Impact of the Economic Crisis and Food and Fuel Price Volatility on Children and Women in Kazakhstan

Report for UNICEF Kazakhstan Office

Report by:
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<th>Description</th>
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<tbody>
<tr>
<td>ACP</td>
<td>Anti-crisis Plan</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AIDS</td>
<td>Acquired Immunodeficiency Syndrome</td>
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<td>ASRK</td>
<td>Agency of Statistics of the Republic of Kazakhstan</td>
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<tr>
<td>BBP</td>
<td>Basic Benefit Package</td>
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<tr>
<td>CEDAW</td>
<td>Convention on Elimination of All Forms of Discrimination against Women</td>
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<tr>
<td>CIE</td>
<td>Centre for International Economics</td>
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<td>CIS</td>
<td>Commonwealth of Independent States</td>
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<td>CMEA</td>
<td>Council for Mutual Economic Assistance</td>
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<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>EIU</td>
<td>Economist Intelligence Unit</td>
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<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<tr>
<td>ECD</td>
<td>Early Childhood Development</td>
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<tr>
<td>ECOSOC</td>
<td>UN Economic and Social Council</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FGD</td>
<td>Focus Group Discussion</td>
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<td>FMIS</td>
<td>Financial Management Information System</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IOM</td>
<td>International Organization for Migration</td>
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<tr>
<td>KZT</td>
<td>Kazakh Tenge</td>
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<td>LIC</td>
<td>Low-income Country</td>
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<td>LSMS</td>
<td>Living Standards Measurement Study</td>
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<td>MCA</td>
<td>Minimal Calculated Amount</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MICS</td>
<td>Multiple Indicator Cluster Survey</td>
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<tr>
<td>MTBF</td>
<td>Medium-term Budget Framework</td>
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<td>MTBF</td>
<td>Medium-term Expenditure Framework</td>
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<tr>
<td>NFRK</td>
<td>National Fund of the Republic of Kazakhstan</td>
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<td>NGO</td>
<td>Non-governmental Organisation</td>
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<tr>
<td>ODI</td>
<td>Overseas Development Institute</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>PPRC</td>
<td>Public Policy Research Centre</td>
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<tr>
<td>PAYG</td>
<td>Pay As You Go</td>
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<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
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<td>TSA</td>
<td>Targeted Social Assistance</td>
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<tr>
<td>TVET</td>
<td>Technical and Vocational Education and Training</td>
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<td>UAE</td>
<td>United Arab Emirates</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UN CRC</td>
<td>UN Convention on the Rights of the Child</td>
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<td>UNDAF</td>
<td>UN Development Assistance Framework</td>
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<td>UNDP</td>
<td>UN Development Program</td>
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<td>UNFPA</td>
<td>UN Population Fund</td>
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<td>UNICEF</td>
<td>UN Children’s Fund</td>
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<td>UNIFEM</td>
<td>UN Development Fund for Women</td>
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<td>US</td>
<td>United States</td>
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<tr>
<td>VAT</td>
<td>Value-added Tax</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WHO</td>
<td>World Health Organization</td>
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Executive summary

Background

Kazakhstan is a well-resourced country with nevertheless relatively high poverty levels among both children and adults. In comparison with its immediate, poorer, neighbours Kazakhstan has better indicators of child wellbeing but, although there have been improvements in key indicators over the past 10 years, there is some way to go to bring these in line with countries with similar gross domestic product (GDP) per capita levels.

Key issues of concern, such as infant and maternal mortality, child morbidity, access to health care and education, housing conditions and water supply are all being addressed, in principle, through national planning processes and public policy, in particular the National Development Strategy (Strategy 2030), the Target Social Assistance (TSA) programme (2005 onwards) and the Children of Kazakhstan programme, aimed at raising children’s living standards. These programmes have resulted in a steady increase in public social sector expenditures since 2002 and commitments to maintain such investments during this period of financial crisis in response to rising poverty rates after several years of significant poverty reduction. Nonetheless, Kazakhstan’s expenditure on health care and education are lower than for other countries with similar GDP.

Additionally, better planning and policy implementation could make spending in the social sectors more cost effective, generating better outcomes for the resources invested. This is particularly so in the case of local governments, which are responsible for spending a significant share of resources. Policymaking functions remain concentrated at central level, making it difficult for sub-national governments to optimise spending and better link it with expected results. Similarly, sector ministries are still not successfully aligning sector policy and spending, a particular challenge in a context of changing needs and programme responses such as during this crisis.

Taking this context into account, this report discusses what should be done in the present financial crisis to address obvious suffering; to prevent more people falling into poverty; to redress any backsliding in current poverty reduction trends; and to turn crisis into opportunity in order to reform policy and institutions, better enable implementation and bring Kazakhstan into line with its GDP potential.

Methodology

This report is based on a desktop review of published and grey literature on the impacts of the global crisis in Kazakhstan; an analysis of available macroeconomic and socioeconomic quantitative indicators; and a three-week period of qualitative fieldwork undertaken in August and September 2009. These mixed methods allowed us to explore the dynamics of the effects of the global economic crisis at the macro and meso levels and, in turn, how these are impacting the wellbeing of families and children. However, it must be emphasised that recent data (since the onset of the crisis) are limited: although economic performance forecast figures are available and included in the report, real-time monitoring of the socioeconomic impacts of these macroeconomic shifts, especially disaggregated by age and gender, is almost non-existent.

The fieldwork included key informant interviews with national government officials, donors, think-tanks, international agencies and non-governmental organisations (NGOs) in Astana, Almaty, Shymkent and Karaganda. Families in Karaganda and Shymkent and local government officials in Karaganda and South Kazakhstan were also consulted in order to be able to triangulate findings about impacts of the crisis at sub-national level. Approximately 50 state and non-state actors and approximately 40 households were consulted through semi-structured interviews and focus group discussions.
Structure of report

The report begins with an overview of the global financial crisis and implications for poverty. Section 2 presents the conceptual framework underpinning the analysis and Section 3 describes the key characteristics of the crisis in Kazakhstan. Section 4 identifies the crisis impacts on key household, intra-household and child vulnerabilities and their drivers, placing the current status of children in both pre-crisis context and in relation to perceived impacts of the crisis. Section 5 reviews the public financial management (PFM) system, and looks at the adequacy of resources allocated to health, education and social protection in relation to key vulnerabilities and needs of children and women. It also examines adjustments in spending resulting from the crisis. Section 6 reviews policy responses to date, including fiscal stimulus packages and the impacts they have had on the key vulnerabilities identified in Section 4. Section 7 provides conclusions and highlights key policy implications. The appendices provide summary tables of quantitative indicators and expenditure tracking data in the health sector and details of the methodology used.

Impacts of the financial crisis on Kazakhstan

Since 2007, Kazakhstan’s economy has been hit by two rounds of exogenous shock. The first was a result of the international liquidity crunch that hit Kazakhstan in mid-2007, and has resulted in the tightening of credit markets and more cautious attitudes to risk, which is affecting capital inflows, depressing asset prices and reducing investment. The second round of shocks was caused by a slowdown in demand for some Kazakhstan’s export commodities (and in particular reduced demand from the Russian Federation for energy and metallurgical products), and the simultaneous hike in international food prices in 2007-2008. As a result of these shocks, growth fell to 3.3% in 2008 from a 9% average during 2000-2007 (ADB, 2009). This and the fall in oil prices have significantly decreased government revenues, although Kazakhstan benefited from price increases in 2008. These shocks, coupled with investment outflows, which also put pressure on foreign reserves, and a depreciation of the Russian rouble pushed authorities to devalue the national currency, the tenge, by 20% in February of this year.

Formal sector workers have been affected through contractions in manufacturing (industrial production fell 2.7% in the first six months of 2009 as compared with the same period in 2008), construction, transport and communications and trade. The deterioration of the economy has also affected those working in the informal sector. Reduced incomes, reduced real value of wages, increases in food prices, inflation, higher unemployment, underemployment, adults working longer hours in more than one occupation and associated family stresses have been observed as a result.

One of the main ways in which ordinary citizens have been affected is via inflation, which rose for a year up to mid-2008, peaking at 20.1% in June. This has been brought under control in 2009 through effective use of monetary policy. Falling inflation has in turn translated to a slight recovery of real wages. While there are initial signs that the macroeconomic indicators of the global downturn in Europe and Asia have started to stabilise, and this may also be the case for Kazakhstan, the effects of the crisis with regard to poverty and vulnerability are likely to reverberate for some time.

Credit markets in Kazakhstan remain tight and non-performing loans are likely to rise as business conditions deteriorate and unemployment increases. Constraints of credit availability are negatively affecting the development of the economy, both in terms of investment and for consumers. Into 2009, the banking sector has continued to contract substantially in reaction to the cumulative effects of reduced access to credit to the population and the diminution of asset values. Borrower ability to service debt continues to decline in a weakened economy, rendering it more difficult for banks to recapitalise. Continuing contraction in credit could trigger a recession through a real fall in economic activity and consumer demand.
So far, Kazakhstan has been able to respond to the challenges of the crisis through a significant release in fiscal stimulus resources as a result of its prudent fiscal management over the past decade. The establishment of the National Fund of the Republic of Kazakhstan (NFRK) in 2000 has allowed the government to consolidate all oil revenues. These have generally been used prudently over time to meet social safety net needs, such as increasing social assistance transfers in the crisis period, and to provide funding to national development institutions. The severity of the crisis has necessitated large transfers and commitments from the NFRK, including to fund the Anti-Crisis Plan (ADB, 2009). For this reason, Kazakhstan’s early fiscal policy response has been equivalent to that of many other G-20 countries and greater than the internationally recommended 2% of GDP. Still, even though policy responses are providing considerable support to the economy, the combination of extremely large adverse external shocks and certain domestic vulnerabilities makes a quick return to strong growth unlikely. Despite the pressures, it is estimated that Kazakhstan’s fiscal position is strong enough to weather the current crisis and it is expected to improve starting in 2011.

Household-level impacts of crisis

Unemployment has risen unevenly by sector, gender and region, with urban areas particularly affected. There may be a lag between actual unemployment rates and their being reflected in official statistics, which may account for the relatively small increases to date. Wages have also decreased or failed to grow at previous rates. As a result, low wage earners often have had to take on more than one job. This has negative implications for care and nurture of children, and for adults’ ability to carry out household responsibilities. Those in the informal sector and the self-employed are particularly affected. Many households in rural areas are headed by public sector employees and are more sheltered from impacts because of government commitments to boost wages and maintain employment. The largest numbers of poor are in rural areas, but poverty incidence has risen more in urban areas, perhaps reflecting job losses.

At the household level, families are already experiencing a decline in living standards, the result of inflation, the devaluation of the tenge, the rise in prices of essential commodities and reduced income or loss of income. The problem is particularly acute where incomes are already low, which is particularly common in: large families (with many children), families with disability in the household, single parent families (especially female-headed ones), families with disabled children and migrant families. It is also significant where livelihoods are relatively low return, for example for families engaged in agriculture and in the low-income urban informal sector, such as trade, both of which are strongly affected by falling demand.

