40	20
White bread	77	40	257
Black bread	37.59	51	160
Macaroni, noodles	7.5	74	46
Rice	13.5	80	90
Milk	137.3	45	515
Butter	4.49	367	137
Beef	42.3	308	1,086
Fish	4.42	140	52
Eggs	14.16	86	101
Potato	95	43	340
Cabbage	32.7	43	117
Carrot	24.5	58	118
Onion	22.5	52	98
Sunflower oil	8.21	179	122
Sugar	20.65	82	141
Apple	11.2	132	123
Tea	0.55	672	31
Salt	2.6	21	5
Spices	0.7	1056	62
Food basket	<i>70% of consumer's basket</i>		3,621
Non-food items and services	<i>30% of consumer's basket</i>		1,552
Consumer's basket total	100%		5,173

Data: Statistical Agency of Kazakhstan

The value of the consumer's basket, as shown in **Table 4.1.**, is the value of the subsistence minimum, which equals 5,173 Tenge per person, per month, using consumer prices of June 2003. The composition of the basket in terms of the annual rate of consumption is same for the whole country; however, it differs according to price in the different Oblasts. The value of the subsistence minimum by different Oblasts of Kazakhstan is given in the Annexes.

4.2. The structure of household expenditure – the share of food and non-food items

As stated above, the consumer's basket consists of food and non-food items, where the share of non-food items is fixed at 30% of the total²⁴. In this way, the consumer's basket is actually dictated by the food basket and changes in the proportion of food and non-food expenses are not taken into consideration. However, it is generally observed that the share of food expenses in the total consumption expenditure tends to decline as standard of living rises. The household survey showed that the share of total expenditure on food items including restaurant meals, beverages and tobacco was 52.3% in 2002. Consequently, the share of the non-food items was 47.7%.

Since the subsistence minimum is, after all, a policy related matter targeted to poverty, a more precise approach would consider the expenditure of the low-income people. This group of people, for the reason stated above, normally has a higher share of food expenses in the total expenditure.

Table 4.2. Distribution of the expenditure items by population quintiles, 2002

Quintiles	Food, beverages and tobacco	Non-food items and services	Housing	Total
All households of Kazakhstan				
Poorest 20%	61.7	26.0	12.3	100.0
Richest 20%	48.7	42.0	9.3	100.0
Urban households				
Poorest 20%	60.5	25.8	13.7	100.0
Richest 20%	46.9	43.7	9.4	100.0
Rural households				
Poorest 20%	62.3	26.1	11.6	100.0
Richest 20%	50.0	40.8	9.2	100.0

Data: Statistical Agency of Kazakhstan

(Note: figures are recalculated only for consumption expenditure from the data on total expenditure structure obtained from the Statistical Agency)

As shown in **Table 4.2.**, the richest 20% of the population of Kazakhstan spend more than half of their total expenditure on non-food items. This tendency is even stronger among urban households. The proportion of food and non-food expenses among the poorest population is in inverse proportion to that of the richer population. But even amongst the poorest people, expenditure on the non-food items is about 40% of the total. This again proves that the current proportion used for the essential non-food items seriously underestimates the non-food expenses. The fact that the poorest quintile has a 40% share of non-food expenses by no mean justifies the subsistence level having the same proportion. The composition of the expenditure should be dictated by those households whose food expenditure satisfies the normal level of calorie intake. On the other hand, a drastic change in proportion might

²⁴ In Belarus, ratio of food and non-food items of consumer basket is differently depending on the number of family members. For example, this ratio is fixed at 51.1 percent and 48.9 percent respectively if the family members consist of 4 persons whereas ratio changes to 54.9 percent and 45.1 percent for the family of two.

increase the financial burden of the government in social assistance. For instance, raising the level of non-food expenses equal to that of food expenses could increase the subsistence minimum by 40%, thereby bringing a large number of the population below the subsistence level and subsequently below the poverty line.

Table 4.3. Expected value of the subsistence minimum in different proportions of food and non-food expenses

Expenditure proportions		Current value of the food basket	Expected value of non-food items	Expected value of the subsistence minimum	Change from the current level
Food	Non-food				
70	30	3,621	1,552	5,173	100.0
65	35	3,621	1,950	5,571	107.7
60	40	3,621	2,414	6,035	116.7
55	45	3,621	2,963	6,584	127.3
50	50	3,621	3,621	7,242	140.0

Nevertheless, a change in this proportion is required at least on the basis of the consumption expenditure of the lowest income group of the population. Thus, *a fairly acceptable and evidence-based proportion in the present context would be 60% for food and 40% for non-food expenses.*

There is also a need to segregate housing expenses from other non-food expenses. Three traditionally recognised basic needs are food, clothes and shelter. Housing expenses are disguised when combined with other expenses, yet the nature of these expenses is quite different from non-food expenses, such as clothes. The price index of clothes is affected by the import prices due to the high share (44-67%) of imported clothes in the market (Agency on Statistics of Kazakhstan, 2003). Consumer prices on clothes and footwear rose by 3.4% in the first half of 2003. However, this was very much contained by the fall of the US\$. In contrary, the cost of utilities, which include electricity, water and gas supply, central heating system and maintenance, are governed internally. On average, the cost of housing rose around 2% during this period. Housing expenses for the low-income group of the population had a higher share of total consumption expenditure in 2002. As shown in **Table 4.2.**, the poorest 20% in the urban area spent 13.7% of their total expenditure on housing, whilst for richest group it was below 10% of their expenditure. Therefore, it is quite important to separate the housing expenses so that the consumer basket comprises three components. *The proportion of these components is proposed as 60 – 30 – 10.* In this case, the total value of the basket would be 6035 (3621 + 1810 + 604) at current consumer prices.

Some earlier investigations, notably those made by the Academy of Nutrition (Ministry of Education and Science, 2003) and the Research Institute of Labour (Bereshev, 2001) have suggested enlarging the product list included in the current food basket. Their list includes 39 products instead of the 20 products in the current list. Researchers have claimed that the proposed food basket is a complete set of essential food items and represents a normal distribution of energy demand. The observation made by these researchers is significant for selection of the correct set of food items as per the requirements of the human body with respect to maintaining a correct balance between the demand and consumption of energy. They have also pleaded that the food basket should be differentiated over the regions of Kazakhstan to reflect the level of energy consumption in the different climatic zones.

A review of the food basket is not in the scope of the current project. However, it was examined with respect to the value of the proposed basket and its effect on the current level

of the subsistence minimum. With the help of the Statistical Agency of Kazakhstan, the total value of the food basket was calculated at the consumer prices of January 2003, at the level of geographic regions (except Almaty and Astana) and at the national level. The valuation of the basket has shown that regional differentiation does not significantly affect either the value of food basket or, subsequently, the subsistence minimum.

Table 4.4. Differentiated value of the proposed subsistence minimum for selected regions

	(in Tenge)		
	Value of the food basket	Non-food items	Subsistence minimum
Kazakhstan	3,967	1,700	5,667
South Kazakhstan	2,801	1,200	4,001
West Kazakhstan	3,626	1,554	5,180
North Kazakhstan	3,550	1,522	5,072

Note: Computed taking food basket as 70% of the total. Prices as of Jan 03.

Data: Statistical Agency of Kazakhstan

At the moment, the same food basket and consumption rates are applied for the whole country and differences between regions are affected only by prices. The value of the subsistence minimum in June 2003 for the Republic as a whole was 5,173 Tenge. The value of the proposed new basket is 5670 (using the consumer prices of same period), which is around 10% higher than the current one. The proposed food basket has significantly reduced the rate of consumption for cereals and increased consumption for milk and milk products. It remains almost the same for meat products and vegetables (combined with potato), but includes fruits that are missing in the current list. Details of the food basket at more recent prices are given in **Table 4.5**. It currently seems more important to change the proportion of the food and non-food items than to enlarge it.

Table 4.5. Value of the food basket proposed by Food Academy

	Annual rate of per-capita consumption	Price per-unit (as of Jun-03)	Value for a month
	108.99		
1. Wheat flour high grade	79.6	40.27	267.12
2. Rye-wheat flour I grade	10.86	33.07	29.93
3. Macaroni, noodles	4	72.59	24.20
4. Rice	8.47	80.11	56.54
5. Buckwheat	2.42	105.31	21.24
6. Oats	1.13	85.95	8.09
7. Other cereals	0.81	52.94	3.57
8. Lentils	1.62	54.35	7.34
II. Potato	70.65	43.16	254.10
III. Vegetables	100.92		
1. Cabbage	19.28	42.96	69.02
2. Carrot	18.06	58.21	87.61
3. Onion	18.77	52.29	81.79
4. Tomato	8.98	165.38	123.76
5. Cucumber	6.66	126	70.07
6. Red beet	2.12	56	9.94
7. Greens (green onion, dill, parsley etc)	2.02	255.94	43.08
8. Other vegetables (pumpkin)	25.03	50.29	104.90
IV. Fruits and berries	20		
1. Apple	12.13	131.97	133.40
2. Pear	1.79	152	22.67
3. Stone-fruit (plum, apricots, peach etc.)	1.07	181	16.14
4. Citrus fruits (orange, mandarin, etc.)	0.73	245	14.90
5. Grapes	3.56	326	96.71
6. Berries (raspberries, strawberries etc.)	0.72	124	7.44
V. Sugar and confectioneries	18.17	81.98	124.13
VI. Meat and meat products	43.62		
1. Beef	14.08	308	361.39
2. Pork	8.81	293	215.11
3. Mutton	7.54	375	235.63
4. Sausages	2.38	437	86.67
5. Other meat products	3.65	236	71.78
6. Poultry	5.54	357	164.82
7. Bacon, animal fat	0.91	382	28.97
VII. Fish and fish products	4.54	213	80.59
VIII. Milk and milk products	236.42		
1. Milk	149.79	45	561.71
2. Cream	2.99	215	53.57
3. Cottage cheese	2.99	167	41.61
4. Cheese	2.99	552	137.54
5. Butter	1.73	367	52.91
6. Eggs	12.625	86	90.48
IX. Vegetable oil	7.99	163	108.53
			3,969.00

Data: Statistical Agency of Kazakhstan

4.3. An appropriate poverty line

There have been enough studies and research works on poverty measures undertaken within the UN system and by various international agencies, national research institutions and academia. A poverty line is a well defined and very important socio-economic concept used worldwide. It is highly recommended that the countries use such a concept with respect to international compatibility. A poverty line is determined at the level of the subsistence minimum, not below it, and one country cannot have two poverty lines.

J.O. Lanjouw has questioned determination of the poverty line as a threshold for entitlements. It is clear, he wrote – that the higher the poverty line is set, the greater the public resources which will be needed to provide such targeted benefits. This perspective on the poverty line is controversial because it can lead to situations where a poverty threshold is determined, not so much by a notion of deprivation or need, as by the availability of government funds (Lanjouw J.O.,1998). Setting an absolute poverty line requires the identification of a basket of minimum essential consumption items. Those who do not have sufficient resources to obtain the basket are considered poor and those who do have sufficient resources are considered non-poor. Similarly, the World Bank PRSP source paper has stated that the poverty line is based on the cost of basic food needs (i.e. the cost a nutritional basket considered minimal for the healthy survival of a typical family), to which a provision is added for non-food needs²⁵.

It is very much understandable that the state can extend the social assistance only according to its economic resources, as mentioned in TSA law. However, the appropriate determination of the poverty line is not related to a government's ability to extend social assistance to all those who live below the poverty line. Even the current law can be formulated so that TSA will be provided to families with a per-capita income of less than 40% of the poverty line (subsistence minimum). A more appropriate solution would be to base the TSA not on an intermediate line of 40%, which could be criticised as a randomly selected percentage, but on some other objective criterion. Such a criterion could be the value of the food basket. The minimum food basket is the most essential part of the subsistence minimum and persons (households) living below this level need some type of assistance from the state until they can improve their standard of living.

The state assistance programme to the low-income group has been made more specific and more focused in recent years in Kazakhstan. The state Targeted Social Assistance (TSA) scheme was introduced in January 2002. According to this scheme the state, through local authorities, provides allowances to families who are recognised as having a per-capita income less than the *poverty line*, as defined above.

4.4. Rationale of TSA

This scheme is targeted directly to those who are the most needy.. In the town of Shakhtinsk, the average per-capita income of households that received the TSA was as low as 637 Tenge, which is 8 times lower than the subsistence minimum and 5 times lower than a minimum food basket. Not in a remote area, but in the South Capital of the country, in Almatinsky district, the average per-capita income of TSA applicants was 747 Tenge. Even if these data

²⁵ Coudouel A., Hentschel J., and Wodon Q: Well-being measurement and analysis
<http://www.worldbank.org/poverty/strategies/chapters/data/data.htm>

are underreported, which many believe to be the case, the paucity of income cannot be completely disguised. TSA gives a sense of belonging to the poorest strata of society and a belief in social assistance. Thus, it is very much humane in its essence.

There are also economic factors that justify the necessity of TSA. The minimum wage per month at the end of 2002 was 12% below the subsistence minimum and 3.6% below the minimum pension rate. The minimum pension rate itself was 9.1% below the subsistence minimum.

Table 4.6. Principle indicators of low-income population

	2001	2002
Value of the subsistence minimum per person per month, Tenge	4,596	4,761
Minimum average monthly wage, Tenge	3,484	4,181
Minimum monthly pension rate, Tenge	4,000	4,336
Value of the food basket per person per month, Tenge	3,217	3,333
Population with an income ²⁶ below the subsistence minimum, in % to total	28.4	24.2
Population with an income below the value of the food basket, in % to total	11.7	8.9
Estimated population ²⁷ with an income below the value of the food basket, '000' persons	1,737	1,323
Number of TSA recipients '000' persons	683 ²⁸	1,184
TSA recipients in relation to population with an income below the food basket, in %	39.3	89.5

Data: Statistical Agency of Kazakhstan; Information and analysis centre, MOLSP

When the minimum wage rate is below the subsistence level a household of normal size cannot buy the minimum amount of food even if a member of the household is working. Let us imagine a household of one couple with one child. The mother needs to take care of the child and the father is working for a salary of 5,500 Tenge per month, which is above the minimum wage. Even with the current criteria set at 40% the family would require approximately 6,000 Tenge. In order to purchase the minimum food basket they need almost 11,000 Tenge. The gap is as much as the income: 5,500 Tenge, but the TSA they receive is only 500 Tenge which is less than 10% of their requirement in order to be able to buy the minimal amount of food. There were 1.3 million people in 2002 living with a per-capita income below the amount required to purchase the minimum amount of food.

From 1.5 years of experience, it can be seen that the TSA, in general, has been a satisfactorily targeted scheme. Oblasts highly affected by the incidence of the poverty were also the bigger recipients of TSA. To compare the incidence of poverty with the numbers of TSA recipients, the table below presents the distribution of the population with a disposable income below the value of the minimal food basket, the number of TSA recipients and the amount of TSA paid. On the right hand side of **Table 4.7.**, the distribution is ranked and the difference $d^2 = (R_1 - R_2)^2$ is shown.

²⁶ Based on the income disposed for consumption

²⁷ Population at the yearend (in the beginning of the succeeding year)

²⁸ TSA started in 2002, the figure denotes the other social assistance that preceded TSA

Table 4.7. Comparison of the population with an income below the value of the food basket and the number of TSA recipients by oblast²⁹

	Poorest population ³⁰	TSA recipients	Amount of TSA paid	R ₁ By number of poor	R ₂ By TSA recipients	d ²
	In % to total					
1 Akmolinskaya	2.90	4.00	3.86	12	11	1
2 Aktubinskaya	5.11	4.80	7.19	9	10	1
3 Almatinskaya	16.94	14.66	13.39	2	1	1
4 Atyrauskaya	5.71	7.96	10.84	7	4	9
5 East-Kazakhstan	8.22	10.54	11.13	4	3	1
6 Jambylskaya	10.34	7.63	4.26	3	6	9
7 West-Kazakhstan	3.49	4.99	5.39	11	9	4
8 Karagandinskaya	6.90	6.69	6.93	6	7	1
9 Kostanaiskaya	7.69	3.02	2.33	5	14	81
10 Kyzylordinskaya	4.55	7.95	8.48	10	5	25
11 Mangistauskaya	5.13	3.05	4.41	8	13	25
12 Pavlodarskaya	2.54	5.23	5.76	13	8	25
13 North-Kazakhstan	1.16	3.76	2.97	14	12	4
14 South-Kazakhstan	18.35	13.97	10.73	1	2	1
15 Almaty	0.25	1.48	1.98	16	15	1
16 Astana	0.74	0.27	0.36	15	16	1
Kazakhstan	100.00	100.00	100.00			190

In most of the cases the difference between ranks is small. The highest discrepancy was seen for *Kostanaiskaya Oblast*, which ranks 5 in the number of poorest population but 14 in the number of TSA recipients. The level of consistency between the two different ranks can be examined by calculating the Coefficient of Spearman for rank correlation as given by:

$$\rho = 1 - \frac{6 \sum d^2}{n(n^2 - 1)} \quad \text{where } +1 \geq \rho \geq -1$$

$$\text{From the value given in Table 4.7., we get; } \rho = 1 - \frac{6 \times 190}{16(16^2 - 1)} = 1 - \frac{1140}{4080} = 0.72$$

This means that the variables compared in the ranks are very closely correlated and that the relationship between them is directly proportional. It shows that the coverage of TSA is generally consistent with its main objective of assisting the poorest strata of the population.

4.5. Equivalent size of households

The concept of equivalence in household size is not new in Kazakhstan. The Statistical Agency has used it before in household income and expenditure statistics. According to the regulation on determination of aggregate household income local authorities are instructed to compute the per-capita income as a simple average (Total income / number of household members). This provision could be improved by using the equivalent size of the household.

²⁹ The table was compiled of data obtained from the Statistical Agency and the MOLSP. The comparison is approximate due to the different reference periods of sources.

³⁰ Refers to the population with a disposable income below the value of the minimal food basket

It is obvious that a one-person household living with a total monthly income of 8,000 Tenge is in a better position than a household with 4 persons because, in the second case, the average income per-person is only 2,000 Tenge. On the other hand, a 4-person household with 8,000 Tenge is better off than a one-person household with the total monthly income of 2,000 Tenge, because of *economies of scale* in terms of consumption. For example, the per-capita cost of housing and utilities for a one-person household is much higher than for a 4-person household. Economies of scale arise not only in housing expenditure, but also in food consumption, such as cooking oil, spices, etc. Similarly, children (below 14 years) consume less than adults, especially those of working age. Economies of scale are used to derive an equivalent size of household. Suppose that the 4-person household in our example consists of two adults and two children. Equivalence would show how many times the 4-person household would need to spend more than the one-person household in order to be equally well off.

$$\text{Equation A: } \text{Equivalent size} = (\text{household size})^\beta = (x + y)^\beta$$

The value of parameter β ranges from 0 to 1. When there is no economy of scale then $\beta = 1$, so that the equivalent size is equal to the household size: the higher the parameter β , the lower the economy of scale.

There is no well-recognized standard of estimating equivalence scale. The scale below is commonly used and differs from the formulae above.

$$\text{Equation B: } E(s) = a + bx + cy \text{ where } a = 0.3, b = 0.7 \text{ and } c = 0.5$$

or

$$\text{Equivalent size} = 0.3 + 0.7 \times \text{adults} + 0.5 \times \text{children}$$

It implies that in the case of a household with one adult the equivalent size is one, as $(a+b=1)$.

Equivalent size calculated using Equation B is shown in the table below. Equivalent size is dependent upon the number of adults and children and it is flexible enough to cope with the different composition of households.

a	b	Number of adults	c	Number of children	HH size (Adult + children)	Equivalent size
0.3	0.7	1	0.5	0	1	1.0
0.3	0.7	1	0.5	1	2	1.5
0.3	0.7	2	0.5	1	3	2.2
0.3	0.7	2	0.5	2	4	2.7
0.3	0.7	2	0.5	3	5	3.2

According to this scale expenditure of a 4-person household with two adults and 2 children is 2.7 times higher than that of the one-person household. It means that if the rate of consumption for one person is fixed, for example, at 5,000 Tenge, the 4-person household requires not 20,000, but 13,500 Tenge as a minimal level of expenditure. If the TSA were

given to households at the level of the subsistence minimum, it would be rational to use the equivalent size. In that case, TSA would be:

$$TSA = \left(\text{Subsistence minimum} - \frac{\text{Aggregate income of household}}{\text{equivalent size}} \right) \times \text{household size}$$

However when TSA is currently given at the level of 40% of the subsistence minimum, use of equivalent size cannot be recommended. The equivalent size cannot be applied even if the current '*poverty line*' is raised up to the level of the minimal food basket, because the scales of economy that justify the calculation of equivalent size arise from the common expenditure on housing and utilities, which is expenditure on non-food items. The purpose of presenting this method in this report despite the difficulties inherent in its immediate use is to indicate that a method exists of providing fair assistance in an economic way, once the current level of '*poverty line*' is raised to the subsistence minimum.

Chapter 5 Current TSA implementation – its reality and obstacles

5.1. Income data analysis of TSA implementation – Karagandy oblast, Astana city and Almaty city

As described in Chapter 2, the TSA scheme in Kazakhstan is a decentralized social assistance scheme and local governments are fully responsible for its implementation within the given legal framework. However, at the moment, the database of TSA recipients is created in each Oblast from the information provided by the district (Rayon) and city offices. The database of one Oblast is different from others in terms of the software used, format and other technical properties. At the national level, only a few consolidated tables are available which prevents a broad statistical analysis. Therefore, the financial analysis presented in this chapter will be particularly focused on Karagandy oblast, Almaty city and Astana city, based to some extent on data obtained during the technical mission in July 2003.

Additional information which was collected from the area visited during the technical mission, showed some inconsistencies in the income data reported by TSA applicants. The household survey results showed that amongst the lowest income group, comprising 20 percent of the population, income from labour represented around 45 percent of the total income. However, these income sources are seriously underreported in the TSA database. In Astana, income from labour was only 22.8 percent of the total, which seems to be very unlikely for an urban area.

Table 5.1. Reported income by poor households in selected area

Oblast / City	Number of households	Reported income, in %				
		Labour income	Transfers: <i>pension, stipend</i>	Economic activity	Other income	Total
Astana city	673	22.8	32.5	0.0	44.7	100.0
Almaty city	3,502	19.7	43.9	0.0	36.4	100.0
Karagandy oblast	14,005	32.5	29.4	8.9	29.2	100.0

Source: Department of Labour, employment and Social Protection of Karagandy oblast, Almaty city and Astana city.

Much of the income is reported under ‘other income’, which should represent a less significant amount of the total. This anomaly was probably caused because income sources were not adequately disclosed or classified while reporting to the authorities. Because unemployed people are very likely to be among TSA recipients, they might have reported their income from temporary or seasonal jobs as ‘other income’. The local offices have noticed that some unemployed people are engaged in part-time jobs in market places, which are not always categorized in the information format on income. Therefore, it is necessary to provide more space for different kinds of income sources.

The household form should identify all the members who are currently living together and also those who are temporarily absent.

For example:

1. Please, list all members including yourself who are currently living together with you.

	Name	Sex 1.Male 2.Female	Age	Relation to you	Is he/she a member of your household? 1. Yes 2. No
1	Islamova K.	2	36	Applicant	1
2	Islamov D.	1	42	Husband	1
3					
4					

2. Are these people members of your household? 1. Yes, 2. No
3. Is there any member of your household currently absent? 1. Yes, 2. No
4. If 'Yes', was this member absent most of the time in the last quarter?
1.Yes, 2. No
5. If 'Yes' provide the following details

	Name	Sex 1.Male 2.Female	Age	Relation to you	Reason of absence 1. Employment 2. Military service 3. Study 4. Medical treatment 5. Other reasons (specify)
1	Islamov N.	1	19	Son	3
2					

A similar question is also needed to identify those who are living in the household temporarily and who have no claim on the collective resources of the household. If these persons are a kind of paying guest their payment goes towards the household income. After identifying all the members of a household it would also be easier to locate their income sources. It is also necessary to find out the primary and secondary occupation of all adult members, whilst children, students and retired members may be subject to allowances, stipends and pensions.

With regard to household run economic activities, the declaration form should ask two separate questions about monetary income and goods consumed from own production. Monetary income from a business comprises the receipts from the sale less the material costs incurred. Consumption of goods from own production is an income in kind and valuation of such income should be made at current selling prices. Therefore, it is necessary to revise the current form, so that the income declaration is more transparent.

Although Law No. 246 defines the role of commissions as entities operating on a permanent basis, it is still necessary to improve the technical expertise of commissions to enable them to

identify sources of household income and reach conclusions regarding TSA eligibility. An alternative solution would be to revise the application form, making it exhaustive and transparent, so that the local offices of TSA could directly deal with the applicants and deliver assistance when it is required.

5.2. Dilemma of dependence and assistance

There are some people who seriously need TSA. There are others who have become dependent and perceive TSA as an extra or secured source of income. There have been a few cases where applicants have chosen to hide their income and claim for TSA. In Astana, 2.5 percent of the total applicants were found to be fraudulent, while in Akmola Oblast the refusal rate was 1.2 percent only. The false claimants would not suffer if the TSA were abolished, but they may contribute to the abolition. There are others who would really suffer without TSA. Everyone understands that TSA is not a permanent solution for life; but we can expect the scheme to be quite long lasting because there will always be people encountering acute problems in their lives for a variety of reasons and needing assistance.

For better implementation of TSA, a monitoring mechanism is essential. The labour offices are encouraging people to take on public work, offering training to help them find new jobs, providing assistance to the self-employed and so on, but questions remain: How long have people remained in the TSA scheme? Are there people who improved their standard of living and did not need to apply for the next round of TSA? MOLSP is recommended to monitor this process. It needs a well-maintained database and staff with the ability to deliver the monitoring report on time. The main problem of the monitoring process has been the incompatible databases between different Oblasts, and between Oblasts and the Information centre of MOLSP. During the mission, data on households applying for and leaving the TSA scheme was collected from Karagandy and Almaty, and is presented in **Table 5.2**. This data is available at the district level for detailed analysis, if it becomes necessary.

Table 5.2. Number of households applying for and leaving the TSA scheme in Karagandy oblast and Almaty city

Oblast /City	2002			First half of 2003			Total new applicant households so far	Total of households left so far
	Number of households first applying for TSA in Ist quarter	New applicants (households) in II - IV quarters	Households who left TSA scheme	Number of new household applicants	Number of households who left TSA scheme	Number of TSA recipients at 1 July		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Karagandy	15,342	9,965	10,054	2,123	5,715	11,661	27,430	15,769
Almaty	3,412	3,462	1,620	1,176	1,288	3,574	8,050	2,908

Data: Departments of Labour, employment and Social Protection of Karagandy oblast and Almaty city.

Note: Col (6) should not be interpreted as the balance because there will be a difference between those who applied and those who were accepted for TSA.