Following a substantial fall in poverty over the 2000-2007 period, there are significant differentials between poorer and better-off socioeconomic groups and between different regions. Poverty rates vary considerably, from 2% in single-member households to 44% in households with seven children, and from 3% in Astana to over 25% in the poorest oblasts, such as Kyzylorda and Mangistau. In 2008, the overall poverty headcount rose by 8% to 15.9%, as a result of a notable rise in poverty in urban areas. Small rises in the headcount, depth and severity of poverty were recorded in the first quarter of 2009.

Migrants, both internal and external to Kazakhstan, have been very much affected. While at the macro level Kazakhstan is a net exporter of remittances, many individuals within the country have also been affected. This includes internal rural–urban migrants as well as those receiving remittances from overseas. Those most affected include low-skilled construction workers, labour migrants from neighbouring countries and internal migrants from rural areas who are unregistered and fall outside of the safety net system. Many accept worse working conditions and very little pay rather than return home where conditions may be worse.

Gender inequality merits particular attention. Indications are that women face discrimination in terms of pay and employment, earning 62% of men’s earnings, with significantly higher unemployment rates (43% for men compared with 57% for women) and greater disparity for
women of childbearing and child-rearing age (30-55), indicating possible discrimination or lack of child care. Elsewhere, for example after the Asian financial crisis, women and young people were made redundant first. Additionally, in some sectors perceived as male dominated, women may actually comprise a (sometimes major) part of the labour force and are especially vulnerable, owing to their concentration in low-skilled and thus easily expendable jobs.

**Youth** typically face considerable problems in times of recession. They are frequently unable to afford higher education (a major worry of young people in Kazakhstan at present), are the first to be made unemployed or unable to secure employment and are victims of reductions in perceived 'non-essential' services such as sexual and psychological health services. The youth unemployment rate is higher than the overall rate in Kazakhstan: in the second quarter of 2009, the former was 7.2% while the latter was 6.7%.

In addition to the labour market responses outlined above, common coping strategies in crisis-affected households include: reducing expenditure on food and shifting consumption patterns to eat cheaper, less nutritious food; reducing expenditure on higher education and extra-curricular activities for school children; cutting back on medicines, self-treating or delaying seeking medical attention; getting into debt; and taking on additional informal income-generating activities. In areas where water quality is poor, people indicated that they may start to cut back on bought water.

As elsewhere in the region and worldwide, family distress and emotional ill-being are commonly associated with financial crisis. Kazakhstan already has some concerning indicators, with lower life expectancy than would be expected for its GDP per capita level, especially for men but also for women, and relatively high levels of youth suicide. Interviews with NGOs reported a recent rise in domestic violence and, while not documented, these indicators would fall into line with data from elsewhere (Harper et al., 2009a) and with the experience during the early years of transition (UNICEF, 2001).

To date, there is limited evidence of negative impacts on children. A combination of household efforts to protect children and government and NGO social protection and anti-crisis measures has meant that, so far, children have been spared many of the negative consequences of the financial crisis. However, if family incomes are squeezed for prolonged periods, children’s nutrition may suffer if families cannot afford nutritious food. A combination of pre-existing deprivation, e.g. overcrowded housing and limited access to good quality water and sanitation, and the additional stresses of economic insecurity and delaying seeking health care may lead to worsening physical and mental health among children and adults. There is some evidence of children taking on increased domestic work and helping in family businesses, to the detriment of their education, although this has not happened so far apart from among particularly deprived groups (migrants and large families in disadvantaged regions), where child labour predated the economic crisis. In relation to education, participation in higher education and preschool, where the costs to families are highest, is most likely to be affected. The trend of increasing numbers of children in institutions continues – this predates the crisis but may have been exacerbated by it.

**Policy responses and recommendations**

Kazakhstan was the first country in Central Asia to adopt an anti-crisis plan (ACP) in 2007. The first phase aimed to stabilise the economy and focused on the financial and real estate sectors (including mortgage borrowers), SMEs, agro-industry and industrial and infrastructure projects. In April 2009, the government adopted the second phase, the Road Map, which focused on interventions to tackle the shrinking labour market as unemployment rates rose. A third element is increasing investment in social policy, both core social services and financial social protection.

Based on an analysis of the impacts to date and policy responses, the report makes the following recommendations for increasing the immediate and longer-term child-sensitivity of crisis responses.
Build back better
The government of Kazakhstan has approached the crisis as an opportunity to ‘diversify the economy … achieve the real competitiveness and carve out niche for ourselves in the external markets’ (President of the Republic of Kazakhstan, 6 March 2009)

The fiscal stimulus package adopted by the government as part of its ACP is both ambitious in scope and generous in financing. Given that aggregate national poverty and unemployment indicators have been kept in check to a large extent, as a result of timely interventions by the government, the rollout of the stimulus package policy measures could be strengthened to tackle significant pockets of poverty and vulnerability among excluded groups, including children and young people and their carers, especially in rural areas and among migrant populations.

The process of implementing measures to tackle the specific vulnerabilities of particular social groups, including children, could also be seen as an opportunity for the government to simultaneously enhance both technical capacities to target vulnerable populations and institutional governance factors critical for sustainable longer-term programme effectiveness. Local government capacity in defining child poverty and implementing national policy would benefit from technical support as well as additional resources where appropriate.

Target effectively, especially vulnerable groups
The ACP is seen by some to be focusing on relieving the risks faced by the financial sector and big business, and has been criticised for an apparent lack of focus on disadvantaged groups. However, there are interventions within the ACP that are oriented more directly towards ordinary citizens, including assistance to mortgage borrowers and small businesses, and increases in social assistance and school meals for disadvantaged children. The largest scale programme is the Road Map employment generation and retraining programme. In addition to addressing rising unemployment, the Road Map is also envisaged as an opportunity to raise the purchasing power of the population, slow down internal migration and improve core services.

Within the Road Map there is some direct targeting of vulnerable groups (particularly women and youth), aiming to provide some protection from poverty. The main interventions involve job creation through: repair and reconstruction of social infrastructure (schools, hospitals and other social institutions, e.g. orphanages), roads and water and sanitation facilities; retraining programmes for the unemployed; provision of temporary jobs for up to six months for socially vulnerable populations; the creation of social care jobs; and youth internships.

Amendments to labour laws were also made with a view to stimulating working-age unemployed people to find employment through retraining. The latter attempt is important as it focuses on providing training to unemployed mothers with young children to help them get work in the future, especially part-time jobs. The programme aims to create 350,000 jobs in 2009 and to achieve a sharp rise in the number of women and youth in employment. By mid-2009 it had created 252,277 jobs, of which 211,039 have been filled. However, certain vulnerable groups, such as informal sector workers and migrants, are largely excluded from the programme, and women may not benefit proportionately because the primary sectors where job creation is targeted (construction, communication and infrastructure) are male dominated.

Tackling pre-existing high levels of poverty and vulnerability among particular groups, including migrants and ethnic minorities, and in regional pockets of deprivation, requires additional funds. These especially vulnerable populations are also most likely to get into debt as a result of crisis and find themselves trapped in poverty, having to further deplete assets to pay off debts.

Increase expenditure on public services
Given the low relative spending on health in relation to GDP (2.3% in 2008), particular attention should be paid to ensuring that further expenditure cuts are not made, and that spending is instead maintained or increased. This is important to prevent families that are suffering from declining
incomes resorting to negative coping strategies, such as self-diagnosis and self-treatment of health care needs or waiting too long to seek medical attention because of its cost implications.

While there has been attention to pregnant women and children, some groups are left out, e.g. chronically sick children, including those suffering from HIV/AIDS, disabled children and children and young people with mental disorders (Kovalevskiy, 2009). Despite strong commitments to reducing maternal and child mortality, it appears that, since the onset of the crisis, no additional monitoring of the nutritional status of groups at risk – such as pregnant and nursing mothers and infants – has occurred, to provide them with supplementary feeding and, where necessary, to avoid malnutrition.

School meals, which are highly valued, could be enlarged at this time of crisis. At the moment, all local governments are obliged to allocate 1% of their education budget to provide such support to poor families. Although many children from low-income families are provided for, not all students are benefiting. A proposal has been submitted to the Parliament to increase budget allocations to 3% in order to ensure wider coverage. The result of this is still unknown.

The current crisis could be taken as an opportunity to reprioritise the early childhood development sector, where investment has not recovered in line with GDP and trails that in other sectors. This is particularly important for supporting the nurture, care and emotional development of children during times of stress, reducing the child care constraint faced by many women who wish to work and better enabling society’s social reproduction. Although achieving universal preschool education coverage by 2010 is a government goal, the crisis risks jeopardising both progress to date and achievement of this goal, unless additional funds are allocated to this area.

More generally, there are concerns that some social sector programmes may not have guaranteed funding, given that oblasts’ revenue streams are more volatile than those at central government level. The current system of intergovernmental transfers and allocations is leading to considerable regional disparities. The poorer oblasts in general have lower revenues and more poor persons. As a result, they face a greater demand for programme benefits, which they are unable to meet. In the context of the crisis, addressing these shortcomings in the decentralisation of social sector funds, so that it more adequately meets regional demand, is crucial to render social services more responsive.

The scale of resource commitments is important, but distribution equally so. During crises, stronger efforts are necessary to ensure budgetary resources are reallocated towards priority areas in order to achieve better outcomes for children. Investment in early childhood development is one critical area which warrants greater attention in budget prioritisation.

Expand social assistance in line with spending thresholds of other middle-income countries

Kazakhstan has a well-established social assistance programme and, as part of the crisis response, the number and size of benefits have been increased, including child benefit, birth payments, unemployment pay and TSA. However, this is still insufficient to mitigate the adverse impacts of the crisis on vulnerable children. Despite increases in spending, further efforts are needed to modernise the existing social protection system and to improve its efficiency – making it more systematic, integrated and proactive and less fragmented into a range of transfers that raise administrative costs and increase the likelihood of poor targeting. In the short term, outreach programmes to increase vulnerable families’ awareness of the benefits for which they are eligible and reducing barriers to uptake (such as having to travel to rayon centres to provide documentation to Ministry of Labour and Social Protection offices) would increase the effectiveness of the TSA system in protecting vulnerable children.

Inadequate linkages exist between social assistance and other benefits, including provision of adequate housing to families with children, to families caring for children with disabilities or children affected by HIV/AIDS and to single parent households (UN, 2008). Consideration needs also to be
given to those in the informal sector and self-employed people, who are often ineligible for support as a result of their essential business assets, whatever their income level, and migrants.

While the system is intended to alleviate poverty, Kazakhstan’s programme could go further and make families and children less vulnerable to falling into poverty during the economic downturn. This would have long-run economic and social benefits. From the standpoint of child wellbeing, it is important not only to raise the size of allowances but also to reduce the barriers to obtaining allowances and improve their targeting to disadvantaged families and to regional pockets of poverty. At the moment, there is insufficient coverage and targeting is weak, with only 40% going to the poorest two quintiles. As Kazakhstan starts to recover from the crisis and plan for the future, there is an opportunity to strengthen the social protection system so as to provide minimum income security or a social floor for all citizens. Reviewing how expenditures could be reallocated and benefits redesigned to more effectively protect vulnerable families is an important first step.