In Karagandy, the total number of households who left the TSA scheme since it started in January 2002 exceeded the number of those who first applied. Thus, the average length of presence of a household in the list of TSA recipients was less than 1.5 years. In Almaty, however, 8,050 households have applied so far but only 2,908 were left the scheme over the last 1.5 years. It is important to monitor the average period a household stays in the TSA scheme. The shorter this period, the more it would indicate that TSA is providing assistance to needy people. A longer stay would indicate the dependence of a segment of population on state protection. In that case, the qualification process may require multiple criteria instead of the single income criterion for TSA.

The Information Centre of MOLSP has reported an overall decline in the number of TSA recipients in the first half of 2003. In total, TSA was provided to 774.3 thousand people in the first half of 2003 compared to 1 million in the same period of 2002. However, the first half of the first year could be affected by the initial influx, which has now been stabilised. Similarly, the number of unemployed recipients has also decreased. A shorter stay in the TSA scheme, especially for unemployed people, can be achieved by employment generating activities and training. In this respect, government intervention is required to ensure a common and open labour market.

5.3. Current obstacles to actual TSA implementation

5.3.1. Legislative, administrative and budgetary aspects of TSA

The legal framework related to TSA, subsistence minimum and poverty line issues are stipulated in the Laws, Resolution and Regulations listed in Annex. The poverty line, currently set at 40 percent of the subsistence minimum, can be described as an “administrative line” for delivering TSA which meets the limited budgetary capacity to finance TSA. Law No.474-1, Article 4.1. explains that “the poverty line, that is, the minimum income required for satisfaction of a person’s minimum needs, shall be determined in this country depending on the economic situation”. This provides some flexibility for modification of the poverty line according to the budgetary situation.

At the same time, however, Regulations No.537, Article 1.1 states, “the poverty line is the level of income required for meeting a person’s minimum needs”. The contradiction of legal interpretation of the term “poverty line” in Law No.474-1 and Regulation No.537 is one clear example of how TSA criteria need to be defined and how the constraints in reality affect the course of actual TSA implementation. The current definition of poverty line used in Kazakhstan under the law should not be comprehended as the standard definition of poverty line widely used in other countries: developed countries in particular.

The second point of normative constraint as confirmed in Law No.246 and Kazakh Government Resolution No.1685, which declares the Rules of settings and payments of TSA, is that the eligibility of TSA is confirmed by income information delivered on a quarterly basis with the confirmation of income documents filed on a quarterly basis. Quarterly based TSA eligibility assessment would certainly lessen the administrative burden. However, the absence of a monitoring mechanism during the entire period of one quarter simply increases the likelihood that households will continue to receive TSA although the household income may have risen above the eligible level. There is no punishment, special monitoring or record keeping for those who receive TSA falsely. Even though the TSA amount is determined by

using household income from the previous quarter and it would incur extra costs, some sort of random selection monitoring of TSA recipients may reduce fraudulent claims.

In principle, the budget should be revised if the budget allocation is insufficient to cover all eligible TSA claimants. However, the present legislation also allows TSA to be delivered in chronological sequence in the case of an acute budget deficit. Clause 6, amended by Kazakh Government Resolution No. 1440 stipulates the principle that TSA shall be provided on a first-come, first-served basis in case any local government faces serious budget constraints. This means that prioritization of TSA delivery under a severe budget situation is not based on the degree of real need but rather on administrative procedures. This consequently hampers the effectiveness of targeting the needy households. The national statistics confirmed in the **Statistical Annex 2-V**, show no delivery of TSA in Zhambyl oblast at the fourth quarter in 2002 due to a depleted TSA budget.

In addition, the problem of covering those who are eligible but not able to receive TSA still remains a concern. As of January 2003, approximately 2,000 persons were not able to receive TSA in Karagandy oblast because they lacked a registration form (propishka), or had lost a passport or any other sort of self-identification documents or become divorced. Out of these, 1,515 persons received some sort of assistance from the local authorities to prepare the documents.

5.3.2. Database restriction of evaluating the effectiveness of TSA

Present database constraints on TSA seriously prevent detailed financial analysis of the TSA scheme currently under operation. In the inception report, the establishment of database linkages between Household Survey, Individual Database and TSA databases was proposed for the purpose of providing the basis for further TSA financial analysis. Utilization of a linked database was also expected for the evaluation of TSA effectiveness as part of a social protection scheme in Kazakhstan.

In reality, in order to link these databases, some sort of common unified code, such as social security numbers and/or tax payment codes would be needed. During the technical mission in July, 2003, in Astana, Karagandy oblast and Almaty city, the contents of the TSA database were thoroughly examined and consulted and the conclusion was reached that execution of precise financial analysis of TSA to examine its effectiveness is impossible at this stage mainly due to three factors: (1) lack of a common unified code; (2) lack of hardware compatibility; (3) lack of software compatibility.

With respect to the first factor, a common unified code is an absolute necessity to link several databases. The second factor is related to the fact that the technical capacities of the computer facilities at the three important agencies, district offices under local government, local governments and MOLSP, are so different that it is technically impossible to link the databases. In the current computer environment, it is not possible to examine individual databases on TSA at MOLSP. Therefore, detailed comparative analysis to examine the tendency and causes of TSA occurrence, based on financial justification, is simply not immediately feasible. The third factor is related to the overall structure of defining TSA eligibilities and the methods and formats of checking total household income and assets. These methods, particularly in respect of non-cash income and cattle for instance, differ from oblast to oblast. The software for recording TSA activities is developed in each oblast/city

independently in order to meet their necessities and demands on daily TSA operations. Therefore, the TSA software programmes in individual oblasts are incompatible.

For these reasons, the trial of precise financial analysis of TSA was interrupted and discontinued, as it was not feasible under the current situation. Even though the database is not comparative at a national level, the human resource capacity (namely computer programmers) to develop software packages for TSA or any other social protection-related database is high at a regional level. However, the present computer facilities do not allow these employees to maximize their present technical capacities.

5.4. Case study of TSA implementation at the local level in Kazakhstan - Karagandy oblast and Almaty city -

5.4.1. TSA implementation in Karagandy oblast

Karagandy oblast, located in the mid-northern part of Kazakhstan, is the largest oblast in Kazakhstan with a population of approximately 1.33 million as of May 2003. Approximately 1.3 million people are living in Karagandy city. Industry in Karagandy oblast is highly dependent on the manufacturing sector, which accounts for 85 percent of the total industrial output. The contribution of mining and infrastructure-related industries (electricity, gas and water) to the total industrial output in the Karagandy economy is approximately 7 to 8 percent. However, these industries are significant to the whole national economy. The contribution of the agricultural sector to the local economy is not negligible but the level of agricultural output has still remained low, at around 60 percent of the 1990 level in 2001.

Karagandy oblast consists of 9 cities and 9 districts. In 1998, prior to the implementation of the TSA scheme in Kazakhstan, Karagandy local government developed a database of low-income persons, which included pensioners, disabled and those considered as low-income. In 2000, all families with pensioners, those receiving child allowance and the unemployed were included. This database holds low-income programme registration information on approximately 15,000 households (or 63,000 low-income people). All TSA recipients are in this database and it is used to forecasting potential TSA recipients and to further forecast TSA budget in the Karagandy oblast. The purpose of the low-income database is; (1) to track low-income households; (2) to check charity income for low-income households and (3) to forecast TSA recipients and TSA budget.

At present, up to seven people depending on the number of TSA beneficiaries are working on the allocation and distribution of TSA at the municipal level in Karagandy oblast. In the district offices, up to five personnel are allocated to TSA-related daily implementations whereas between one and three personnel work on TSA issues at the offices in the rural area.

Prior to the official implementation, the TSA scheme was implemented in three pilot sites in Karagandy oblast (one city, one rural area and one settlement) as the first stage of the TSA programme. In 2000 from January to May, TSA was financed from the Karagandy local government budget and then, until the end of December, TSA finance was executed from either municipal or district budgets by delegating the authority of local Akimats. 87 percent of TSA beneficiaries in Karagandy oblast live in urban areas and the other 13 percent live in rural areas. The average nominal wage in Karagandy oblast was 15,394 Tenge per month in 2000 and 18,841 Tenge per month in 2003. According to the local statistic commission in

Karagandy oblast, the average nominal per capita income in Karagandy oblast as of May 2003 was 9,530 Tenge whereas the subsistence minimum in the same month was 5,330 Tenge.

Table 5.3. Comparison of TSA in Almaty city and Karagandy oblast, 2002
– Number of beneficiaries, average size of TSA benefit and local budget of TSA -

	Number of TSA beneficiaries (people)	Average size of TSA benefit (in Tenge)	Local budget for TSA (in Tenge)
Almaty city	18,806	1,441	1,387,345
Karagandy oblast	90,814	1,127	704,148
National level	1,183,521 (nat'l total)	989 (nat'l average)	9,100,786 (nat'l total)

Source: MOLSP, Information and Analytical Center

As shown in **Table 5.3.**, the average size of TSA in both Almaty city and Karagandy oblast is higher than the national average. There are two explanations for this: (1) the relationship between TSA and the subsistence minimum: the average TSA benefit tends to be higher when the subsistence minimum is higher (and thus the poverty line level is also higher). Subsistence minimum is higher than the national average in both oblast/city,³¹ (2) the affordability of TSA from the local budget: using a straightforward calculation (the division of local TSA budget allocation in both oblast/city by the number of TSA beneficiaries) it is possible to show that local budget allocation in both oblast/city is better than the national average. It is slightly better in Karagandy oblast, but much better in Almaty city³².

If the budget allocation is insufficient to cover all eligible TSA recipients, a necessary budget revision will be implemented. As of January 2003, there were 90,814 TSA beneficiaries in Karagandy oblast, higher than the national average. On a monthly basis, the local government conducts a random check. The funding source for TSA in Karagandy oblast in 2002 was 716 million Tenge from the state budget, and 703 million Tenge from the local government. Non-governmental charity is used as another form of social assistance to supplement low-income people.

31 According to MOLSP data, the annual average subsistence minimum (SM) and poverty line (PL) in Karagandy oblast, Almaty city and the national average in 2002 are as follows (unit in Tenge): Karagandy oblast - SM: 4,937, PL: 1,996; Almaty city – SM: 5,212, PL: 2,041; national average – SM: 4,761, PL 1,880.

32 According to the calculation results, local budget allocation in relation to the number of TSA recipients in the oblast/city is best in Astana city, second in Almaty city and third in Mangistau city.

Table 5.4. shows the ratified Karagandy oblast budget in 2003 with precise breakdown by districts.

Table 5.4. Ratified Karagandy oblast budget in 2003 – breakdown by districts
(Unit: Tenge)

	Name	Total expenditures (A) (thousand Tenge)	Social security and social assistance (B) (thousand Tenge)	Share of (B)/(A) (%)	State Targeted Social Assistance (thousand Tenge)	Share of TSA expenditure within social programms (%)	Share of TSA expenditure within social expenditures (%)
	Budget of Karagandy ob.	12,356,586	2,385,271	19			
1	Abay	572,389	62,681	11	27,000	43	5
2	Aktogay	336,673	45,300	13	33,215	73	10
3	Balhash	933,115	43,345	5	13,725	32	1
4	Buhar-Zhrau	659,129	65,889	10	45,445	69	7
5	Zhanaarka	409,265	76,490	19	60,671	79	15
6	Zhezkazgan	2,283,498	154,469	7	27,000	17	1
7	Karagandy	4,371,126	245,635	6	50,000	20	1
8	Karazhal	369,065	48,588	13	30,173	62	8
9	Karkaralinsk	772,447	172,534	22	125,364	73	16
10	Nura	490,287	45,609	9	34,142	68	6
11	Oskarovska	538,124	44,721	8	24,473	55	5
12	Priozersk	261,093	12,731	5	4,000	31	2
13	Saram	542,202	48,467	9	10,732	22	2
14	Termitau	1,949,515	83,812	4	10,464	12	1
15	Ulytau	321,263	22,547	7	13,000	58	4
16	Shahtinsk	631,590	58,595	9	15,525	26	2
17	Shetsk	640,509	86,159	13	64,055	74	10
	Total	28,437,876	3,702,843	13	588,984	16	2

Source: Department of Labour, employment and Social Protection of Karagandy oblast

The database used for TSA operation in Karagandy oblast is Fix Pro under DOS-V application. Although the Windows application is commonly used on computers at the Karagandy oblast government, the TSA programme software package is executed under the DOS-V application mainly to maintain compatibility with out-dated computer facilities at the district level. Transmission of the TSA database from the district offices to the Karagandy local government is sometimes achieved by transferring diskettes with TSA data because the computer network allowing online transmission of the TSA database is not fully established in Karagandy oblast. Therefore, improvement of the computer environment at the district level is one of the keys to improving the overall TSA system: it will eventually allow further financial analysis and will determine the effectiveness of the TSA system in Kazakhstan. Results of TSA-related statistics to MOLSP are reported on a monthly and quarterly basis. However, due to the problems of TSA database incompatibility between MOLSP and Karagandy oblast, the actual individual database on TSA is not sent from Karagandy local government to MOLSP.

Under the current social security framework in Kazakhstan, the unemployed with no income source tend to immediately become TSA recipients due to the absence of a functioning

unemployment benefit system. The official unemployment rate in Karagandy oblast was 1.8 percent in 2002 whereas it was reported on an unofficial basis that the unemployment rate was around 8.2 percent. An active labour programme is being implemented to address TSA issues in relation to the Employment Programme. Specifically to combat the problem of unemployment, an economic development programme is being introduced with an emphasis on job creation, supporting new entrepreneurs and providing temporary public work jobs.

The number of public work jobs offered by the Karagandy local government in 2003 was 15,000 posts with an average 16 months duration. Among the various types of public work jobs, the ratio of simple jobs (e.g. street cleaning) is decreasing whilst the number of jobs related to construction and teaching (e.g. support of youth activities during vacation) are increasing.³³ According to the statistics, 22 percent find permanent jobs at the end of their public work jobs. There is a strong correlation between a lower level of final education and unemployment, in that 60 percent of the unemployed finished their education after either primary or secondary school. From 2000 to 2003, the number of unemployed going into retraining has increased from 1,300 to 4,000 people.

Table 5.5. Information on the number of TSA beneficiaries in the 2nd quarter of 2003 - pensioners, unemployed and single mothers -

№	Name of regions	Pensioners	Number of applied pensioners	Unemployed	Number of applied Unemployed	Single Mothers	Number of applied single mothers
1	named after Kazybek bi	23	3	91	82	238	234
2	Oktyabrskiy	44	7	141	111	86	86
3	Saran	16	1	143	99	62	51
4	Temirtau	17	3	276	163	42	36
5	Shahtinsk	20	2	448	294	74	67
6	Abayskiy	31	5	226	152	32	28
7	Buhar-Zhyrauskiy	48	10	124	89	57	42
8	Karkaralinskiy	100	25	456	226	2	2
9	Nurinskiy	45	6	83	59	81	50
10	Oskarovskiy	30	5	72	52	59	38
11	Zhezkazgan	32	9	747	365	137	97
12	Balhash	10	2	110	89	1	0
13	Karazhal	29	1	264	170	0	0
14	Priozersk	3	0	66	32	3	3
15	Aktogayskiy	56	3	185	22	4	1
16	Zhanaarkinskiy	87	11	308	191	0	0
17	Ulytauskiy	37	0	92	50	0	0
18	Shetskiy	154	25	402	235	41	37
	Total	782	118	4,234	2,481	919	772

Source: Department of Labour, employment and Social Protection of Karagandy oblast

Among all TSA recipients in Karagandy oblast, TSA recipients with unemployed status represented almost 9,764 people and 10.8 percent of the total in 2002. The ratio of unemployed TSA recipients in Karagandy oblast is one of the lowest in the country compared

³³ The main difference between “public work” and “social public work” is that under the social public work programme implemented in Kostanai oblast, the employer was directly involved in job creation and received 50 percent of minimum wage from the local budget. This programme is not applied in Karagandy oblast.

with the other oblasts. The highest ratio of 32.6 percent was found in Kostanai oblast against a national average of 18.1 percent.

In terms of unemployment incidence and TSA implementation in Karagandy oblast, **Table 5.5.** indicates very interesting results in three potentially vulnerable groups categorised by social status (pensioners, unemployed and single mothers). As explained in **Statistical Annex 2-II.**, children are the main group of TSA recipients not just in Karagandy oblast but in all oblasts and cities in Kazakhstan. In Karagandy oblast, the major TSA beneficiaries in order are (1) children; (2) others; (3) unemployed; (4) working poor; (5) pensioners; (6) invalids and (7) students. Under this classification, it is most likely that single mothers, being caretakers of babies and/or children, are included in the categories of either working poor or others. As Table 5.5. clearly indicates, the single mother at the head of a family tends to become the main applicant of TSA, the unemployed are the second largest category and pensioners the last. Since TSA is provided on the basis of each household as a unit, and not on an individual basis, it is dangerous to simply conclude that single mothers are poor and therefore they tend to apply more than the unemployed or pensioners. However, it is common sense to conclude that both a tendency to depend on TSA and eligibility to apply for TSA might be higher for single mothers than the other groups.

The results also show that the percentage of pensioners (out of the total number of pensioners) applying for TSA is much lower than the other groups. Two assumptions can be drawn from this incidence: (1) pensioners tend not to be applicants of TSA because some of them simply are not eligible; (2) pensioners tend not to be applicants of TSA as other adult family members apply to TSA. It seems both assumptions are applicable to the current situation. With respect to the first assumption, the present minimum pension is 5,000 Tenge whereas the national average poverty line serving as a criterion of receiving TSA (40% of subsistence minimum) in 2002 was 1,880 Tenge. Therefore, only those pensioners living together with family members with very low and/or no income become eligible to receive TSA. With respect to (2), psychology affects the selection of the household TSA applicant. Since pensioners have a monthly cash income that is likely to be above the criteria of TSA eligibility, it is natural for households to choose those eligible for TSA as the TSA applicant.

5.4.2. TSA implementation in Almaty city

Almaty city is the smallest after Astana in terms of territorial size among the 16 administrative-territorial areas (14 oblasts and 2 cities) in Kazakhstan. Due to Almaty's history as the capital city, the population density is the highest in the country with a population of almost 1.1 million. Compared with the other administrative-territorial areas, the economic and industrial structure in Almaty city is characterized by a high dependency on the industrial and service sectors and a low dependency on the agricultural sector with a significant decline in agricultural output recorded in 2001. The official unemployment rate in Almaty city in 2001 was 10.8 percent, slightly higher than the national average of 10.4 percent (Statistic Yearbook, 2002).

Table 5.6. Local Budget on Social Protection in Almaty city, 2003

(thousand Tenge)

Name	Revised budget for 2003
Social assistance and social security - total budget	2,441,593
State social benefits	629,535
Boarding-school for mental defected children	49,605
Boarding-school for invalids and chronic mental invalids	96,270
House of veterans	66,822
Social apartment house	9,620
Local social service centres for pensioners	68,963
Social categorical payments as approved by local representative bodies	796,150
Public works	63,289
Prof. training and retraining of unemployed people	28,458
Study travel fees of unemployed people	
Additional social protection measures in:	
Public Targeted Social Assistance	260,640
Housing subsidies	256,320
Procurement of wheelchairs	8,947
Financial security of disabled children, education and study at home	6,008
Benefit accounting, payment and delivery fees	10,899
"Almaty social adaptation centre for persons of no fixed residence"	13,192
Technical provisioning fees of social assistance offices	5,875
Overhaul of social security buildings	71,000

Source: The Department of employment and social protection for population in Almaty city

Out of 2.7 billion Tenge of budget allocated for social protection in Almaty city in 2003, the TSA budgetary allocation is 260 million Tenge (refer **Table 5.6.**), approximately 10 percent of the total budget for social protection. Apart from TSA, the social protection budget in Almaty city is spent on the following activities: the training of disabled people; housing assistance; free usage of health facilities for war veterans; vocational training for the unemployed, creation of public work jobs and so on. Those working in public work service normally receive 8,000 Tenge per month as a net salary, which is higher than the minimum wage (5,000 Tenge) set at the national level. The TSA budget for the whole of Almaty city initially comes from the city financial department and then, according to the number of applications, the Almaty city government decides the share of TSA budget in each district and the budget is transferred to the district bank.

There are six district offices under the Almaty city governmental office and each district has its own divisional commissions under akimat. There is an established computer network link between the district offices and the Almaty city governmental office, which allows them to transmit the TSA database online. However, the Almaty city database is still not connected directly online to MOLSP. Payment of TSA is normally carried out by bank transfer, with the exception of the disabled to whom it is delivered at home.

Table 5.7. shows the proportion of TSA recipients in the total population of Almaty city by district. The share of TSA recipients out of the entire population in each region varies from 1.2 percent in Almalinskiy district to 2.2 percent in Medeuskiy district with the average of 1.7 percent in Almaty city. As explained in Chapter 2, the percentage of TSA recipients in Almaty city is the second lowest in Kazakhstan after Astana city. **Figure 2.6.** in Chapter 2 does not serve as an indicator to help assess the degree of poverty in each oblast/region. However, it certainly gives some quantitative ideas about where the poverty in Kazakhstan lies.

Table 5.7. Share of TSA recipients in total population of Almaty city, the end of 2002

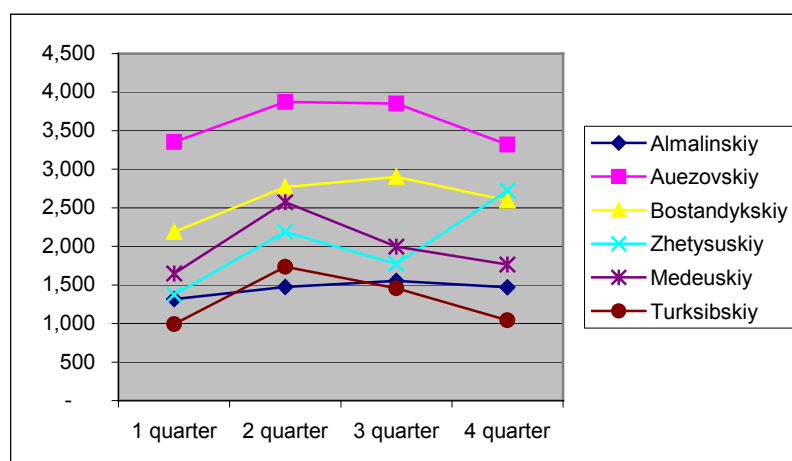
	Total number of population	Share of population within Almaty(%)	Number of TSA recipients	Share of TSA recipients each district
Almalinskiy	174,800	15.4	2,100	1.2
Auezovski	285,500	25.3	5,200	1.8
Bostandykskiy	241,200	21.3	3,600	1.5
Zhetysuskiy	143,700	12.7	2,800	1.9
Medeuskiy	128,800	11.4	2,800	2.2
Turksibski	156,400	13.8	2,300	1.5
Total	1,130,400	100	18,800	1.7

Source: The Department of employment and social protection for population in Almaty city

The number of TSA recipients in Almaty city in 2002 fluctuated between approximately 10,000 persons to 15,000 persons. As **Figure 5.1.** shows, the number of TSA recipients in 4th quarter 2002 decreased in all districts except Zhetysuskiy district. The reasons for the increase and decrease are various and it is difficult to clearly identify the main cause from just these numbers. In some oblasts, as mentioned in the previous chapter, TSA budget constraint and possible budget depletion in the last quarter is certainly not a negligible factor in terms of explaining the decrease in the number of TSA recipients in the last quarter of the year. In the same way, the sudden increase of TSA beneficiaries might be explained by a full delivery of the budget allocated to TSA before the end of the financial year. However, in Almaty city, the TSA budget was utilised moderately until the end of the third quarter in 2003³⁴. Therefore, the decline in the number of TSA recipients in Almaty city has to be explained in terms of other factors such as an increase in aggregated household income for example.

34 Total budget allocated to TSA in Almaty city in 2003 was 260 thousand Tenge. 140 thousand Tenge was spent by 1 November 2003 out of the total.

Figure 5.1. Information on the number of TSA beneficiaries by quarters in 2002



Source: The Department of employment and social protection for population in Almaty city

Almaty city has quite different features from the other oblasts in terms of TSA recipients by social categorical breakdown. As **Statistical Annex 2-II**, explains, the characteristics of Almaty city in terms of TSA recipients by social category are: (1) the ratio of TSA for children is the lowest in Kazakhstan; (2) the ratio of TSA for students is the highest in Kazakhstan; (3) the ratio of TSA for the unemployed is outstandingly high compared with the rest of Kazakhstan; (4) the ratio of TSA for the working poor is the lowest in Kazakhstan. **Table 5.8.** provides more detailed information on TSA recipients by district. Since most of the governmental and administrative bodies are concentrated in Almalinsky district, the ratio of TSA for children is rather lower there than in the other districts whereas the ratio of TSA for the unemployed is the highest. The high concentration of TSA delivery to the unemployed in Almaty city needs to be tackled from two dimensions: the establishment of a well-functioning social security framework in Kazakhstan which includes the component of unemployment benefit and further implementation of an active labour market policy including the component of employment creation initiated by the local government of Almaty city.

Table 5.8. Information on number of people granted TSA benefits as of 1.01.2003

		Almalinskiy	Auezovskiy	Bostandykskiy	Zhetysuskiy	Medeuskiy	Turksibskiy	Total
Number of TSA recipients and share in total number of recipients	Total	2,142	5,200	3,598	2,772	2,817	2,277	18,806
	Children	782	2,543	1,537	1,219	1,370	1,113	8,564
	%	36.5	48.9	42.7	43.9	48.6	48.8	45.5
	Invalids	41	119	77	56	50	75	418
	%	1.9	2.3	2.1	2	2.7	3.3	2.2
	Pensioners	21	55	59	28	137	43	343
	%	1	1	1.6	1	4.9	1.9	1.8
	Unemployed	1022	1964	1481	1058	1121	736	7,382
	%	47.7	37.8	41.2	38.2	39.8	32.3	39.3
	Working	98	182	129	90	78	42	619
	%	3.3	4.6	3.5	3.6	3.3	2.8	1.8
	Others	178	337	315	321	61	268	1,480
	%	8.3	6.5	8.7	11.6	2.2	11.8	7.8

Source: The Department of employment and social protection for population in Almaty

Conclusion and recommendations

Despite certain problems defining TSA eligibilities, budgetary constraints and its implementation, TSA is serving its fundamental purpose of providing basic assistance for the poor in Kazakhstan. Attempts to concentrate TSA in poverty-ridden areas and the resources spent on TSA so far are consistent with the incidence of poverty. A case study of Karagandy Oblast illustrates that the mobility of recipients (those applying for TSA and those leaving the scheme) was found to be satisfactory. As a result of assessing the TSA scheme, TSA was recognized as a scheme for assistance and not a means for dependence. Therefore, TSA should continue to serve the poorest strata of the population.

It is necessary to define and improve the concepts of household and household income; improve the methodologies used to determine the subsistence minimum and poverty line; create an effective linkage between the existing databases (household budget, individual household and social security related database); and evaluate the role and capacity of local governments to fulfill the financial and administrative requirements of TSA.

For further improvement of TSA, however, a number of decisions on methodological aspects will be required. According to the present normative framework on TSA in Kazakhstan, it is understood that TSA can be provided dependant upon the economic possibilities and budgetary situation of the state. Nevertheless, the determination of an intermediate line at 40 percent of the subsistence minimum for this purpose and designating it as a '*poverty line*' is arbitrary and controversial.