**Improve child protection services and linkages to broader social protection systems**

Enactment of national child protection legislation and policy is constrained by limited resources. Social spending pledges have been kept at 12% of GDP on all social sectors, with expenditure specifically on social benefits for children and families constituting approximately 0.5% of GDP – this is considered too low in comparison with countries of Central and Southeast Europe, which spend up to 2.6% on children and families, although the extent to which this is specifically on social or child protection is unclear. Nevertheless, higher expenditure at this time on child-related social protection would have short- and long-term positive effects on human development.

A far greater proportion of resources should be allocated to child protection in line with Kazakhstan’s GDP. Very little information is available on the impacts of the crisis on children’s right to protection from abuse, violence and neglect. UNICEF should prioritise analysis of these issues, given that research from past crises has highlighted increased child protection deprivations, including involvement in harmful forms of child labour, increased vulnerability to sexual violence and commercial sex work and abandonment of some children.

Moreover, broader social protection packages are not well linked to child protection mechanisms, such as those addressing child labour, exploitation and trafficking. There appear to be no uniform criteria for families or children in ‘trouble’, which prevents their easy identification. There remains a lack of qualified and experienced social workers to identify and address family problems and to provide individual counselling to children who need protection. Further efforts are needed to establish a wide network of support services (e.g. crisis centres, etc) across regions for the victims of violence, domestic abuse or trafficking, or youth in custody, etc.

**Strengthen child-sensitive data collection and real-time monitoring**

Timely and accurate data regarding the impacts of crises on children are acutely lacking among state agencies. Even before the crisis, information available to inform child wellbeing programming was limited, especially in relation to vulnerable children – beyond the typical categories of vulnerability such as orphans. The Ministry of Labour and Social Protection still lacks disaggregated data on children at risk. The field research revealed in some oblasts an acute lack of basic information, for example the Department of Social Welfare in Baidibek does not have records on the exact number of children living in low-income families. However, there are some very good examples that could be replicated, such as the state-founded Department on Child Rights of the Child Rights Committee in Karaganda, which is the first agency to monitor the status of children on a quarterly basis. It publishes a report with comprehensive data on children 0-17 years of age.

Other data constraints include a lack of integration of information, such as that on social support, birth registration, preschool, etc. This limits government’s ability to address multiple dimensions of child vulnerability and is compounded by a tendency towards vertical programming and single issues. There is also weak interagency coordination and a lack of a shared database to monitor outcomes.
There is an urgent need to invest in real-time monitoring of impacts on women and children – much of the available data and analysis on impacts are neither age nor sex disaggregated, making it difficult to understand impacts on children and on different groups of children (e.g. migrants, girls, boys, youth, children with disabilities, ethnic groups, etc). However, our knowledge of other crises suggests that children are generally among the hardest hit. Moreover, although macroeconomic indicators may improve more quickly, impacts on the ground generally experience a lag, both in terms of the onset of impacts and in terms of recovery. Hence, monitoring impacts is still important. This will also provide invaluable data on the robustness of existing formal and informal social protection mechanisms in supporting families to cope with the impacts of the global downturn.

Moreover, few of the crisis response measures are explicitly child or gender sensitive in design, and they appear to be based on the assumption that tackling household poverty and vulnerability will help protect all citizens. Ample research evidence suggests that this is not always the case, if resource allocations within households are unequal. Accordingly, discussing age- and gender-sensitive policy recommendations with government partners is an urgent priority so that measures can be targeted effectively and scarce resources utilised optimally.

More analysis of public service delivery, performance and expenditure effectiveness at the micro level (oblasts and rayons) would be useful to inform improvements and ensure better PFM, including more effective use of funds according to expected outcomes. In the case of improving spending on children, this is particularly relevant in: health, education, housing and utilities; TSA and social care services (where significant resources and functions have been decentralised); and spend on each sector, which varies among different jurisdictions, and where there has been little progress in planning according to local priorities. Such planning might improve the responsiveness and effectiveness of local social sector policies to the changing needs of the population in the context of the crisis.

**Strengthen linkages with civil society to capitalise on community-based knowledge and outreach**

Civil society organisations, including NGOs, provide services to disadvantaged people, and have much to offer. Our fieldwork showed that in both Karaganda and Shymkent they have a good understanding of the issues affecting children and families in the context of crises. However, funding constraints have been cited as a key factor affecting the ability of NGOs to provide quality services to respond adequately to the crisis. The NGO network in social and community development is substantially weaker in rural areas.

Information on NGO responses to the crisis is by and large sparse. This suggests that efforts should be made to strengthen knowledge management systems so as to facilitate learning within and across NGOs and government, as well as to enhance coordination efforts among non-governmental agencies. Such synergies are especially critical when resources are scarce. More capacity development is needed to help local government achieve planned goals, and to strengthen the participation of NGOs in service delivery, in oversight of measures and in planning any further phases of Anti-Crisis Programmes.
1. Introduction

1.1 Overview

The financial crisis, which began in mid-2008 in the developed world, has had major adverse impacts on economic performance in Europe and North America in particular, causing many OECD (Organisation for Economic Co-operation and Development) countries to enter into recession. While initial signs are emerging that macroeconomic indicators of the global downturn in Europe and Asia have started to stabilise (EIU, 2009), the effects of the crisis with regard to poverty and vulnerability in both the developed and the developing world are likely to reverberate for some time. Despite very early signs of recovery in developed countries, repercussions in developing countries remain severe.

World Bank estimates (16 September 2009) suggest that slower economic growth resulting from the current economic crisis will leave 89 million more people than expected on less than $1.25 a day by end-2010 (World Bank, 2009b). According to figures released earlier in 2009, another 53 million will be pushed into less-than-$2-a-day poverty (World Bank, 2009d). This is over and above the 130-155 million people pushed into poverty because of soaring food and fuel prices in 2008 (especially in Q2 and Q3). International food and fuel prices have since gone down, but domestic prices have often not fallen in line with these, meaning that consumers and producers still face higher prices than they did pre-crisis (Holmes et al., 2009). The temporary price increase was beneficial for countries that are net exporters of food/fuel, and countries that saved these windfall gains are better placed to respond to the financial crisis (e.g. Kazakhstan and its National Fund). Countries that are net importers, however, suffered from the price increases and are now being hit again by the financial crisis.

Given the experience of previous crises, all countries need to consider impacts on children and their caregivers. Increases in child mortality and morbidity, child labour and exploitation and violence against children and women, as well as declines in school attendance and the quality of education, nurture, care and emotional wellbeing, can all be traced to times of economic crisis (Harper et al., 2009b; Hossain et al., 2009). It is important to recognise the following:

- If anti-poverty policy is stalled as a result of financial crisis, the long-term social and economic impacts of failures to address child development should not be underestimated and the costs of re-establishing social policy may well be considerable.
- We know that women, children and young people suffer disproportionately. Parents try to protect their children from the worst impacts, but there are often limits to what they can do, especially among the poorest.
- Vulnerabilities depend on both gender and age, and are multidimensional: women are often the first to lose jobs, having to work harder to seek additional income and to spend less time on nurture and care; youth recover from the impact of lost job opportunities slowly or not at all; and girls often experience higher levels of nutrition and educational deprivation than boys, with long-term wellbeing implications for themselves and their own children. In addition, many women, youth and children (to varying degrees) lack voice and power which, among other effects, contributes to abuse and exploitation.
- It is essential to focus on major irreversible factors: if children are severely malnourished, pulled out of school, subject to neglect or violence and/or pushed into the workforce, they live with the consequences for their whole life, sometimes passing the consequences on to their own children (Harper, 2005). This implies much greater future poverty, probable higher inequality and lower prospects for economic growth.
- Policymakers should not underestimate the agency of households, including children, in responding to crisis. The challenge is to support constructive coping mechanisms and to seek to discourage damaging ones.
This paper explores these issues in relation to Kazakhstan, presenting a framework for analysing the impact of shocks on children and suggesting initial policy implications.

1.2 Methodology

This report is based on a desktop review of published and grey literature on the impacts of the global crisis in Kazakhstan; an analysis of existing macroeconomic and socioeconomic quantitative indicators over time as available; and a three-week period of qualitative fieldwork undertaken in August and September 2009. These mixed methods allowed us to explore the dynamics of the effects of the global economic crisis at the macro and meso levels and, in turn, how these are impacting the wellbeing of families and children. However, it must be emphasised that recent data (since the onset of the crisis) are limited: although economic performance forecast figures are available and included in the report, real-time monitoring of the socioeconomic impacts of these macroeconomic shifts, especially that disaggregated by age and gender, is almost non-existent.

The fieldwork included key informant interviews utilising tailored research questions with national government officials, donors, think-tanks, international agencies and non-governmental organisations (NGOs) in Astana, Almaty, Shymkent and Karaganda. Local government officials in Karaganda and South Kazakhstan were also consulted in order to be able to triangulate findings about impacts of the crisis at sub-national level. A list of the categories of stakeholders and research questions is provided in Appendix 1.

Key informant interviews at the sub-national level were undertaken with families and children in two oblasts (regions) – Karaganda and South Kazakhstan – spanning three specific localities – Shymkent city and Baidibek village (both in South Kazakhstan) and Karaganda city. South Kazakhstan was selected based on high poverty prevalence and other key vulnerability characteristics (i.e. high health risks). Karaganda was selected as a point of comparison, being a ‘better-off’ industrial region. The selection also aimed to cover both urban sites – Karaganda city, Shymkent city – and rural sites – Baidibek village. In Shymkent city, interviews were facilitated by a local NGO, the Women's Business Association. In Karaganda, the state Department on Child Rights of the Child Rights Committee under the Ministry of Education and Science of the Republic of Kazakhstan organised informant selection.

Within each oblast, families and children were purposively selected in order to ensure the inclusion of a range of vulnerable groups, including families with many children, single parent families, families with disabled children and families in vulnerable employment situations. Oralman families (ethnic Kazakh returnees from other countries) were also included in the sample. Approximately 50 state and non-state actors and approximately 40 households were consulted.

In each locality, a mixture of focus group discussions (FGDs) and key informant interviews were held. Family FGDs involved 10-15 participants; in some cases this included both parents and children and in others we interviewed parents only. Key informant interviews were held with 10 parents (the majority of them women) to enable more in-depth discussion on the impacts of the crisis on households. In order to better capture the perspectives of children, two FGDs (each involving 15 children) were organised, involving primary school students in Karaganda.

1.3 Structure of the report

The report begins with an overview of the global financial crisis and implications for poverty. It outlines why it is especially important to consider impacts on women and children (the main intention of this report) and describes the methods used.

Section 2 presents the conceptual framework underpinning the analysis, to identify the macro–micro policy linkages between the global economic crisis and meso- and micro-level impacts on communities, children and their families. It presents a summary of the nature of the macro-level
shocks of this specific crisis, their meso-level impacts in Kazakhstan, mediating economic and social policy response choices and therefore potential impacts on communities, households and intra-household dynamics. This framework is presented in Figure 1 and identifies the key themes that will be addressed throughout the rest of the report.

Section 3 describes the key characteristics of the crisis in Kazakhstan. It seeks to assess the scope and magnitude of the economic crisis and to unpack its core dynamics in the context of Kazakhstan, both nationally and sub-nationally. We contextualise this analysis within a discussion of the broader literature on the macroeconomic dynamics of the transition since independence in 1991, including the period of rapid economic growth over the past decade.