An alternative, and perhaps an ideal, solution would be to provide TSA for those living with an income below the value of the minimal food basket. This would be a sound and objective criterion. If the TSA is based on the minimal food basket, the scheme will be free from another debate on the composition of the subsistence minimum. The proportion of the subsistence minimum, fixed at 70 percent food and 30 percent non-food expenditure, does not correspond to the actual consumption expenditure of households, even of those from the poorest strata. If the current concept of '*poverty line*' continues to be the criterion of TSA eligibility, then it is highly recommended that the proportion of the components comprising the subsistence minimum be changed to: food products 60 percent, non-food items 30 percent, and housing and utilities 10 percent. Yet the rationale for financing TSA based on the criterion of a minimal food basket represents another debatable factor in terms of the budgetary constraints on financing TSA.

In this report, two methods related to household income analysis were also mentioned, specifically the asset index and the equivalent size of household. Discussion on these methods is presented in a general mode because implementation must be approached cautiously in order to take account of the many constraints and obstacles foreseen in the actual realization of these methods.

Since the subsistence minimum is defined on the basis of a minimum necessary calorie intake in the country, the poverty line needs to be equivalent to the subsistence minimum. Another possible approach, serving as a temporary measure to solve this problem, is to classify the poor into several categories depending on the degree of poverty: extreme poor, very poor and poor. In order to cope with the given budgetary constraints and the current definition of the poverty line, this approach may provide an effective, short-term solution in a rational, justifiable, and internationally comparative way. Whether or not this approach is adopted, the current poverty line arbitrarily set at 40 percent of the subsistence minimum, requires thorough consideration and revision.

Despite the noble cause of TSA, a number of problems were encountered during its first year of implementation. A central problem was the correct estimation of household income. It is, therefore, essential to define the targeted recipient of TSA: an individual or a household. Under the current unclear normative framework, this issue is still not clear. If the recipient is targeted as an individual then the income source of other individuals should not be requested, whereas if the recipient is a household then the current legislation should clearly stipulate this fact and legislation should be amended accordingly.

This is closely related to another matter: the use of the concepts of '*household*' or '*family*'. Using the concept of '*family*' is incompatible not only with the international standard, but also with the national standard as the statistics produced by the Statistical Agency are based on the concept of household. Thus, it is strongly recommended that the concept of household is used rather than family. The concept of household does not imply that the registration (propiska) is proof of membership of the household. However, this issue is left open for the convenience of TSA implementation. Once there is conceptual clarity on these issues, it will be necessary to revise the application form for TSA. The form should elaborate the questions on household and reflect the components of household income listed in this report.

It is absolutely necessary to monitor constantly TSA implementation not merely from the budgetary point of view, but also to watch how long the recipients are in the list. For this purpose, it is recommended that the central and Oblast databases are made compatible. The process could start with the creation of a standard output format, which means that the consolidated tables and reports would be produced in a unique format developed specifically for the purpose of monitoring. At the moment, it is not considered viable to make the whole database compatible, due to the fact that the district level offices use PC's of low capacity that can be run only with an older operating system such as DOS-V. Consequently, the software developed for the local databases are also based on DOS-V.

In spite of the relatively low capacity of computer facilities at the local level, human resource capacity is quite high, both in terms of operating the database and also programming the software. Therefore, close consultations between the MOLSP and the local governments and between the local governments and local districts on database development would be the first step towards the establishment of a consolidated database network. Upgrading of computer facilities at the district level is also highly desirable in the course of creating a database network. However, budget constraints at oblast and district levels remain the main obstacles in the current situation.

The complexity of the overall TSA procedure is not only hampering the efficient targeting of TSA recipients but also making the reduction of administrative cost difficult. Closer communication between the local governments and the MOLSP would remove some of the obstacles currently impeding the effective implementation of TSA on a day to day basis. The database problem would also be substantially improved by close contacts between two parties.

The weight of the burden of supporting the poor through TSA delivery is exacerbated by lack of a comprehensive functioning social protection framework in Kazakhstan. Lack of an unemployment benefit scheme in Kazakhstan under the present social security framework, automatically creates a situation where those who become unemployed immediately become potential TSA recipients. Draft laws covering survivors' pensions, work injury benefits and unemployment benefits, to be managed by the Social Insurance Fund, are about to be finalized in Kazakhstan. A one-time maternity benefit upon delivery has been introduced since January 2003 but childcare benefit during child care leave and child allowance have not yet been introduced.

Finally, if the technical recommendations on subsistence minimum, household income and TSA implementation presented in this report are accepted by the government for further consideration, then legislative amendments will be required in order to implement the recommended methodologies.

TSA should serve only as an emergency measure to solve the problem of poverty. Employment creation and provision of social protection are the most effective measures to combat mid and long-term poverty problems amongst the citizens of Kazakhstan. The current mismatch of labour demand and supply is partly caused by the ineffective allocation and utilization of human resource in Kazakhstan. From this perspective it becomes clear that, social assistance schemes as well as unemployment benefit schemes need to be structured and implemented along with thorough consideration of sound and coherent employment policies. Vocational training and retraining, especially training to provide specific technical expertise matched to the present needs in the labour market, are the key tools with which to manage the poverty problems in Kazakhstan.

In reality, the budget constraints of local governments which prevent the necessary distribution of TSA are impacting heavily on the efforts to answer the real needs of the poor in Kazakhstan. Yet there can be no doubt about the need for social assistance and TSA remains an essential programme in the fight to alleviate poverty. There is a worrying tendency towards dependency on TSA in terms of the numbers of people encompassed by the scheme, their duration on it and the amount paid. Dependency on TSA needs to be tackled not only by the series of amendments on TSA-related issues but also by the establishment of a comprehensive social security framework, national employment strategies, active labour market policies and local economic development. Active tripartite discussions among constituents in the process of policy formulation are expected to provide fair ground and different views which will reflect the reality of the situation and the genuine needs of the population of Kazakhstan.

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2. Statistical handed-out documents (handouts and copies collected during the mission, all in the Russian language)

- Comparative data on labour market in the Republic of Kazakhstan on 01.03.2002 and 01.03.2003 (breakdown by regions)
- Comparative data on public works, number of trained and number of partially employed for 01.03.2002 and 01.03.2003 (breakdown by regions)
- Information for social card (Appendix)
- Information on decisions about TSA for period from 01.01 to 30.11.2000 in Southern Kazakhstan region
- Information on number of beneficiaries of TSA, average size of TSA benefit and amount of financing TSA for 2000 to 2002
- Information on number of participants of public works and payments for every participation in 2000 – 2002
- Information on number of people granted TSA benefits as of 01.01 2003 by categories of beneficiaries by Information analyze Center of MOLSP
- Information on number of people placed in a job by employment bodies in 2000 – 2002
- Information on number of trained and retrained unemployed and the costs of these activities in 2001 and 2002
- Information on payment of money for TSA from January to December 2002 and for reporting in November for Northern Kazakhstan region
- Level of subsistence minimum by age and sex an poverty line in 2000 - 2002

- Number of people appeared to employment bodies in 2001 and 2002
- Number of registered unemployed, 01.01.2002 and 01.01. 2003
- Performance of local budget expenditures for 01.01.2003
- Population in 2002
- Population with income less than the subsistence minimum and cost of food basket for 3rd quarter of 2002 (on the basis of data of Agency on Statistics of the Republic of Kazakhstan)
- Share of TSA beneficiaries in total number of people with moderate income (poor)
 - 1. Number of poor population
 - 2. TSA beneficiaries
 - 3. Share of TSA beneficiaries in total number of poor
- Share of TSA beneficiaries in total number of people with moderate income (poor) - by quarter
- Social Card
- Structure of TSA beneficiaries in the Republic of Kazakhstan in 2002 (on the basis of data of plenipotentiary bodies of social protection)
- Summary report on number of employment placed in the private firms (Jan.– Feb., 2003)

Annex: Legislation related to Social Assistance in Kazakhstan

- Law No.246 of 17 July 2001 on state address on social assistance
- Law No.474-1 of 16 November 1999 on subsistence minimum
- Law of the Republic of Kazakhstan “about budget system” No. 357-1 of 1 January 1999.
- Law No.321-1 of 17 December 1998 on marriage and family
- Government Resolution No.296 of 26 March 2003 on approval of the program of poverty alleviation in the Republic of Kazakhstan in the years 2003-2005
- Government Resolution No.1440 of 29 December 2002 on changes in statement on the law on state targeted social assistance of 24 December 2001 No.1685
- Government Resolution No.1685 of 24 December 2001 on measures for the realization of the Law of the Republic of Kazakhstan “on state targeted social assistance” and the Regulations on the granting of social assistance to families with children - revised from Government Regulations No.382 of 21 March 1997
- Government Resolution No.1164 of 31 July 2000 on the Plan of measures for the realization of the Programs to fight against poverty and unemployment in the years 2000-2002
- Government Resolution No.886 of 27 June 2001 to approve the Fundamentals of social protection of the population
- Government Resolution No.855 of 6 June 2000 on the Commission for the reform of social services attached to the government of the Republic – revised from No.686 of 3 June 1996
- Government Resolution No.833 of 3 June 2000 on the Program to combat against poverty and unemployment for the years 2000-2002
- Government Resolution No.738 of 17 May 2000 on levels and sources of social assistance to citizens during the period of their education
- Government Resolution No.537 of 8 April 2000 on approval of regulation on poverty line calculation

- Government Resolution No.999 of 19 July 1999 on National plan of actions on improvements of status of women in the Republic of Kazakhstan
- Government Resolution No.665 of 30 May 1996 on measures of social medical and other assistance to homeless people who have no documents
- The Decree of the President of the Republic of Kazakhstan “Strategic plan of development of the Republic of Kazakhstan up to 2010”, December 4, 2001, N735
- MOLSP Instruction No.31-n of 13 February 2002 on approval of regulation on calculation of aggregate income of individual (family), potential beneficiary of TSA

Statistical Annexes

Table 1-I. Main economic figures, 1996-2000

	1996	1997	1998	1999	2000
	in millions of tenge				
Nominal GDP	1,415,750	1,672,143	1,733,264	2,016,456	2,599,901
Industry	299,958	357,452	422,521	569,087	864,727
Agriculture	172,044	190,738	148,468	199,354	210,872
Construction	62,301	70,723	85,579	95,671	134,575
Transport and communication	159,704	195,625	239,386	243,196	298,515
Trade and catering	244,417	261,643	262,654	273,896	323,467
Others	477,326	595,962	574,656	635,252	767,745
	in percent				
Real GDP growth	0.5	1.7	-1.9	2.7	9.6
Industry	0.3	4.1	-2.4	2.7	15.5
Agriculture	-5	-0.8	-18.9	21.6	-3.2
Construction	-21.8	8	15	8	14
Transport and communication	1.5	3.3	-0.9	4.8	18.8
Trade and catering	10.7	3	-3.2	2.1	5
Others	-0.6	2.8	2.7	-1.7	6.8
	in percent of GDP				
Share of GDP:					
Industry	21.2	21.4	24.4	28.2	33.3
Agriculture	12.2	11.4	8.6	9.9	8.1
Construction	4.4	4.2	4.9	4.7	5.2
Transport and communication	11.3	11.7	13.8	12.1	11.5
Trade and catering	17.3	15.6	15.2	13.6	12.4
Others	33.7	35.6	33.2	31.5	29.5
CPI (end-of-period) changes in %	28.7	11.2	1.9	17.8	9.8
	in percent of GDP				
General government revenue and grants	13.2	13.3	18.3	17.4	21.7
General government expenditures	18.6	20.1	26.1	22.1	22.9
General government balance	-5.3	-6.9	-7.8	-4.7	-1.2
Current account balance (mln.of US dollars)	-750	-803	-1225	-37	923
Current account balance (% of GDP)	-3.6	-3.5	-5.6	-0.2	5.1

Source: National Statistical Agency

Table 1-II. Population developments in Kazakhstan, 1991-2002

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total population, thsd. persons	16,451.7	16,426.5	16,334.9	15,956.7	15,675.8	15,480.6	15,188.2	14,955.3	14,900.3	14,862.7	14,846.0	14,862.5
urban	9,404.0	9,343.2	9,162.6	8,884.4	8,730.3	8,635.2	8,499.4	8,376.1	8,357.9	8,373.0	8,388.0	8,416.2
rural	7,047.7	7,083.3	7,172.3	7,072.3	6,945.5	6,845.4	6,688.8	6,579.2	6,542.4	6,489.7	6,458.0	6,446.3
Out of total population those:												
under able – bodied age	5,465.2	5,408.2	5,326.2	5,158.4	5,024.5	4,898.4	4,737.4	-	-	-	-	-
of able – bodied age	9,063.8	9,060.3	9,033.5	8,838.5	8,706.6	8,646.4	8,656.3	-	-	-	-	-
over able – bodied age	1,922.7	1,958.0	1,975.2	1,959.8	1,944.7	1,935.8	1,794.5	-	-	-	-	-
Life expectancy at birth, years:												
Total population	67.6	67.4	65.4	64.9	63.5	63.6	64	64.5	65.5	65.2	65.6	-
males	62.6	62.4	60.1	59.7	58	58	58.5	59	60.3	59.9	60.3	-
females	72.4	72.3	70.8	70.3	69.4	69.7	69.9	70.4	71	70.9	71.1	-
Per 1000 population:												
number of births	21.5	20.5	19.3	18.9	17.5	16.3	15.2	14.8	14.5	14.8	14.8	15.3
number of deaths	8.2	8.4	9.5	9.9	10.7	10.7	10.4	10.2	9.9	10.1	10	10
of which infants:												
under 1 year (per 1000 births)	27.4	26	28.3	27.2	27.3	25.4	24.9	21.6	20.5	18.9	19.3	17
natural increase	13.3	12.1	9.8	9	6.8	5.6	4.8	4.6	4.6	4.7	4.8	5.3
number of marriages	10.1	8.9	8.8	7.5	7.3	6.6	6.6	6.4	5.8	6.1	6.3	6.7
number of divorces	3	3	2.7	2.6	2.4	2.6	2.3	2.4	1.7	1.8	2	2.1
migration growth of population	-3	-10.9	-13.6	-25.4	-15.1	-11.3	-17	-13.5	-8.3	-7.3	-5.9	-4.2

Source: National Statistical Agency

Table 1-III. Economically non-active, active and employed population, 1991-2002

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Economically active population, thsd.persons	7,716.2	7,577.8	6,963.4	7,118.2	7,359.8	7,489.5	7,440.1	7,052.6	7,055.4	7,107.4	7,479.1	7,400.3
Economically active rate, as %	68,6	67,0	61,5	63,5	66,8	68,7	68,8	65,9	66,0	66,0	70,2	70,1
Employed population, thsd.persons	7,716.2	7,577.8	6,963.4	6,581.8	6,551.5	6,518.9	6,472.3	6,127.6	6,105.4	6,201.0	6,698.8	6,709.6
Employment rate, as %	100	100	100	92.5	89	87	87	86.9	86.5	87.2	89.6	90.7
Employees, thsd. persons	7,389.5	7,210.2	6,594.4	6,029.8	5,466.4	4,918.4	4,271.3	3,783.0	3,354.2	3,504.4	3,863.3	4,030.3
Employees	95.8	95.1	94.7	91.6	83.4	75.4	66	61.7	54.9	56.5	57.7	60
Self - employed, thousands		367.6	369.0	552.0	1,085.1	1,600.5	2,201.0	2,344.6	2,751.2	2,696.6	2,835.5	2,679.3
Self-employed	4.2	4.9	5.3	8.4	16.6	24.6	34	38.3	45.1	43.5	42.3	40
Unemployed population, thsd.persons	-	-	-	536.4	808.3	970.6	967.8	925	950	906.4	780.3	691
Unemployment rate	-	-	-	7.5	11	13	13	13.1	13.5	12.8	10.4	9.4
Economically non-active population, thsd. persons	3,533.0	3,733.7	4,355.1	4,086.3	3,658.3	3,417.7	3,368.8	3,649.9	3,639.5	3,655.2	3,175.8	3,155.2
Economically non-active rate, as%	31,4	33,0	38,5	36,5	33,2	31,3	31,2	34,1	34,0	34,0	29,8	29,9

Source: National Statistical Agency

Table 1-IV. Employment in Kazakhstan, 1991-2001

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total	7,716.2	7,577.8	6,963.4	6,581.8	6,551.5	6,518.9	6,472.3	6,127.6	6,105.4	6,201.0	6,698.8
Agriculture and forestry	1,738.4	1,782.0	1,767.4	1,411.8	1,437.9	1,384.9	1,547.7	1,353.9	1,335.4	1,940.7	2,366.3
Fishing	15.4	12.1	9.3	7.4	6.6	4.0	3.5	5.9	6.9	7.5	13.1
Total industry:	1,533.3	1,490.1	1,353.4	1,201.3	1,088.1	1,045.2	921.5	903.2	904.5	855.2	830.4
Minimg	276.1	268.2	243.6	209.0	174.1	167.2	127.2	123.7	129.0	136.8	166.5
Manufacturing industry	963.9	938.8	852.7	771.2	729.0	700.3	637.7	627.0	627.8	572.6	513.8
Electricity, gas and water production and distribution	293.3	283.1	257.1	221.1	185.0	177.7	156.6	152.5	147.7	145.8	150.0
Construction	771.0	739.9	495.5	481.8	364.1	296.6	261.5	222.9	210.6	226.1	264.0
Trade, car repair and household goods	661.9	503.0	623.5	818.8	985.0	1,324.2	1,298.5	1,404.6	1,398.0	970.7	1,006.4
Hotels and restaurants	98.0	69.3	61.7	67.7	80.6	91.4	98.6	67.9	69.8	60.5	54.4
Transport and communication	561.7	691.0	597.3	577.4	527.6	518.3	656.0	560.2	576.3	549.9	506.3
Financial sector	42.1	45.7	52.8	49.0	49.9	44.6	37.4	37.9	36.0	39.6	45.9
Real estate	124.5	115.5	110.6	116.6	207.8	112.6	107.9	183.5	210.8	226.0	213.6
State sector	384.8	405.9	353.9	331.9	301.3	314.0	299.1	346.2	343.5	314.0	280.5
Education	930.0	894.9	814.1	743.9	743.8	667.5	557.4	521.7	513.3	531.4	576.3
Health & social services	463.7	481.5	426.2	428.5	417.4	394.0	356.2	325.9	320.3	291.6	287.1
Other local, social and personal services	391.4	346.9	297.7	342.9	338.2	317.6	324.0	193.7	171.8	181.4	183.1
Household service	-	-	-	2.8	3.2	4.0	3.0	0.1	7.5	6.3	71.4

Source: National Statistical Agency

Table 1-V. Average nominal wages by sector from 1993 to 2001 (in tenge)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Average wage	128	1,726	4,786	6,841	8,541	9,683	11,864	14,374	17,303
Agriculture and forestry	100	1,037	2,397	3,519	3,898	3,896	4,600	5,657	6,851
Fishing	99	1,900	5,333	5,538	5,706	4,798	5,917	6,812	7,562
Total industry:	171	2,801	7,792	10,198	12,489	13,465	16,370	20,647	23,812
Mining	224	3,955	9,963	13,317	18,323	20,317	24,659	32,059	36,625
Manufacturing industry	160	2,547	7,274	9,288	11,092	11,357	13,821	17,717	19,982
Electricity, gas and water production and distribution	270	4,862	12,281	14,426	15,550	14,197	15,651	17,290	20,026
Construction	170	2,660	7,852	9,659	11,320	12,375	15,905	21,017	26,805
Trade, car repair and household goods	98	1,392	3,886	5,837	7,104	8,239	10,766	12,961	15,366
Hotels and restaurants	98	1,396	3,869	5,772	6,992	8,660	13,736	15,979	21,511
Transport and communication	164	2,294	6,580	9,319	10,786	11,929	14,696	18,788	24,412
Financial sector	252	4,177	10,969	13,010	16,992	19,324	33,392	36,140	41,686
Real estate	88	1,346	4,126	6,939	9,232	10,334	12,338	16,672	22,132
State sector	130	1,775	4,475	7,249	9,635	10,310	11,308	11,758	14,970
Education	81	907	2,948	5,059	6,382	7,247	8,149	8,512	9,937
Health & social services	66	797	2,678	4,567	5,824	6,454	6,821	7,267	8,288
Other local, social and personal services	95	1,537	4,363	6,298	7,670	7,907	10,097	12,857	16,873

Source: National Statistical Agency

Table 1-VI. State budget of the Republic of Kazakhstan in 1990-1994 (at current prices, mln.tenge)

	1990	1991	1992	1993	1994
Receipts ¹⁾- total	18,351.6	27,157.8	253,789.4	7,102.7	91,824.8
of which:					
profit tax	1,630.0	6,392.2	62,193.3	1,248.5	14,550.0
value added tax	4,924.8	4,410.2	72,759.1	1,158.6	10,797.8
income tax from natural persons	1,119.9	3,084.8	30,458.3	743.1	8,256.8
from external economic activity	22.2	49.9	324.2	138.5	8,577.8
excise tax	-	1,478.1	7,987.5	159.7	2,181.1
natural resources tax	-	212.9	247.6	1.1	0.7
contributions to the budget for covering of expenses on geological prospecting	-	340.8	7,717.4	94.9	1,280.6
land tax	-	14.4	2,579.4	18.3	225.1
from privatization	-	9.1	82.6	784.0	1,459.3
other receipts	10,654.7	11,165.4	69,400.0	2,756.0	44,495.6
Total expenditures	17,055.4	32,800.6	259,012.8	7,488.0	101,939.7
of which:					
national economy	9,009.1	12,548.3	105,958.2	1,880.9	16,164.7
social and cultural activities and science	6,498.2	13,754.1	90,519.6	2,460.1	28,593.3
maintenance of State governing and administration bodies and tax enforcement agencies	292.3	1,014.0	18,103.6	801.2	9,626.2
defense	-	-	14,883.5	330.7	3,775.9
external economic activity	11.3	-	28.7	5.0	5,262.6
other expenditures	1,264.9	5,484.2	29,519.2	2,010.1	38,517.0
Deficit (-), profit (+)	1,296.2	(5,642.8)	(5,223.4)	(385.3)	(10,114.9)

1) - Beginning from 1991 the data do not include means attracted for repayment of deficit.

Source: National Statistical Agency

Table 1-VII. State budget of the Republic of Kazakhstan for 1995-2001 (mln.tenge)

	1995	1996	1997	1998	1999	2000	2001	I half of 2002
Receipts - total	219,395	242,961	279,719	309,547	398,592	598,746	746,612	376,974
Tax receipts	159,836	178,124	204,127	215,620	330,267	524,058	635,792	341,968
among which:								
income tax from legal persons	35,270	41,446	40,285	38,271	54,759	163,529	169,048	89,862
value added tax	33,259	53,905	58,801	81,007	89,030	115,159	159,913	87,325
excise tax	6,308	10,892	16,737	18,853	18,956	19,285	21,830	12,094
income tax from natural person	25,802	31,280	41,266	30,127	35,329	51,016	68,574	36,150
property tax	1,872	5,902	13,068	14,625	15,210	14,763	20,944	11,257
land tax	2,059	3,449	4,870	5,013	4,644	5,506	5,454	2,644
social tax	...	...	...	...	70,463	99,082	124,284	61,058
Non-tax receipts	21,918	22,104	16,045	18,926	26,896	38,602	72,505	28,456
Income from capital transactions	17,278	42,492	59,265	69,548	35,787	24,379	25,363	1,779
Official transfers received	20,363	241	282	5,453	2,629	3,196	233	-
Repayment of main debt					3,013	8,511	12,719	4,771
Expenditures incl. crediting less repayment	260,240	280,001	341,871	377,397	468,423	602,024	759,610	360,710
among which:								
state services of general purpose	8,242	14,244	29,441	31,677	28,855	35,114	50,772	18,977
defense	10,830	16,272	17,860	18,962	17,198	20,379	32,481	13,501
public order and security	17,539	30,700	28,156	31,133	32,507	47,738	64,319	32,454
education	45,830	65,608	73,375	69,462	78,491	84,668	106,419	58,910
health care	29,954	35,743	35,270	26,024	44,825	54,323	62,323	30,965
social security and social aid (social insurance in 1998)	7,837	9,212	26,566	53,618	159,065	171,065	186,715	98,377
recreational and cultural activities	...	...	11,030	11,770	12,237	17,487	18,076	10,614
housing and communal services	...	...	5,676	4,325	6,012	22,106	30,454	9,028
fuel and energy complex	943	1,412	1,093	463	...	...	5,500	2,348
agriculture, forestry, water and fish industries, environment protection	5,893	10,195	10,559	5,929	6,944	11,441	23,168	10,260
mining and minerals excluding fuel, manufacturing, construction	523	1,268	5,736	1,920	2,867	7,191	4,771	709
transport and communications	1,481	2,273	268	225	12,865	37,804	44,212	12,323
other services related to economic activities	131,168	93,074	28,197	24,572	26,118	31,325	59,042	21,979
expenditures, not referred to main groups	...	...	45,493	72,352	...	...	...	...
debt service	...	...	...	...	19,442	35,541	37,764	18,986
Official transfers received	...	...	...	...	...	...	...	5,696
crediting less repayment	...	...	23,151	24,965	20,997	25,842	33,594	15,583
Deficit (-), profit (+)	(40,845)	(37,040)	(62,151)	(67,850)	(69,831)	(3,278)	(12,998)	16,264

Source: National Statistical Agency

Table 2-I. Number of beneficiaries of TSA, average size of TSA and amount of financing TSA for the first quarter of 2002 and 2003

Regions	01.04.2002			01.04.2003		
	Number of beneficiaries of TSA	Average of TSA (tenge)	Amount of financing TSA (mln. Tenge)	Number of beneficiaries of TSA	Average of TSA (tenge)	Amount of financing TSA (mln. Tenge)
Akmola oblast	26,824	864.75	69.6	27,317	1,032.60	84.6
Aktube oblast	72,630	955.72	208.2	33,629	1,098.50	110.8
Almaty oblast	55,595	940.82	128.1	99,990	955.50	286.6
Atyrau oblast	71,599	1,241.90	266.8	57,083	1,300.10	222.7
East-Kazakhstan oblast	90,072	864.34	233.6	75,279	1,026.70	231.9
Zhambyl oblast	51,603	735.30	103.0	50,870	855.40	130.5
West-Kazakhstan oblast	26,763	670.38	53.8	34,111	1,056.40	108.1
Karaganda oblast	57,350	1,118.00	170.6	43,257	1,008.80	130.9
Kostanai oblast	24,454	891.85	65.4	18,700	865.95	48.6
Kyzylorda oblast	77,572	770.81	179.4	52,898	1,012.10	160.6
Mangistau oblast	22,609	1,257.60	85.3	21,006	1,647.70	103.8
Pavlodar oblast	45,380	888.32	120.9	37,368	1,209.00	135.5
North-Kazakhstan oblast	22,641	794.43	54.0	24,350	913.55	66.7
South-Kazakhstan oblast	22,433	753.82	35.3	87,649	731.50	192.3
Almaty city	10,877	1,506.50	32.8	10,399	1,409.10	44.0
Astana city	2,484	1,153.20	8.6	1,848	1,189.30	6.6
Republic of Kazakhstan	680,886	888.79	1,815.5	675,754	1,018.32	2,064.4