Section 4 identifies crisis impacts on key household, intra-household and child vulnerabilities and their drivers, placing the current status of children in both pre-crisis context and in relation to perceived impacts of the crisis. This section begins with a review of key economic and social vulnerabilities in the country (and their gender- and child-specific manifestations). We adopt a rights-based approach, analysing the extent to which the crisis is resulting in deprivations of children’s rights to survival, development, protection and participation, and the ways in which these deprivations affect specific groups of children (e.g. those affected by spatial poverty/rural location, by disability, by poverty, by social exclusion, etc). Given what we know about the lag effects of economic crises in terms of affecting ordinary citizens, we also seek to identify areas where children and caregivers are likely to be especially vulnerable as the crisis unfolds.

Section 5 reviews the public financial management (PFM) system and the extent to which the social sectors reflect principles of PFM, such as allocative efficiency (how well budget allocations and spending are aligned with policy priorities) and operational efficiency (improved budget processes at the national and local levels, from formulation to implementation). It provides some insights into discrepancies between government policy commitments and budget programming in the social sector (mainly education, health and social protection) and looks at the adequacy of resources allocated to these sectors in relation to key vulnerabilities and needs of children and women. The analysis will then turn to adjustments in spending resulting from the crisis, and how these have affected budget planning and spending, especially in the three focus social sectors.

Section 6 reviews policy responses to date, including fiscal stimulus packages and the impacts these have had with regard to the key vulnerabilities identified in Section 4. We situate this analysis within a broader discussion of the general development approach of the government over the past two decades and of the extent to which the crisis has disrupted this development trajectory and the existing social policy and social protection infrastructure, including coverage of both the dismantling of Soviet-era mechanisms in the 1990s and the establishment of a new social protection framework in the 2000s (see Appendix 2).

Section 7 provides conclusions and highlights key policy implications of the study findings in terms of the types of economic and social policy interventions the government and other development partners should consider in order to mitigate the worst effects of the crisis on vulnerable women and children, and to ensure adequate progress towards the Millennium Development Goals (MDGs). This discussion takes into account the pre-existing situation at the start of the crisis as Kazakhstan emerged from transition, and policies set in place by the Kazakh government to address different aspects of childhood poverty since 1998. It also draws on emerging evidence on good pro-poor and child-/gender-sensitive practice in response to economic crises (see Harper et al., 2009).

The appendices provide summary tables of quantitative indicators and expenditure tracking data in the health sector and details of the methodology used.
2. Conceptual framework

In order to enable an understanding of how the macro-level changes brought about by the ‘triple F’ crisis (food, fuel, financial) translate into meso- and micro-level effects on women and children, it is important to understand the impact pathways involved. These trace changes from the global macroeconomic environment, which are in turn filtered through country-specific policy and institutional frameworks at the national and sub-national levels down to communities, households and individual household members. The conceptual framework that underpins this report is presented in Figure 1. In this section, we summarise the most important features, before exploring the ways in which these impact pathways have materialised in Kazakhstan in Sections 3 and 4. Each level of the conceptual framework is discussed in more detail in Appendix 3, where we draw on a broad body of international evidence to highlight what is already known from previous crises as well as emerging data from real-time monitoring of the current crisis in order to illustrate crisis transmission mechanisms.

Figure 1: Linkages between macro-level shocks and children’s experiences of poverty and vulnerability

Figure 1 illustrates the macroeconomic environment dimensions of reduced financial flows, remittances, trade and aid with regard to the current financial crisis, and intermediate effects, including declining investment in public services, higher unemployment, diminished consumption capacity and reduced access to credit. Governmental policy responses shape the way that these then affect household functioning, which translates into children’s experiences of poverty through intra-household dynamics and household composition factors. Identifying the scale and duration of these potential effects at each level is clearly important.

Recent evidence on the impacts of the crisis in developing countries indicates that, for low-income countries (LICs), these have included: reduced financial flows, whereby net financial flows to
developing countries may fall by as much as $300 billion in two years, equivalent to a 25% drop (te Velde, 2008); falling remittances – in LICs remittances are anticipated to drop by between 5% and 7% in 2009, which could cause significant hardship, especially given that some countries are extremely dependent on remittance flows for foreign exchange and to augment household income (World Bank, 2009b); declines in trade volumes and changes in terms of trade, which could hit some countries severely; and reduced aid flows – increased budget pressures in richer countries mean that there are concurrent risks of a cut in the aid budgets and a decline in the value of commitments in dollar terms. These effects have been compounded by pre-existing increases in food and fuel prices: food prices in August 2009 were 57.6% higher than in the same period of 2005 and energy prices were 27.5% higher. The situation has been most severe for the poor, for whom expenditures on food and fuel often represent more than 50% of spending (ibid).

Intermediate effects include declining investment in public services – the World Bank (2009b) estimates that financing shortfalls vis-à-vis core spending on health, education, safety nets and infrastructure amount to $11.6 billion for the poorest countries; unemployment, with layoffs initially in export-oriented industries, cuts in working hours and a shift towards the informal sector; diminished consumption capacity; and reduced access to credit. According to the World Bank, women are particularly vulnerable to any credit crunch in the microfinance sector, where they comprise 85% of the poorest 93 million microfinance borrowers across the globe.

Governmental policy responses shape the way in which these intermediate effects affect household functioning. One key measure undertaken by a number of governments to date has been implementation of a fiscal stimulus package, although many countries struggle to afford this and cannot protect core spending on public services or spend directly to protect jobs and vulnerable people. Different effects of the crisis, and measures undertaken by governments to mitigate them, shape children’s experiences of poverty through reduced household incomes and purchasing power, increased household stresses and intra-household dynamics and household composition factors. Intra-household conditions have wide-ranging effects: reduced consumption, protection and time are just three factors contributing to the above-mentioned declining child wellbeing outcomes. Identifying the scale and duration of these potential effects at each level is clearly important. Experience from previous crises indicates a range of often interlinked potential impacts on children. These include increases in child mortality and morbidity, child labour, child exploitation, violence against children and women and other forms of abuse, alongside declines in school attendance and in the quality of education, nurture, care and emotional wellbeing. Many of these impacts have long-term, lifecourse and sometimes intergenerational implications.
3. Key characteristics of the crisis in Kazakhstan

The economic and financial crisis has hit Kazakhstan after nearly seven years of strong economic growth and solid macroeconomic performance. This, coupled with prudent management of fiscal policy and the use of funds from the National Fund of the Republic of Kazakhstan (NFRK) to provide a significant fiscal stimulus, has enabled the Kazakh government to weather the crisis and to offer support to affected sectors of the economy, as well as to mitigate the impacts on the population, with varying levels of success (see Section 4). However, given the uncertainty of economic recovery and of a more favourable global economic environment in 2010, the effects of the crisis could be longer-lived. This section provides an outline of the Kazakh economy prior to the crisis, in order to enable an understanding of the economic context, and then looks at the main characteristics of the crisis, its impact on the economy and some of the mechanisms the government has put in place to limit the negative effect of the crisis on overall macroeconomic performance.

3.1 The economy between the 1998 Russian crisis and the present crisis

On independence in 1991, Kazakhstan inherited a centrally planned economy, with administrative control over prices, major enterprises in state ownership and responsibility for social service provision shared between these enterprises and social sector ministries. Early transition reforms had dual aims: to respond to the shock of exit from the Soviet Union, the rupture of established trading patterns and the loss of budgetary transfers from Moscow; and to put in place the institutions necessary to develop a dynamic capitalist economy. Major economic policy reforms included liberalisation of prices and the financial sector, privatisation of state-owned enterprises and promotion and development of the hydrocarbon sector.

The period after transition, mainly through the early 1990s, saw high inflation and low productivity which caused the currency to depreciate in 1995. However, this triggered a growth in exports, which led the currency to stabilise. After a short-lived recession, the economy started growing (Kasera and Katz, 2007). By the mid-1990s, Kazakhstan was seen as having one of the region’s most forward-looking economic policies, with a focus on solid macroeconomic performance and on creating a favourable environment for private sector development.

Despite the country’s relative stability and incipient economic growth, the economy faced an important blow during Russia’s 1998 financial crisis. Not only did its exports collapse with the fall in demand from one of its major trading partners but also, with the depreciation of the rouble, it faced an important loss in competitiveness in other export markets. Additionally, cheap Russian goods were flowing into the economy, harming domestic industries. Despite widespread capital outflows in the region, Kazakhstan still managed to attract some foreign investment, as there was a relatively high level of trust in the government’s solid economic policies. Nevertheless, there was an enormous downward pressure on the tenge, including through a deteriorating balance of payments. 1998 was a year of negative economic growth. All these factors made the devaluation of the tenge inevitable and necessary, as pegging it was hurting exporters and domestic industries. In April 1999, the tenge lost almost 40% of its value. Authorities put in place temporary trade and capital controls to minimise impacts on the real economy. From then on, the government continued to implement gradualist policies, which allowed it to regain a firm footing (Kasera and Katz, 2007).

During the second half of 1999, the economy began to recover from the recession, with gross domestic product (GDP) increasing by 9.6% in 2000, compared with 2.7% in 1999. Two external factors contributed to this surge in growth: rising world prices for oil and metals – Kazakhstan’s major exports – and economic recovery in Russia. However, because economic growth in 2000 was driven mainly by growth in the oil and metals sub-sectors, employment did not improve significantly. Consumer price inflation in 2000 subsided to 9.8%, much lower than the inflation rate of 17.8% in 1999. Increased productivity, an improved fiscal position and a stable national currency
were the main contributing factors. The country’s balance of payments improved in 2000, achieving a surplus of 3.8% of GDP, compared with a deficit of 1.1% of GDP in 1999. To reduce volatility in its budgetary revenues, which are highly dependent on oil exports, and concerned with misspending oil wealth which started accumulating in 2000, the government established the NFRK with two aims: i) to save a part of oil revenues for future generations; and ii) to mitigate macroeconomic instability arising from the volatility of oil revenues (Usui, 2007).

After achieving recovery in 2000, the Kazakh economy performed well until 2007, with an average growth rate of 9% annually between 2000 and 2007. Macroeconomic indicators were generally stable. However, although poverty rates decreased consistently in the early to mid-1990s, they did so at a lower rate than economic growth (World Bank, 2004), with a rise in regional inequalities in particular.

3.2 Characteristics of the current crisis

3.2.1 First- and second-round shocks

The Kazakh economy has been struck by two rounds of exogenous shock. The first-round shock was a result of the international liquidity crunch, which hit Kazakhstan in mid-2007, and the second-round shock was caused by a slowdown in global demand for commodities thereafter, which brought down growth to 3.3% in 2008 (much lower than the originally targeted 6% to 7%), against the 9% average during 2000-2007 (ADB, 2009). Similarly, industrial output grew by only 2.1% in 2008, down from 4.5% in 2007. As a result of the two shocks, the economy is now expected to contract by as much as 2%, according to International Monetary Fund (IMF) estimates (IMF, 2009a), as a result of the combined effects of declining export revenues, itself a reflection of depressed international commodity prices, and a contraction in private domestic expenditures. The National Bank of Kazakhstan has slightly more positive forecasts, estimating GDP growth in 2009 at 0.1% to 0.3%.