Source: Ministry of Labour and Social Protection of the Republic of Kazakhstan

**Table 2-II. Information on number of people granted TSA benefits as of 01.01.2003
(by categories of beneficiaries by Information and Analytical Center of MOLSP)**

№/№	Oblasts	Number of TSA beneficiaries by category (thousand people -[1], in % - [2]) of total number of TSA beneficiaries														
		Total	by categories													
			Children		Students		Invalids		Pensioners		Unemployed		Working		Other	
			1	2	1	2	1	2	1	2	1	2	1	2	1	2
1	Akmola oblast	42.7	20.2	47.3	0.6	1.4	0.6	1.4	0.5	1.2	12.0	28.1	3.7	8.7	5.1	11.9
2	Aktyubinsk oblast	92.5	49.1	53.1	1.7	1.8	1.2	1.3	2.5	2.7	21.1	22.8	7.3	7.9	9.7	10.5
3	Almaty oblast	132.5	73.7	55.6	1.7	1.3	1.7	1.3	1.7	1.3	20.7	15.6	10.0	7.5	23.1	17.4
4	Atyrau oblast	82.8	45.6	55.1	1.1	1.3	1.1	1.3	3.5	4.2	17.3	20.9	8.6	10.4	5.6	6.8
5	East-Kazakhstan oblast	129.6	81.7	63.0	1.3	1.0	1.8	1.4	2.3	1.8	18.2	14.0	10.3	7.9	14.1	10.9
6	Zhambyl oblast	82.8	51.2	61,8	0.8	1.0	1.3	1.6	1.2	1.4	11.3	13.6	4.9	5.9	12.1	14.6
7	West-Kazakhstan oblast	56.4	31.7	56,2	0.4	0.7	1.5	0.8	2.1	3.7	7.9	14.0	5.4	9.6	7.5	13.3
8	Karaganda oblast	90.8	47.2	52.0	1.5	1.7	2.2	2.4	2.3	2.5	9.8	10.8	8.3	9.1	19.6	21.6
9	Kostanai oblast	31.6	15.8	50.0	0.9	2.8	0.3	0.9	0.4	1.3	10.3	32.6	2.1	6.6	1.9	6.0
10	Kyzylorda oblast	130.6	69.8	53.4	1.7	1.3	2.7	2.1	3.2	2.5	28.7	22.0	7.6	5.8	16.9	12.9
11	Mangistau oblast	32.1	17.8	55.5	0.8	2.5	0.7	2.2	0.7	2.2	7.1	22.1	2.3	7.2	2.6	8.1
12	Pavlodar oblast	55.7	28.4	51.0	0.6	1.1	0.9	1.6	1.0	1.8	19.2	34.5	3.1	5.6	2.6	4.7
13	North-Kazakhstan oblast	37.1	21.2	57.1	0.4	1.1	0.6	1.6	0.6	1.6	5.6	15.1	3.6	9.7	5.1	13.7
14	South-Kazakhstan oblast	164.6	105	63.8	1.5	0.9	3.5	2.1	3.5	2.1	17.2	10.4	6.0	3.6	28.1	17.1
15	Almaty city	18.8	8.6	45.7	0.7	3.7	0.4	2.1	0.3	1.6	7.4	39.4	0.6	3.2	0.8	4.3
16	Astana city	2.9	1.5	51.7	0.07	2.4	0.1	3.4	0.04	1.4	0.4	13.8	0.2	6.9	0.6	20.7
17	Republic of Kazakhstan	1184	668.3	56.5	15.67	1.3	20.6	1.7	25.75	2.2	214	18.1	83.85	7.1	155.4	13.1

Source: Ministry of Labour and Social Protection of the Republic of Kazakhstan

Table 2-III. Level of subsistence minimum(SM) by age and sex and poverty line (PL) in 2000-2002

№/№	Oblasts	2000		2001		2002	
		Subsistence Minimum	PL (= 38% of SM)	Subsistence Minimum	PL (= 40% of SM)	Subsistence Minimum	PL (= 40% of SM)
1	Akmola oblast	3,983	1,487	4,723	1,760	4,872	1,921
2	Aktyubinsk oblast	3,996	1,462	4,580	1,693	4,979	1,944
3	Almaty oblast	3,895	1,467	4,446	1,653	4,622	1,824
4	Atyrau oblast	4,490	1,703	5,365	1,934	6,045	2,375
5	East-Kazakhstan oblast	4,013	1,516	4,568	1,701	4,639	1,841
6	Zhambyl oblast	3,335	1,254	3,765	1,405	3,956	1,545
7	West-Kazakhstan oblast	3,581	1,350	4,236	1,548	4,876	1,889
8	Karaganda oblast	4,369	1,648	4,876	1,824	4,937	1,966
9	Kostanai oblast	3,514	1,327	4,319	1,561	4,516	1,803
10	Kyzylorda oblast	3,605	1,359	3,982	1,486	4,198	1,651
11	Mangistau oblast	5,243	1,980	6,047	2,225	6,453	2,535
12	Pavlodar oblast	4,094	1,551	4,583	1,722	4,790	1,868
13	North-Kazakhstan oblast	3,861	1,434	4,616	1,723	4,733	1,862
14	South-Kazakhstan oblast	3,248	1,214	3,686	1,373	3,819	1,502
15	Astana city	4,055	1,538	4,635	1,717	4,777	1,885
16	Almaty city	4,552	1,714	4,977	1,871	5,212	2,041
17	Republic of Kazakhstan	4,007	1,508	4,596	1,707	4,761	1,880

Source: Ministry of Labour and Social Protection of the Republic of Kazakhstan

Table 2-IV. Information on number of beneficiaries of TSA, average size of TSA benefit and amount of financing TSA for 2001 and 2002

№/№ bb	Oblasts	2001			2002		
		Number of individual beneficiaries of TSA	Average size of TSA	Amount of TSA finance	Number of individual beneficiaries of TSA	Average size of TSA	Amount of TSA finance
1	Akmola oblast	33,116	480	311,456	42,718	854	299,263
2	Aktyubinsk oblast	53,735	419	993,157	92,518	1,034	545,148
3	Almaty oblast	6,822	1,014	591,621	132,528	1,054	1,387,345
4	Atyrau oblast	49,559	775	517,502	82,788	1,333	1,114,863
5	East-Kazakhstan oblast	69,686	775	712,345	129,553	997	969,576
6	Zhambyl oblast	72,752	775	510,372	82,782	608	335,017
7	West-Kazakhstan oblast	40,371	300	253,386	56,440	823	386,636
8	Karaganda oblast	52,825	775	627,425	90,814	1,127	704,148
9	Kostanai oblast	19,052	775	677,726	31,576	871	177,897
10	Kyzylorda oblast	70,370	400	531,050	130,585	762	521,401
11	Mangistau oblast	15,858	775	290,935	32,110	1,541	439,094
12	Pavlodar oblast	42,837	775	507,197	55,720	1,054	584,450
13	North-Kazakhstan oblast	18,257	1,002	306,606	37,125	872	245,483
14	South-Kazakhstan oblast	123,513	775	761,920	164,593	644	1,155,037
15	Astana city	2,623	998	83,564	2,865	1,119	198,390
16	Almaty city	11,614	775	430,410	18,806	1,441	415,495
17	Republic of Kazakhstan	682,990	675	8,106,672	1,183,521	989	9,100,786

Source: Ministry of Labour and Social Protection of the Republic of Kazakhstan

Table 2-V. Number of TSA beneficiaries quarterly in 2002

Regions	TSA beneficiaries			
	1 quarter	2 quarter	3 quarter	4 quarter
Akmola oblast	26,824	34,990	32,775	32,854
Aktyubinsk oblast	72,630	83,860	68,300	45,658
Almaty oblast	55,595	85,051	98,076	103,086
Atyrau oblast	71,599	79,956	69,265	62,714
East-Kazakhstan oblast	90,072	82,818	74,786	72,346
Zhambyl obalst	51,603	63,286	42,978	0
West-Kazakhstan oblast	26,763	43,093	38,920	41,668
Karaganda oblast	57,350	77,281	54,662	50,038
Kostanai oblast	24,454	16,454	12,621	17,412
Kyzylorda oblast	77,572	101,421	96,611	34,595
Mangistau oblast	22,609	25,602	23,516	22,825
Pavlodar oblast	45,380	52,640	42,713	41,995
North-Kazakhstan oblast	22,641	26,508	22,691	26,647
South-Kazakhstan oblast	22,433	139,643	116,673	86,881
Astana city	2,484	2,213	2,293	2,439
Almaty city	10,877	14,616	13,537	12,914
Republic of Kazakhstan	680,886	929,432	810,417	654,072

Source: Ministry of Labour and Social Protection of the Republic of Kazakhstan

Table 2-VI-1. Performance of local budget expenditures for 01.01.2003

(thousand tenge)

№/№	Oblasts	Total TSA including			TSA budget line No.42				
		Revised budget, total	Expenditure	% of performance to revised budget	Revised budget, total	Approved	Expenditure	% of performance to revised budget	Unspent budget
1	Akmola oblast	350,692	315,491	90.0	299,263	264,063	264,062	88.2	1.0
2	Aktjubinsk oblast	690,063	677,238	98.1	545,148	545,035	545,035	100.0	
3	Almaty oblast	1,387,345	1,033,715	74.5	1,387,345	1,033,715	1,033,715	74.5	
4	Atyrau oblast	1,134,788	1,134,772	100.0	1,114,863	1,114,847	1,114,847	100.0	
5	East-Kazakhstan oblast	989,501	941,419	95.1	969,576	941,420	941,419	97.1	1.0
6	Zhambyl oblast	361,754	353,831	97.8	335,017	327,094	327,094	97.6	
7	West-Kazakhstan oblast	392,937	385,200	98.0	386,636	378,899	378,899	98.0	
8	Karaganda oblast	753,364	752,194	99.8	704,148	704,078	703,848	100.0	230.0
9	Kostanai oblast	187,945	187,944	100.0	177,897	177,896	177,896	100.0	
10	Kyzylorda oblast	772,635	744,885	96.4	521,401	493,651	493,651	94.7	
11	Mangistau oblast	439,094	438,355	99.8	439,094	438,355	438,355	99.8	
12	Pavlodar oblast	594,327	592,565	99.7	584,450	582,961	582,688	99.7	273.0
13	North-Kazakhstan oblast	259,447	258,304	99.6	245,483	244,340	244,340	99.5	
14	South-Kazakhstan oblast	1,155,037	1,149,432	99.5	1,155,037	1,149,432		99.5	
15	Astana city	37,038	31,378	84.7	37,038	31,387	31,387	84.7	9.0
16	Almaty city	198,390	198,389	100.0	198,390	198,389	198,389	100.0	
17	Republic of Kazakhstan	9,704,357	9,195,112	94.8	9,100,786	8,625,562	8,625,048	94.8	514.0

Source: Ministry of Finance of the Republic of Kazakhstan

Table 2-VI-2. Performance of local budget expenditures for 01.01.2003 (continued)

(thousand tenge)

		Target transfers							
		TSA to people from districts with test-flight rang and cosmodrom Baikonur - budget line 47				TSA to people from Shalkarski district of Aktyubinskaya regions & Aralski & Kazalinski districts of Kyzylordynskaja regions - budget lines 48;49			
№/№	Oblasts	Revised budget, total	Expenditure	% of perfor- mance to re- vised budget	Unspent budget	Revised budget, total	Expenditure	Unspent budget	Revised budget, total
1	Akmola oblast	51,429	51,429	100.0					
2	Aktyubinsk oblast	45,469	45,468	100.0	1	99,446	86,735	87.2	12,711
3	Almaty oblast								
4	Atyrau oblast	19,925	19,925	100.0					
5	East-Kazakhstan oblast	19,925	-	-	19,925				
6	Zhambyl oblast	26,737	26,737	100.0					
7	West-Kazakhstan oblast	6,301	100						
8	Karaganda oblast	49,216	48,346	98.2	870				
9	Kostanai oblast	10,048	10,048	100.0					
10	Kyzylorda oblast	51,948	51,948	100.0		199,286	199,286	100.0	
11	Mangistau oblast								
12	Pavlodar oblast	9,877	9,877	100.0					
13	North-Kazakhstan oblast	13,964	13,964	100.0					
14	South-Kazakhstan oblast								
15	Astana city								
16	Almaty city								
17	Republic of Kazakhstan	304,839	2,844,043	93.2	20,796	298,732	286,021	95.7	12,711

Source: Ministry of Finance of the Republic of Kazakhstan

Table 2-VII-1. Number of economically active and non-active population (15+years) in 1998-2001

Regions	Economically active population (thousand, people)	Employed (thousand, people)	Unemployed (thousand, people)	Unemployment rate (%)	Economically nonactive population (thousand, people)	Economically active population (thousand, people)	Employed (thousand, people)	Unemployed (thousand, people)	Unemployment rate (%)	Economically nonactive population (thousand, people)
	1998					1999				
Akmola oblast	404.0	348.1	55.9	13.8	216.0	394.6	336.4	58.2	14.7	209.8
Aktyube oblast	318.6	274.9	43.7	13.7	160.0	323.0	278.9	44.1	13.7	155.0
Almaty oblast	676.4	585.3	91.1	13.5	412.8	659.9	565.9	94.0	14.2	438.7
Atyrau oblast	195.7	168.4	27.3	13.9	94.5	196.9	167.2	29.7	15.1	97.7
East-Kazakhstan oblast	758.2	696.4	61.8	8.2	395.3	740.9	677.9	63.0	8.5	408.0
Zhambyl oblast	432.7	371.3	61.4	14.2	236.0	434.3	371.1	63.2	14.6	239.5
West-Kazakhstan oblast	293.5	270.1	23.4	8.0	150.2	292.3	269.6	22.7	7.8	149.5
Karaganda oblast	716.9	619.9	97.0	13.5	352.6	699.9	599.8	100.1	14.3	355.3
Kostanai oblast	482.2	408.4	73.8	15.3	303.2	478.4	402.6	75.8	15.8	285.1
Kyzylorda oblast	243.2	206.6	36.6	15.0	130.0	254.7	213.7	41.0	16.1	124.2
Mangistau oblast	154.7	133.6	21.1	13.6	60.1	148.9	129.2	19.7	13.2	68.2
Pavlodar oblast	417.0	361.0	56.0	13.4	197.0	410.9	355.9	55.0	13.4	192.8
North-Kazakhstan oblast	352.8	301.8	51.0	14.5	195.7	353.9	302.4	51.5	14.6	185.5
South-Kazakhstan oblast	807.4	692.1	115.3	14.3	419.8	844.5	725.7	118.8	14.1	402.7
Almaty city	164.2	142.8	21.4	13.0	77.7	171.2	148.9	22.3	13.0	81.6
Astana city	635.1	546.9	88.2	13.9	249.2	651.1	560.2	90.9	14.0	245.9
Republic of Kazakhstan	7,052.6	6,127.6	925.0	13.1	3,649.9	7,055.4	6,105.4	950.0	13.5	3,639.5

Source: The National Statistical Agency

Table 2-VII-2. Number of economically active and nonactive population (15+years), 1998-2001

Regions	Economically active population (thousand, people)	Employed (thousand, people)	Unemploy- ed (thousand, people)	Unemploy- ment rate (%)	Economically nonactive population (thousand, people)	Economically active population (thousand, people)	Employed (thousand, people)	Unemploy- ed (thousand, people)	Unemploy- ment rate (%)	Economically nonactive population (thousand, people)
	2000					2001				
Akmola oblast	414.6	362.2	52.4	12.6	187.1	435.1	388.0	47.2	10.8	154.7
Akt'yube oblast	325.9	282.4	43.5	13.3	154.2	364.2	332.8	41.3	11.3	110.3
Almaty oblast	667.3	573.5	93.8	14.1	445.6	733.3	658.3	75.0	10.2	349.5
Atyrau oblast	208.6	176.2	32.4	15.5	91.5	203.0	175.5	27.5	13.5	90.0
East-Kazakhstan oblast	744.4	683.0	61.4	8.2	406.7	760.7	704.8	55.9	7.3	390.2
Zhambyl oblast	430.3	368.5	61.8	14.4	251.9	478.7	417.8	60.9	12.7	194.2
West-Kazakhstan oblast	296.5	273.5	23.0	7.8	145.6	326.2	285.5	40.8	12.5	114.7
Karaganda oblast	715.4	618.8	96.6	13.5	338.4	720.3	654.1	66.2	9.2	325.5
Kostanai oblast	494.0	429.5	64.5	13.1	259.7	564.6	506.4	58.2	10.3	183.9
Kyzylorda oblast	257.3	220.1	37.2	14.5	128.7	259.9	223.9	36.0	13.9	124.8
Mangistau oblast	153.7	132.7	21.0	13.7	67.8	146.0	130.6	15.4	10.5	61.0
Pavlodar oblast	414.3	357.3	57.0	13.8	184.8	449.9	408.5	41.4	9.2	153.0
North-Kazakhstan oblast	354.1	308.9	45.2	12.8	184.1	439.9	400.8	39.1	8.9	105.4
South-Kazakhstan oblast	826.7	708.1	118.6	14.3	450.1	844.8	747.5	97.3	11.5	402.2
Almaty city	179.4	156.9	22.5	12.5	77.2	196.4	178.1	18.3	9.3	79.6
Astana city	624.9	549.4	75.5	12.1	281.9	556.0	496.1	60.0	10.8	336.6
Republic of Kazakhstan	7,107.4	6,201.0	906.4	12.8	3,655.2	7,479.1	6,698.8	780.3	10.4	3175.8

Source: The National Statistical Agency

Table 2-VIII. Share of women and young people in unemployed people in 2001

	Men, thsd people	Women, thsd people	Share women, %	Young people (15-24 years old), thsd people	Share young people, %
Akmola oblast	20.4	26.7	56.7%	13.5	28.7%
Aktyubinsk oblast	15	26.3	63.7%	10.5	25.4%
Almaty oblast	36.2	38.7	51.7%	21.4	28.6%
Atyrau oblast	10.5	17	61.8%	10.2	37.1%
East-Kazakhstan oblast	21.6	34.3	61.4%	17.2	30.8%
Zhambyl obalst	26.8	34	55.9%	18	29.6%
West-Kazakhstan oblast	18.7	22.1	54.2%	17.9	43.9%
Karaganda oblast	26.2	40	60.4%	23.5	35.5%
Kostanai oblast	30.3	27.9	47.9%	15.8	27.1%
Kyzylorda oblast	17.7	18.3	50.8%	15.8	43.9%
Mangistau oblast	4.8	10.6	68.8%	4.2	27.3%
Pavlodar oblast	13.5	28	67.5%	8.6	20.7%
North-Kazakhstan oblast	18.8	20.3	51.9%	14.4	36.8%
South-Kazakhstan oblast	44.9	52.3	53.8%	32.1	33.0%
Astana city	6.1	12.1	66.5%	3.7	20.3%
Almaty city	26.3	33.6	56.1%	13.5	22.5%
Republic of Kazakhstan	338	442.3	56.7%	240.3	30.8%

Source: The National Statistical Agency

Table 5-I. Income structure of TSA beneficiaries (families) in Karagandy oblast (in 2003)

Name of cities (regions)	Number of families	Number of members of families	Average income per head (tenge)	Structure of incomes (%)						
				Income from working activity	from pension aid	alimony	from grants	Income from enterprise activity	Income from subsidiary activity	other incomes
named after Kazybek bi	659	1,886	796	32.32	32.68	3.81	3.46	0.00	1.12	26.61
Oktyabrskiy	1,021	3,074	845	21.17	36.11	3.46	0.31	0.00	1.19	37.76
Saran	357	991	918	39.35	30.42	2.31	0.11	0.00	1.16	26.64
Temirtau	335	1,192	1,077	29.69	24.63	0.95	0.60	0.12	1.64	42.38
Shahhtinsk	553	1,599	637	38.40	33.93	2.51	0.80	0.00	1.93	22.44
Abaysliy	690	2,183	849	28.95	25.83	1.20	0.55	0.00	10.11	33.37
Buhar-Zhyrauskiy	1,036	4,002	1,003	2.20	2.16	0.05	0.00	0.00	1.00	94.60
Karkaralinsk	2,000	7,832	832	33.15	30.92	0.37	0.63	0.01	21.75	13.16
Nurinskiy	735	2,860	1,122	34.65	22.05	1.70	0.04	0.00	16.40	25.15
Oskarovskiy	663	2,482	982	23.92	26.63	2.22	0.00	0.00	15.34	31.89
Zhezkazgan	789	2,963	860	23.22	38.18	3.66	0.87	0.00	1.68	32.38
Balhash	383	1,265	830	44.69	32.38	3.49	0.23	0.00	0.07	19.14
Karazhal	539	2,048	779	36.51	32.77	2.09	0.50	0.00	1.55	26.57
Priozersk	107	446	1,072	55.82	10.83	0.34	1.87	0.00	1.03	30.10
Aktogayskiy	715	3,250	1,076	57.76	24.86	0.23	0.04	0.00	6.61	10.49
Zhanaarkinskiy	1,225	4,667	769	24.76	36.10	0.59	0.28	0.03	10.30	27.95
Ulytauskiy	356	1,599	970	41.21	39.04	0.05	0.40	0.00	8.43	10.86
Shetskiy	1,842	7,423	911	47.81	30.29	0.40	0.08	1.41	7.21	12.80
Total	14,005	51,762	897	32.50	27.76	1.22	0.40	0.21	8.69	29.22

Source: Department of Labour, employment and Social Protection of Karagandy oblast

Table 5-II. Information on account of people with moderate income in Karagandy oblast for 1.07.2003 (Data of June base)

Name of regions	Number of people with moderate income by research data			Categories of people with moderate income										Included beneficiaries of special state benefits
				Children under 18 years old				People in work-able age					pensioners	
	families	persons	average income per head (tenge)	Total	included			Total	included					
					0 - 6 years	7-10 years	11-18 years		Working	unemployed, registered on employment agencies	Invalids	other		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
named after Kazybek bi	1,394	4,742	810	1,880	528	489	863	2,680	393	160	68	2,059	182	214
Oktyabriskiy	1,542	5,874	808	3,048	897	739	1,412	2,700	357	215	132	1,996	126	196
БалхашBalhash	317	1,225	527	658	190	166	302	543	77	132	24	310	24	55
Zhezkazgan	937	3,961	779	1,905	443	492	970	2,001	134	503	96	1,268	55	234
Karazhal	359	1,515	608	886	244	230	412	608	86	114	26	382	21	72
Priozersk	186	803	1,024	88	28	23	37	713	97	30	30	556	2	27
Saran	442	1,467	721	761	269	180	312	660	144	168	28	320	46	46
Temirtau	774	2,804	1,113	1,470	342	342	786	1,271	155	608	66	442	63	189
Shahtinsk	471	1,497	345	687	163	149	375	789	65	297	21	406	21	41
Abayskiy	767	3,073	316	1,082	394		688	1,955	82		33	1,840	36	107
Aktogayskiy	734	3,663	886	1,735	468	516	751	1,674	608	236	33	797	254	171
Buhar-Zhyrauskiy	941	3,149	531	576	102	135	339	2,503	189	21	143	2,150	70	196
Zhanaarkinskiy	1,100	3,999	746	2,117	410	663	1,044	1,850	44	668	42	1,096	32	87
Karakaralinskiy	1,735	8,463	785	4,773	1,384	1,273	2,116	3,605	601	465	110	2,429	85	481
Nurinskiy	568	2,574	501	1,299	377	347	575	1,246	289	1	22	934	29	10
Oskarovskiy	452	2,139	871	1,124	368	307	449	906	71	59	19	757	109	84
Ulytauskiy	247	1,728	500	43	8	12	23	1,680	6	47	26	1,601	5	25
Shetskiy	2,335	11,039	532	3,552	983	1,041	1,528	7,200	760	660	99	5,681	287	372
Total	15,301	63,715	689	27,684	7,598	7,104	12,982	34,584	4,158	4,384	1,018	*25,024	1,447	2,607

* In column "other" includes non-registered unemployed at the Centers of employment, mother having many children, persons nursing for invalids and infant and self-employed persons
Source: Department of Labour, employment and Social Protection of Karagandy oblast

Table 5-III. Information on number of TSA beneficiaries (families) in Karagandy oblast from 1.01.2002 to 01.07.2003

													(persons)
No.	Names of regions	Number of families applied for TSA in the 1-st quarter of 2002	Number of families, which have discharged from the list of beneficiaries in the 2-nd quarter of 2002	Number of new families applied for TSA in the 2-nd quarter of 2002	Number of families, which have discharged from the list of beneficiaries in the 3-rd quarter of 2002	Number of new families applied for TSA in the 3-rd quarter of 2002	Number of families, which have discharged from the list of beneficiaries in the 4-th quarter of 2002	Number of new families applied for TSA in the 4-th quarter of 2002	Number of families, which have discharged from the list of beneficiaries in the 1-st quarter of 2003	Number of new families applied for TSA in the 1-st quarter of 2003	Number of families, which have discharged from the list of beneficiaries in the 2-nd quarter of 2003	Number of new families applied for TSA in the 2-nd quarter of 2003	Number of TSA beneficiaries (families) as of 01.07.2003
1	named after Kazybek bi	328	39	479	200	182	187	86	98	60	113	38	536
2	Oktyabrskiy	955	120	320	248	139	190	124	165	110	146	89	868
3	Saran	417	73	183	184	34	64	52	84	43	57	32	299
4	Temirtau	322	42	114	113	45	51	39	66	46	59	37	272
5	Shahtinsk	469	58	231	177	67	85	68	69	61	73	43	477
6	Abayskiy	716	59	264	213	117	152	52	139	56	123	45	564
7	Buhar-Zhyrauskiy	1,086	54	658	608	148	173	64	202	75	188	56	862
8	Karkaralinskiy	2,254	150	1,414	732	216	406	99	794	56	237	45	1,765
9	Nurinskiy	1,027	102	654	681	64	282	16	51	45	173	46	563
10	Oskarovskiy	718	46	348	344	74	96	29	86	48	208	18	455
11	Zhezkazgan	1,137	235	448	544	48	144	44	109	79	109	65	680
12	Balhash	613	127	191	274	55	89	34	81	34	81	27	302
13	Karazhal	599	111	78	45	117	126	72	123	42	114	35	424
14	Priozersk	49	18	36	34	127	34	19	66	15	19	13	88
15	Aktogayskiy	758	97	425	397	97	48	42	128	36	86	27	629
16	Zhanaarkinskiy	1,493	149	331	245	103	194	36	263	64	212	50	1,014
17	Ulytauskiy	367	55	156	120	41	86	22	325	295	52	61	304
18	Shetskiy	2,034	188	807	503	139	262	117	532	123	284	108	1,559
	Total	15,342	1,723	7,137	5,662	1,813	2,669	1,015	3,381	1,288	2,334	835	11,661

Source: Department of Labour, employment and Social Protection of Karagandy oblast