Table 1: Economic growth outlook for Kazakhstan, 2002-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (KZT billions)</th>
<th>GDP ($ billions)</th>
<th>Real growth, % (year on year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>3,776.3</td>
<td>24.6</td>
<td>9.8</td>
</tr>
<tr>
<td>2003</td>
<td>4,612.0</td>
<td>30.8</td>
<td>9.3</td>
</tr>
<tr>
<td>2004</td>
<td>5,870.1</td>
<td>43.2</td>
<td>9.6</td>
</tr>
<tr>
<td>2005</td>
<td>7,590.6</td>
<td>57.1</td>
<td>9.7</td>
</tr>
<tr>
<td>2006</td>
<td>10,213.7</td>
<td>81</td>
<td>10.7</td>
</tr>
<tr>
<td>2007</td>
<td>12,849.8</td>
<td>104.9</td>
<td>8.9</td>
</tr>
<tr>
<td>2008</td>
<td>16,052.9</td>
<td>133.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: National Analytical Centre, with data from ASRK 2009.

Although GDP has been increasing nominally, the figures in Table 1 highlight a significant reduction in the real GDP growth rate, which went from 9.8% growth in 2002 to 3.3% growth in 2008. This negative trend is illustrated also by Figure 2 below.

1 http://www.adb.org/Countries/Highlights/KAZ.asp.
There are three main indirect transmission channels through which the global crisis has impacted on the Kazakh economy: i) a sharp drop in oil prices, which is shrinking revenues; ii) contraction in global demand, trade and related activity, which is lowering exports, tourism and remittances; and iii) tightening of international credit markets and lower investor appetite for risk, which is affecting capital inflows, depressing local asset prices and reducing investment. Oil revenues in Kazakhstan are projected to go down by more than half on what they were in 2008 (Joshua, 2009). Export of other commodities has also been affected by the slowdown in global aggregate demand.

The first round of shocks to the economy was the result of banks’ high exposure to external financing, which grew significantly between 2004 and 2007. Rather than developing their deposit base, which would have been time consuming and expensive, local banks borrowed massively abroad, mostly short and medium term, to lend domestically, mostly long term. When external liquidity dried up, banks could no longer sustain their credit, which was further aggravated by poor debt repayment of bank loans. Nominal credit growth to the private sector in 2008 was just 2.7%, in stark contrast with the 54.7% annual credit growth in 2007 that fuelled growth in real estate activity and the consumption of durables. Property prices burst, triggered by the sudden standstill in bank lending (ADB, 2009).

Tight liquidity and high inflation were the key monetary policy concerns in 2008, given that consumer price inflation, year on year, hit a peak of 20.1% in August 2008. During 2008, the tenge had to be stabilised using foreign reserves when concerns over liquidity problems in the banking sector sparked higher local demand for foreign currency. These reserve losses, and an 18% devaluation of the Russian rouble in January, made it necessary for the National Bank to devalue the currency by about 20%, to KZT150 (+/- 3%) to $1. Speculation against the local currency and capital flight remain a risk to the currency, which would need to be countered by an increase in domestic interest rates, but increasing domestic interest rates would stunt growth.

One important phenomenon which may have played an important role in the lower growth of other sectors of the economy while oil revenues were booming entails the effects of ‘Dutch disease’. This is an appreciation of the real exchange rate following a large inflow of foreign exchange which discourages exports, growth and employment in the tradable sector, while encouraging imports, and hampers the diversification of the tax base, tax collection and domestic labour supply (UNICEF, 2007b). It is not yet clear what role this phenomenon has played in the crisis, but one hypothesis is that in Kazakhstan the long-term effects of oil revenues on investments, growth and poverty reduction may have been less perceptible, given the effects of currency appreciation on the general economy. However, the devaluation of the tenge in 2008 may have offset some of the

Figure 2: Economic growth trend, 2005-2009

problems caused by Dutch disease in other sectors of the economy, rendering it more competitive and stimulating internal demand again.

3.2.2 Inflation and real wages

The increase in world energy and food prices was reflected in a significant rise in inflation, which peaked at 20.1% (year on year) in June 2008, although it has since come under control through effective use of monetary policy.

**Figure 3: Inflation, overall and by components, Jan 2006-Oct 2008 (%)**

![Figure 3](source)

End-year inflation is projected to register at around 9%, which is a result of pressures moving in different directions. Upward inflation pressures include rising import prices and the continuation of the fiscal stimulus, while low domestic demand, a continuing credit crunch and large capital outflows could contribute to a further tightening of monetary conditions and thus generate downward pressures on inflation. As inflation surged at the end of 2007, real wages started declining. As discussed in Section 4, inflation, and the resulting negative impact on real wages, has been one of the main ways in which the crisis has impacted on individuals.

**Figure 4: Inflation impact on real wages, Jan 2007-Jan 2009**

![Figure 4](source)

Real wage growth in 2008 was 2.5%, down from 16.1% in 2007. This suggests a tightening of labour markets.

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3 http://www.nationalbank.kz/?uid=2571F371-2219-B830-8A180EA8CDBCBBD0D&docid=158.
Second-round shocks have impacted external demand. During the last quarter of 2008 and the first semester of 2009, several factors affected growth in external demand for Kazakhstan’s outputs, in contrast with the nominal export expansion that occurred in 2008. The collapse in international commodity prices brought down the total export turnover of Kazakhstan by 51% compared with the same period in 2008, despite an increase in the volume of exports in the first half of 2009. This was a significant demand shock to the economy, resulting partly from the drop in oil prices and also from the economic slowdown in the Russian Federation, a large importer of energy and metallurgical products from Kazakhstan. As a consequence, industrial activity declined by 5% year on year during January–June 2009. This has impacted significantly on perspectives for economic growth in 2009.

3.2.3 Economic activity and employment

In terms of the volume of industrial production, the first six months of 2009 showed a contraction of 2.7% relative to the same period in 2008, reflecting a 9.5% contraction in manufacturing, mostly in metallurgic production. The construction sector, an engine of constant and strong growth in recent years, contracted by 8.3% in the first half of 2009 in comparison with same period of 2008, affected by the collapse in property prices (ADB, 2009). In addition to the collapse in industrial production, the grain harvest of 2008 was not as favourable as in 2007, and overall agricultural production fell by 5.6% in 2008 compared with 2007 (Joshua, 2009).

Figure 5: Investment activity, 2007 Q1-2009 Q1

Source: National Analytical Centre, with data from ASRK 2009b

In response to these shocks, from 2007 the government started implementing anti-crisis measures to reactivate financial intermediation and to enable credit for key sectors of the economy, as well as countercyclical measures of scaling up public investments to support aggregate expenditure and employment generation. Bank lending has remained stagnant, however. The banking system has significant external liabilities and has been challenged to secure funding and keep satisfactory levels of liquidity, which has affected credit availability and growth prospects. In November 2008, the government announced the $14 billion Anti-crisis Plan (ACP) for 2009-2010 to stabilise the economy, including $10 billion from the NFRK, equivalent to 9.5% of GDP (IMF, 2009b), and tax credits in the amount of $ 4 billion. The plan includes measures for financial sector stabilisation, development of the real sector, support for small and medium-sized enterprises (SMEs), development of the agro-industrial sector and realisation of industrial and infrastructural projects. Although there are important provisions to protect households through targeted social protection to mitigate the poverty and vulnerability impact of the crisis, these feature less prominently than other components (Joshua, 2009). Thus, with significant social impacts unfolding, it becomes imperative to ensure part of the stimulus focuses on policy to cushion the impact on the poor and vulnerable and to improve service delivery, as discussed in detail in Section 6.
The government is facing a significant challenge in containing the social impacts of the crisis while managing the new round of real economy impacts on the financial sector. According to official employment data, impacts on unemployment have so far not been as severe, with the unemployment rate in Q2 of 2009 at 6.7%, compared with 6.6% in the second quarter of 2008 (ASRK, 2009a). This might suggest that official employment data have not yet accurately reflected what is happening in the economy, because of: time lags in layoffs of workers; people moving into underemployment and not being reflected in official data; and losses in the informal sector not being acknowledged in data. It could also be a result of the Road Map – the state’s employment generation programme. The government has announced that one of its top priorities is to keep unemployment below 8%. However, with economic growth set to remain weak and financial conditions difficult, an increase in layoffs from companies may take place, with a consequent increase in unemployment this year. Some regions with already high unemployment and poverty will be particularly hard hit. For example, data for the second quarter of 2009 provided by the Agency of Statistics of the Republic of Kazakhstan (ASRK) show that Almaty’s unemployment rate has reached 8.0%, with the rate in Aktubinskaya at 6.1%, highlighting significant disparities.

Figure 6: Monthly labour market indicators, 2008-2009 Q3

Source: ASRK (2009b).

Figures in Table 2 indicate that effects on unemployment in the formal sector have been well mitigated through government policy, with no significant rise with respect to 2008. However, increases in underemployment and precariousness of employment, among other factors, may not be captured adequately in these aggregate unemployment figures.

Table 2: Employment outlook for Kazakhstan

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009 Q1</th>
<th>2009 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force</td>
<td>7901.7</td>
<td>8028.9</td>
<td>8228.3</td>
<td>8415.0</td>
<td>8413.5</td>
<td>8464.8</td>
</tr>
<tr>
<td>Employment</td>
<td>7261.0</td>
<td>7403.5</td>
<td>7631.1</td>
<td>7857.2</td>
<td>7830.4</td>
<td>7896.6</td>
</tr>
<tr>
<td>Unemployment</td>
<td>640.7</td>
<td>625.4</td>
<td>597.2</td>
<td>557.8</td>
<td>583.1</td>
<td>568.1</td>
</tr>
<tr>
<td>Unemployment rate, %</td>
<td>8.1</td>
<td>7.8</td>
<td>7.3</td>
<td>6.6</td>
<td>6.9</td>
<td>6.7</td>
</tr>
<tr>
<td>Youth unemployment rate, % (age 15-24)</td>
<td>13.4</td>
<td>12.1</td>
<td>9.4</td>
<td>7.4</td>
<td>7.7</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Source: ASRK (2009a).

Credit markets in Kazakhstan will remain tight and nonperforming loans are more than likely to rise as business conditions deteriorate and unemployment begins to show up in official statistics (Joshua, 2009). Constraints of credit availability are negatively affecting the development of the
Impact of the Economic Crisis and Food and Fuel Price Volatility on Children and Women in Kazakhstan

The economy, both in terms of investment in SMEs and larger businesses and for consumers and investors. The ratio of bank credits to the economy to GDP decreased in 2008 compared with 2007, from 57.0% to 46.9% (Makhmutova, 2009). Still into 2009, the banking sector has continued to contract substantially in reaction to the cumulative effects of reduced access to credit to the population and the diminution of asset values. Borrower ability to service debt continues to decline in a weakened economy, reflecting lower loan repayment and collateral values in a declining real estate market, rendering it more difficult for banks to recapitalise (ADB, 2009). A continuing contraction in credit could trigger recession through a real fall in economic activity and consumer demand (IMF, 2009a).

In terms of remittances, Kazakhstan is a major regional recipient of migrants and thus faces an outflow of capital connected to payments to migrants. In 2007, remittance outflow was $2.99 billion and inflow was $132 million. In 2008, all remittance flows declined over a nine-month period, outflow by 36% and inflow by 11% (Makhmutova, 2009). In this sense, the impact of the crisis has also had ripple effects on the neighbouring economies of the Kyrgyz Republic and the Republic of Tajikistan, which are dependent on Kazakhstan for investments as well as worker remittances (ADB, 2009).

3.2.4 Balance of payments

Most of the adverse impacts in Kazakhstan were concentrated in the first two quarters of 2009, but as the crisis continues to spread to the real economy around the world, initial expectations that Kazakhstan and other countries will recover fast are less likely to be realised. The inflation outlook remains broadly unchanged for 2009, and the balance of payments will deteriorate further. The surplus on the external current account will contract significantly, and the capital account deficit will rise, with further capital outflows, largely on account of external repayments by the banking and corporate sectors. The capital account is likely to deteriorate, reflecting repayment obligations; a lack of large new foreign direct investment (FDI) and portfolio investments; and capital outflows. The step devaluation at the beginning of the year was necessary to increase the competitiveness of import-competing industries and to reduce depreciation expectations. With other currencies (such as the rouble) also depreciating, there might still be a loss in competitiveness, affecting the labour market negatively through a continued decrease in demand for Kazakh goods and services.

3.2.5 Fiscal stimulus

Kazakhstan so far has been able to respond to the challenges of the crisis through a significant release in fiscal stimulus resources as a result of prudent fiscal management over the past decade. The establishment of the NFRK in 2000 has allowed the government to consolidate all revenues from the extractive sector, and the fund has generally been used prudently over time to meet social safety net needs or to provide funding to national development institutions. The severity of the crisis has necessitated large transfers and commitments from the NFRK, including to fund the ACP (ADB, 2009). For this reason, Kazakhstan’s early fiscal policy response has been equivalent to that of many other G-20 countries and greater than the internationally recommended 2% of GDP. Still, even though policy responses are providing considerable support to the economy, the combination of extremely large adverse external shocks and certain domestic vulnerabilities makes a quick return to strong growth unlikely (Joshua, 2009).

There will be a fall in fiscal revenues in 2009. Estimates of tax revenues in the budget (which consists of non-oil tax revenues) for 2009 have already been reduced by 12% compared with 2008, as the tax code provided tax easing as a crisis response. However, non-oil tax revenue was cut by another 20% during the April 2009 budget revisions, as the economy contracted in the first quarter, reflecting weak business activity and consumer demand. Tax and non-tax revenues from oil enterprises, which accrue directly into the NFRK, have also declined. January-August 2009 oil revenues declined by 28% compared with the same period in 2008.

Still, despite the pressures, it is estimated that Kazakhstan’s fiscal position is strong enough to weather the current crisis, and it is expected to improve starting 2011. Under its three-year medium-term budget framework (MTBF), the fiscal deficit is expected to narrow in 2011, with the
fiscal stimulus expected to be carried on until 2010 (ADB, 2009). This means that the projected fiscal deficit for 2009 has been revised upwards to 3.5% of GDP. Revenue effort, after registering a drop of 4% between 2008 and 2009, is expected to remain steady until 2011. It is envisaged that transfers from the NFRK will be slightly less in 2010-2011 compared with 2009 although, if poverty remains high, this support should continue. In order to continue supporting economic expansion, development and recurrent expenditures are expected to increase by 23% and 10%, respectively, in 2010. However, the expenditure-to-GDP ratio is expected to be maintained at around the 2009 level.

Considerable uncertainties still surround the near-term outlook. Higher oil prices could lead to stronger growth, particularly in 2010, while failure to deal with the problems in the banking sector or a more protracted global recession would lead to a deeper and longer contraction. In turn, this would feed back into banks' asset quality, undermine confidence in the banks and, in a worst case scenario, lead to a deposit run (IMF, 2009a).

Although the government is making efforts to limit the impact of the crisis, if global conditions turn out worse than expected, recovery in Kazakhstan could be delayed into 2010 or beyond. If this continues over time to a point where the fiscal deficit continues to grow and resources from the NFPK are significantly depleted, there could be reductions in social and poverty-related spending at a time when needs are rising. However, authorities have stressed that, in the near term, fiscal policy is to remain flexible and to respond to changing economic circumstances. However, on the positive side, current oil prices have risen above those assumed in recent projections. If higher prices are sustained then recovery could be earlier and more rapid than projected. Moreover, in September 2009, the Asian Development Bank (ADB) approved a fiscal stimulus loan to the government of Kazakhstan of $500 million. As a result of this support, the total decline in the fiscal balance will be cushioned.\footnote{Interviews with Ministry of Budget and Economic Planning, Astana, 8 September 2009.}
4. Impacts of the crisis on vulnerability of children and families

This section identifies crisis impacts on key household, intra-household and child vulnerabilities and their drivers, placing the current status of children in both pre-crisis context and in relation to perceived impacts of the crisis. It begins with a review of poverty and of key economic and social vulnerabilities in the country (and their gender- and child-specific manifestations). It then discusses the channels by which impacts are transmitted to households, outlining key coping strategies and analysing their potential impacts on children’s wellbeing. We analyse the extent to which the crisis is resulting in deprivations of children’s rights to survival, development, protection and participation. Given what we know about the lag effects of economic crises in terms of affecting ordinary citizens, we also seek to identify areas where children and caregivers are likely to be especially vulnerable as the crisis unfolds.

4.1 Profile of vulnerability in the current crisis

4.1.1 Background
As we have seen, following independence in 1991 the transition period in Kazakhstan was one of unprecedented, rapid economic and social change, which followed a period of economic stagnation and slow progress on social indicators in much of the Soviet Union (Cornia, 1995). The shock of the break-up of the Soviet Union and the rapid economic reforms of transition led to substantially increased poverty rates in the country and a range of negative effects on children’s wellbeing (e.g. Bauer et al., 1998). These reflected both rising income poverty and substantial reductions in state expenditure on key services for children.

Income poverty rates in Kazakhstan rose from around 16% at independence to 34% in 1996 (Falkingham, 2000). In common with other countries in the region, as a result of price liberalisation, privatisation, declining real wages and open unemployment, inequality increased sharply and rapidly during the transition period, with the Gini coefficient rising from 0.29 in 1989 to 0.33 in 1993 (ibid). The gap between the income of the poorest population groups and that of the richest is significant. In Kazakhstan, the wealthiest 3% have the same share as the poorest 20%, i.e. 10% of the total return. Almost a quarter of all household revenues belong to the wealthiest citizens, whereas the poorest 10% have only 4% of all household revenues (UNDP, 2007). Between 1998 and 2007, the Gini coefficient was mostly between 0.3 and 0.4, indicating a high degree of inequality.

Many aspects of child wellbeing suffered in the initial transition period. For example, enrolment rates at preschool fell from 50% of the relevant age group in 1991 to 16.0% in 2006 (UNICEF, 2001; 2006a). Enrolments at upper-secondary level declined by 13% and in technical and vocational education by 39% over the period 1989-1997 (Falkingham, 2000). The infant mortality rate rose in the period up to 1993 and then started to fall (ibid). The 1990s saw the emergence of both rural and urban child labour and of street children, as families struggled to cope with unemployment, rising prices and the decline in public services. The rate of institutionalisation of children rose over the 1990s, as families that could not cope had their children admitted to institutions or were deprived of parental rights (UNICEF, 2001). There was also a notable increase in suicides among young people, particularly young men (Falkingham, 2000).

However, from the late 1990s until 2007, Kazakhstan experienced a period of sustained economic growth, averaging 9% per year (ADB, 2009). Poverty fell substantially during this period. Kazakhstan achieved almost full enrolment in both primary and secondary education and child labour was more or less eradicated in urban informal sector work (Centre for Study of Public Opinion, 2006). At the same time, a number of indicators of children’s wellbeing made more limited improvements. In particular, health and nutrition indicators lag behind those of other countries with
similar per capita GDP levels. For example, in 2006, the infant mortality rate was 31.8 per 1000 live births, and 41 for the poorest socioeconomic groups (Makhmutova, 2007). As such, it was similar to the rate in much poorer neighbouring countries, such as Kyrgyzstan. Child mortality rates in 2004 were approximately 25% higher in Kazakhstan than in other post-socialist countries with similar GDP levels (e.g. Bulgaria and FYR Macedonia) and also higher than those of other oil-rich countries with similar levels of GDP per capita, such as Iran (Cornia, 2007). Maternal mortality actually rose during the growth period – from 36.9 deaths per 100,000 live births in 2004 to 44.9 in 2006, and rates were even higher in some oblasts, such as Kyzylorda (96.6) (Makhmutova, 2007), reflecting poor health and high levels of anaemia among women. In common with other middle-income countries, nutritional indicators in Kazakhstan show a dual pattern of an increasing problem of overweight children under five, especially one to two year olds, as well as problems of undernutrition and micronutrient deficiency (Timmer, 2007).

Poor health indicators may partially reflect relatively low access to safe water and sanitation, particularly in rural areas (where only 57.2% in rural areas have access to potable water) and in newly constructed urban settlements. As a result, almost a quarter of the population uses unsafe drinking water (UNICEF, 2006a). There are also high levels of overcrowding, with the average living space falling short of the social norm of 18m² per person in 2004 (UNDP, 2005a). In 2004, only 44% of households were living in housing with all utilities (water, sanitation, heating, lighting) and only 48.8% had access to sewerage. In rural areas in 2004, only 4.3% of the population had access to improved (modern) sewerage systems, representing a decline from 10.4% in 1999 (ibid).

They also reflect relatively low levels of public spending on health and education. In particular, as will be seen in more detail in Section 5, public spending on the social sectors decreased as a share of GDP for 15 years (Makhmutova, 2007) until 2008, when expenditure in these sectors increased, partly as a response to the impacts of the crisis. Despite rapid economic growth in the 2000s and a substantial increase in government revenues, public spending in some key areas lags behind that of other countries with similar GDP per capita levels, notably those in southeast Europe and the western Commonwealth of Independent States (CIS). In particular, both education and health sector spending have historically been approximately 1% lower than the average for similar middle-income countries (Cornia, 2007). Figure 7 depicts the differential in public expenditure between Kazakhstan and other similar economies in the mid-2000s.

Figure 7: Kazakhstan’s overall public expenditure/GDP in relation to transition economies’ norm

Source: Cornia (2007).

5 In 1997 tax collection rates had reached a low of 13% (EBRD, 1998, cited in Falkingham, 2000).
Health and education expenditures have increased in recent years, and investments in education in particular, especially at tertiary level, have been substantial. However, continuing disparities between better-off and poorer regions and socioeconomic groups indicate that resources have not been directed sufficiently towards disadvantaged areas and groups to overcome the inequalities that grew substantially over the transition period. These ongoing inequalities may be one reason why health indicators in particular lag behind those of other countries with similar GDP. There is a growing body of evidence indicating the strong negative effects of inequality on health outcomes (e.g. Wilkinson and Pickett, 2009), even where health sector expenditure is controlled for.

The next two sections explore actual and potential vulnerabilities to the current crisis in more detail. The following section outlines two main drivers of vulnerability:

1. Structural vulnerabilities to poverty and social exclusion arising through economic, geographical and socio-cultural factors, which exacerbate the effects of economic shocks;
2. Vulnerability arising as a result of downturns in particular sectors of the economy.

We then turn to discuss the channels by which impacts are transmitted to households, identifying key coping strategies and analysing their potential impacts on children’s rights.

4.1.2 Structural vulnerability

Poverty trends and correlates
The impacts of the crisis are reflected in poverty incidence which, despite having decreased significantly from 2006 to 2007 (from 21.7% to 14.7%), increased slightly in 2008, to 15.9%, driven by an increase in urban poverty from 8.8% to 12.1% (rural poverty actually decreased slightly), largely as a result of higher prices, lower real wages and unemployment. This section outlines the main correlates of poverty and identifies groups for which recent economic shocks are likely to lead to declining welfare.

Poverty and labour market status
As discussed elsewhere, the main transmission channel of the global economic downturn in Kazakhstan is the labour market. Overall poverty incidence was 15.9% in 2008, but a substantial proportion of the population is vulnerable to poverty. Self-employed people, those already on low wages and those working in the informal sector are at the greatest risk. Women are disproportionately employed in these sectors, making them more vulnerable than men.

In the mid-2000s, the latest date for which data are available, 44% of employees earned low rates of pay, making them vulnerable to poverty. At this time, 58% of the poor were people of working age without a job or with salaries so inadequate that they could not provide for themselves or their families (UNDP, 2004). Although these figures may have declined during the growth period in the past decade, any improvements in pay rates are likely to have ceased during the crisis.

Poverty rates among informal sector workers – in both agriculture and urban informal sector occupations – are considerably higher than among formal sector employees. Self-employment has

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6 Poverty is defined as having a per capita income below 40% of the national subsistence minimum. The subsistence minimum is an objectively defined level of income (expenditure) proportionate to the value of goods and services included in the consumer’s basket. The consumer’s basket consists of the food basket (70%) and non-food items and services (30%). The food basket size and structure is calculated to meet a certain nutritional intake expressed mainly by calorie intake, also considering food habits and availability of the goods in the local market. This figure is frequently adjusted in Kazakhstan to reflect the changes in costs of living. Since January 2009, the subsistence level has been equal to KZT13,470. The poverty line is defined at 40% of the subsistence level (Pradeep, 2007).

7 Self-employed people are also mostly ineligible to receive Targeted Social Assistance (TSA), further entrenching their disadvantage. Only 5% of self-employed people received TSA in 2006; others were disqualified because they held assets (Sange Research Centre, 2008).

8 This is not defined in UNDP’s report. It is likely that they were earning around or less than the minimum living wage. In 2009, this was KZT13,470 per month.
been a key survival strategy for women in Kazakhstan, in particular during the 1990s and early 2000s, with the number of women who are self-employed continuing to grow, especially in rural areas. In 2007, women accounted for slightly less than half of self-employed people overall, but in rural areas more women than men are self-employed (respectively, 59.2% and 51.5%). Women are self-employed mainly in such sectors as trading in commodity and food markets, catering, household services and agricultural processing. The limited access that women have to the financial resources necessary for business often confines them to small businesses, mostly in the informal sector, which yield relatively lower incomes.

There is considerable gender inequality in pay in Kazakhstan. In 2006, the average salary for men was KZT49,737, compared with KZT30,984 for women. Women earn, on average, 62.3% of men’s earnings (ADB, 2009). Figure 8 illustrates trends in gender differentials in recent years.

**Figure 8: Average monthly nominal wages by gender, 2005-2009**

![Average monthly nominal wages by gender, 2005-2009](source: National Analytical Centre calculations, using data from ASRK 2009.9)

The majority of women employees are concentrated in areas with low wages – education, health care, social services, hotels and restaurants – where women make up 70% to 80% of the workforce. By contrast, the majority of working men – from 60% to 80% – are concentrated in areas in which the level of business investment from both the private and the public sector is high, such as construction, mining and the oil industry, and wages are concomitantly higher. Even in sectors with a high share of female employment (health care, education and public administration), male labour is paid 18% to 28% higher than female labour. The concentration of women in low-paid sectors, and these gender differentials within sectors, is a factor in women’s low earnings and greater vulnerability to poverty. It also forces women to look for additional jobs. In addition to compromising children’s living standards, this can reduce the availability of time and care for children.

Detailed data linking the evolution of poverty and unemployment as a result of the crisis in Kazakhstan are not available. However, given that unemployment is generally correlated with lower household incomes and thus poverty, it is reasonable to hypothesise that the unemployed are more at risk of poverty. There is a strong gender differential in unemployment in Kazakhstan, with women more likely than men to be unemployed. According to the latest data from ASRK (2009a), in Q2 of 2009 men constituted 43.2% of unemployed people and women 56.8%. Women’s unemployment levels are higher than men’s, irrespective of their education, excluding unemployed men with only primary education. Women’s unemployment levels being higher than men’s suggests that they may be particularly vulnerable to poverty. The difference between male and female employment rates is highest in the 30-55 age category (ibid), which may be because women of child-bearing age are discriminated against or because of a lack of child care. The high female unemployment level is further aggravated by the difficulty women have finding jobs once they have been out of the labour force for a period.

Poverty and household composition

The risk of poverty in Kazakhstan is associated strongly with household size and structure. In particular, it is concentrated heavily among large households with small children, young families with children and single parent families. Analysis carried out by the Sange Research Centre (2008) confirmed that poverty headcount rates increase uniformly with size of household. Incidence of poverty in households with seven or more members was 44%, compared with 2% in single member households. Disaggregating household composition further, 18.2% of households with one child were poor, and 2.7% extremely poor, whereas 24.6% of households with five children were poor and 55.4% extremely poor. In terms of the age of children, overall, families with children under seven years old and rural families with children between seven and 15 are most vulnerable to poverty. Between 2006 and 2008, poverty declined more slowly in larger households and in households with more children.

Sange’s analysis found that 19.5% of single parent families (which are largely headed by women) were poor and 3% extremely poor in 2006. Approximately 20,640 single parent families live in poverty in Kazakhstan. Male-headed single parent households have a slightly higher poverty rate – 17% in 2008, compared with 15% in female-headed households. This may be because multi-child families, which are more often poor, are mostly male headed, whereas female-headed families are usually single parent families with fewer children or those where the male head is disabled. Between 2006 and 2008, poverty decreased more rapidly among male-headed households, causing the gap between the two poverty rates to shrink. At the same time, the share of the poor represented by female-headed households increased by 10%, pointing to an increasing vulnerability of female-headed households (World Bank, 2009a).

Child poverty

While the absolute number of children living in income poverty has declined in Kazakhstan – owing mainly to improvements in household income and expenditure levels – a significant share of children remains impoverished. In 2005, almost 30% of children under 16 in Kazakhstan were living on less than $2.15/day (purchasing power parity – PPP) (UNDP, 2005). In contrast with other CIS countries (e.g. Kyrgyzstan), in Kazakhstan there is a dearth of literature exploring child income poverty, and limited insights into the ways specific groups of children are affected by poverty. Nevertheless, a few broad characteristics can be emphasised.

As in many countries, child poverty rates are higher on average than adult poverty rates. Children are disproportionately concentrated in the lowest two quintiles. For example, the bottom quintile group contains 45.2% of all children, and 37.5% occupy the second quintile group (ASRK, 2008a). Equally concerning is the fact that many children in Kazakhstan hover near the poverty line (ibid). In addition, recent macroeconomic changes may well push more children and their families into poverty.

Persistent and growing disparities are also emerging between specific groups of children. As discussed already, children in large families are especially disadvantaged. Poverty risks are also greatest for young children, gradually decreasing with age. As argued by Stewart and Huerta (2006), the relatively higher poverty risk for younger children in part reflects lifecycle issues – young children are likely to have younger parents who have not yet reached their earnings peak. But they also reflect the generally inadequate level of financial and other support given by states to young children (ibid).

Children in rural areas have benefited less from the impact of economic growth. The highest child income poverty rates tend to be found in rural areas and the lowest in main cities (e.g. Almaty and Astana). Large households remain vulnerable wherever they live (World Bank, 2004). Distribution of child poverty broadly mirrors distribution of the child population. For example, in Astana, where the child population is lowest, the child poverty rate is also low. In comparison, Atyrau has both the highest birth rates and the highest child poverty rates.

10 Interview with the World Bank, Astana, 25 August 2009.
Children living outside family care are another vulnerable group. Their vulnerability to poverty and the effects of crisis arises largely through any changes in budgets for children in state or foster care. Given that children leaving institutional care may have greater difficulties in the transition to adult life (such as finding employment and housing), they may need additional support from the state in making this transition.

Young people also face specific vulnerabilities. While age-specific poverty data were not available, there is some indication that young people have a higher risk of unemployment than the general population. Over the past two years, the youth unemployment rate has been between 0.5 and 3.3 percentage points higher than the general unemployment rate. For example, according to data from ASRK (2009a), while the overall unemployment rate was 6.7% for the second quarter of 2009, youth unemployment was at 7.2%. Young people also face specific health and social vulnerabilities (see Section 4.4). Other dimensions of child poverty and deprivation beyond income poverty are further analysed in the following sections.

Geographical and rural–urban differentials
Poverty is to a great extent a rural phenomenon in Kazakhstan. The lowest poverty level in 2007 was in the cities of Astana and Almaty, where the population shares with an income below the subsistence minimum were 3.2% and 8.5%, respectively. The highest poverty levels were recorded in Kyzylorda oblast, at 24.6%, Mangistau (26.9%), Akmola (16.6%), Atyrau (13.0%) and Zhambyl oblasts (9.9%) (ASRK, 2008a). It is notable that, in Atyrau and Mangistau, a high poverty level coexists with the highest level of average salary nationwide. These salaries are inflated by oil, but employment opportunities in extractive industries are limited in number and benefit only a small part of the population. Beyond the sector, these oblasts are economically underdeveloped.

Rural poverty in all oblasts is almost twice as high as urban poverty. Rural areas, which contained 57% of the poor and 43% of the population in 2008, had the highest level of poverty of all settlement types, at 21.2% in 2008. The highest disparity – more than fivefold – was in Actobe and Qostanai oblasts, and disparities were more than threefold in Mangistau, Atyrau, Pavlodar and North Kazakhstan oblasts. The lowest poverty rates were in large cities (10.1%), with the lowest rate of all in Astana (4.5% in 2008) (UN, 2008).

The lower urban than rural poverty rate reflects greater urban formal and informal employment opportunities, the higher level of education of urban residents, higher paid jobs and generally better access to social services. Rural employment opportunities are relatively limited, especially for young people. Industrial enterprises have been concentrated mainly in urban areas. In rural areas, until now, the state has been the major formal sector employer, with employment opportunities in the social service sector (health care, education, etc).

Socially excluded groups
Disability and migrant status are among the main drivers of social exclusion and vulnerability in the country. The presence of disabled people in a household appears to increase the risk of poverty (UNDP, 2009), as disabled people are disproportionately likely to be unemployed. In 2008, there were 409,170 disabled persons in Kazakhstan (about 3% of the total population) (ASRK, 2008a). In rural areas, the acute shortage of inclusive schools, lack of access to health and rehabilitation services and generally high medical costs trap disabled children in severe social isolation. The situation of disabled children in urban areas appears to be slightly better, owing to the availability of schools for disabled children and NGO support in some areas.

Migrant families – both immigrants and internal migrants – are another highly vulnerable category in Kazakhstan. Soaring demand for cheap and unskilled workers, especially in the construction sector, and demand for export goods have resulted in a large flow of labour migrants from poorer neighbouring countries to Kazakhstan in recent years. Increasing employment opportunities in better-off regions have also facilitated rapid internal migration, which has tended to be from poorer

11 Key informant interview, Baidibek, 4 September 2009.
to better-off oblasts, and from rural to urban areas, in particular to Astana and Almaty cities. In both cases, migrants’ vulnerability arises from weak or absent protection rights, lack of employment or lack of professional skills and knowledge of good quality jobs offered on the urban labour market, as well as the need to adapt to a new environment and make new social contacts. There are two distinct patterns. The majority of migrants are young men (sometimes women) migrating without their families; a smaller number migrate with them. Many experience problems with registering at the new place of residence, which prevents them and their families from accessing social services and benefits (UNDP, 2004). Information about the impact on children in Kazakhstan of breadwinners migrating and leaving the family behind is not available. Evidence from other countries in the region indicates that children in such families may face increased domestic workloads to compensate for the absent parent (Ablezova et al., 2004). The emotional impact on children can also be negative, particularly where children see a migrant parent only occasionally or lose contact with them altogether. These negative effects on their mental health can also lead to reduced educational achievement (UNICEF, 2008c).

Oralmans form an especially vulnerable group in Kazakhstan. These are repatriates of Kazakh origin returning to Kazakhstan from neighbouring countries, mostly Mongolia and Uzbekistan, who are promised special support from the state (e.g. citizenship, housing benefits, social assistance). Over the period 1999-2005, 450,000 Oralmans arrived in Kazakhstan. The majority have settled in the southern and western regions (South Kazakhstan, Almaty and Mangistau oblasts). Their vulnerability arises because of difficulties with employment, housing, etc, inadequate knowledge of the Kazakh language and often low qualifications.

**Impacts of crisis on poverty incidence and food insecurity**

To date, declining national growth rates have been felt most acutely in urban areas. As the economic growth rate fell to 3.3% in 2008 (from 9% per year in the 2000-2007 period (ADB, 2009)), poverty rates started to rise in urban centres. The overall poverty headcount rose by 8% to 15.9%, as a result of a notable rise in poverty in urban areas – up 38% from 8.8% to 12.1%. Rural poverty actually continued to decline during this period but was still almost twice as high as the poverty level in urban areas in 2008 (Makhmutova, 2009).

Analysis of official data (see Figure 9) indicates a small rise in the severity and depth of poverty from the first quarter of 2009, respectively by 1 (urban) and 0.5 (rural) percentage points. The depth and severity of poverty are likely to increase more than headcount rates, as these are more sensitive to growth patterns.

![Figure 9: Changes in depth and severity of poverty, 2005-2009 Q2](image)

**Notes:** Poverty depth measures the mean deviation of household income level from the officially determined poverty line. Poverty severity measures the mean squared deviation of income level below the officially determined poverty line to show the spread in magnitude in income of poor people.

**Source:** National Analytical Centre calculations using ASRK data, 2009.

12 Key informant interview, Shymkent, 3 September 2009.
The recent food price hikes, combined with a decrease in purchasing power, are already causing food insecurity among low-income families. As indicated in Section 3.2.2, official data for 2007 and 2008 suggest sharply rising food (and other) prices in 2007 and the first two quarters of 2008, and then a decline in the second two quarters. Inflation in food prices was much steeper compared with other goods and services, reaching almost 21% in mid-2008. In that food costs form almost half of poor households’ expenditures (see Figure 11), it is likely that rises of this magnitude will lead to an increase in poverty, particularly in urban areas, where most people are net consumers of food grains.\textsuperscript{14,15} World Bank simulations based on household surveys from 2008 suggest that the impact on poverty could be significant – a 5% relative increase in food prices could increase poverty rates by 2-3 percentage points (World Bank, 2009c).

**Figure 11: Structure of cash expenses of poor households in 2005 (%)**

![Figure 11: Structure of cash expenses of poor households in 2005 (%)](source)

Official data indicate that the proportion of the population with incomes lower than the subsistence minimum rose consistently over the first three quarters of 2009 (from 10.6% to 16.2%) but then fell abruptly to 8.8% (Makhmutova, 2009). It is not clear whether the set of factors that led to these rises are now under control or if they could reoccur.

### 4.1.3 Vulnerability related to downturns in specific sectors

It is mainly labour-intensive sectors that have suffered most from the economic downturn: manufacturing (-11.5% growth in January-May 2009); construction (-8.3%); transport and communication (-7.9%); power distribution and water supply (-7.6%); and trade (-6.8%). These account for a significant share of the economy and employ close to 25% of the active labour force (65% men and 35% women). Agriculture has also been affected, with production falling by 5.6% in 2008 in comparison with growth of 8.4% in 2007 (Makhmutova, 2009). Other significantly affected sectors are banking, financial services and real estate. SMEs (small traders in particular) have also been impacted by reduced demand. These falls in outputs per sector have been reflected in a fall in wages, which has been significant in many sectors, as illustrated by Figure 12.

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\textsuperscript{14} Following the Russian financial crisis of 1998, urban households in countries as diverse as Armenia and Kyrgyzstan were disproportionately affected by price rises (Falkingham, 2003). See also Waddington (2005).

\textsuperscript{15} Interview with the Public Policy Research Centre (PPRC), Almaty, 31 August 2009.
Real wages in health, education and government management have increased in 2009, partly as a result of government’s emergency compensation to public sector employees. Public sector employees are also less likely to be laid off compared with workers in the private sector, and employment is, at present, relatively cushioned, thanks to NFRK revenues. Since almost half of the population resides in households headed by a public sector employee, a sizable proportion of the population does not face the risk of an immediate severe shock to their wellbeing. However, wages in other sectors have decreased or failed to grow at earlier rates. By comparison, in 2009 in the private sector, production was partially stopped at 590 enterprises, and 70,600 workers were employed part-time and/or were on enforced leave without payment (up from 20,700 at the beginning of the year) (Kovalevskiy, 2009).

The risk of layoffs, falling real wages and hence severe consumption shocks arising is lower in rural areas, since more of the rural population reside in households headed by public sector employees compared with urban populations (70% and 42%, respectively) (ASRK, 2008a). At the same time, poverty is more widespread in rural areas and the higher incomes of urban private sector employees may help cushion consumption in the case of unemployment. Furthermore, apart from public sector employment, in the less developed rural areas job opportunities are of a seasonal nature, such as in agriculture or irrigation works, meaning that for already poor or crisis-affected families other employment opportunities are limited.

Since the start of the financial turmoil in 2007, constrained access to international capital markets has generated difficulties in the banking sector, which virtually stopped domestic lending as a result. Some of the effects of reduced credit supply have been as follows.

**Construction sector**

The sharp slowdown in bank lending led property prices to fall and to a collapse in demand for construction services. Real estate transactions decelerated substantially in 2008 (ADB, 2009). People working in the real estate sector (construction and retail) have been affected heavily by the decrease in demand. The most vulnerable group, however, is that of low-skilled construction workers employed in the large cities (Astana and Almaty). Many of them are labour migrants from neighbouring countries (already disadvantaged because of their low income and, in some cases, illegal working status). This group also comprises internal migrants who have relocated from rural areas of Kazakhstan to the larger cities in search of better jobs. Many are vulnerable because they remain unregistered in their new location and thus fall outside the formal safety net system. Emerging anecdotal evidence suggests that the already highly insecure situation of labour migrants has been exacerbated by the economic recession and growing employment insecurity.
Despite the difficulties, many have decided to stay in urban areas, hoping that the situation will improve. It has been reported that some are deciding to accept worse working conditions – very little pay – to remain in the city.20 Notably, their deteriorating earning capacity has important implications with regard to reduced remittances to children, wherever they live. There is already clear evidence that the global crisis is having a strong impact on remittances for the CIS countries that are highly reliant on these flows of resources (UNICEF, 2009d).

**Small and medium-sized enterprises**

At least 34.8% of the labour force is engaged in SMEs (ASRK, 2008a).21 SMEs have been hit hard by tightening access to credit and diminished demand and profits. Some of the most significant SMEs in Kazakhstan include construction traders and various service businesses, such as beauty salons, shops, market stalls and small manufacturers, for example souvenir makers and dressmakers. The decline in demand and consumption has meant that small traders have experienced rapid downturns in production. Business defaults have started to occur (Kovalevskiy, 2009). Financial liquidity problems mean that even enterprises that are not so badly affected in terms of demand are unable to make investments and grow their businesses because of a lack of credit.22

**Gender and employment in the crisis period**

An analysis of the distribution of employment by gender across economic activities indicates that, although more women than men are unemployed, this reflects structural gender inequalities in the economy rather than a specific effect of the current crisis. All the sectors hit hardest by the crisis have a higher share of men employed, ranging from 63% to 75% (ADB, 2009), but women in these sectors are often concentrated in poorly paid ancillary activities and may be particularly vulnerable to dismissal. Data on gendered trends in employment and dismissal are not available; these trends require further monitoring. However, there is already some evidence from Kazakhstan of women being discriminated against when companies make their decisions about whom to make redundant (UNDP, 2005b).23 Moreover, ADB (2009) points out that, during the 1997 Asian financial crisis, women were discriminated against in layoff decisions. Increases in unemployment among women-headed households with children could have a disproportionate impact on their poverty levels.

### 4.2 Household-level impacts

This section looks at two main channels by which the meso-level impacts of the crisis discussed in Section 3 are being transmitted to households. It focuses on falling purchasing power and emotional stresses on parents as they attempt to manage their households with diminished resources and to meet their children’s needs.

#### 4.2.1 Reduced purchasing power

Loss of purchasing power has been one of the most significant impacts of the crisis, resulting from high inflation, particularly in 2008. In the first half of 2009, total household consumption had decreased by 2.2% in real terms compared with the same period in 2008. This reflects rising costs of key items, particularly food. In 2008, the 10.8% rise in food product prices over the year contributed to an increase in the Consumer Price Index (CPI) to an annual average of 17.3% in 2008, largely because of the rise in global food and energy prices. In many regions, the rise in food prices in 2008 was between 30% and 40% (Lillis, 2009; Makhmutova, 2009), despite government’s administrative measures to limit increases in food prices, which were further undermined by

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20 Interview with Almaty Job Centre, 1 September 2009.
21 This is likely to be an underestimate as a great proportion of the informal sector is not captured in the official data.
22 For example, in the field research we interviewed a young female entrepreneur (mother of two), owner of a printing company. Even though her business had the potential to grow, lack of credit meant that she was unable to buy new equipment to expand production.
23 In 2004, for example, the share of women made redundant as a result of the closure of an enterprise or an organisation constituted 56% of all the dismissed, and 62% of those removed as a result of a personnel reduction (UNDP, 2004).
drought and a drop in agricultural output (ADB, 2009). According to research carried out by the Nur Otan Party, the cost of medicines has also risen, by 60% (Lillis, 2009).

Our fieldwork research confirms these findings. At household level, families are already experiencing declining living standards, owing partly to inflation, the devaluation of the tenge, the rise in prices of essential commodities and reduced income or loss of income. A large majority of families pointed out that their financial situation had worsened in the past two years and that they were finding it increasingly difficult to maintain the same standard of living. A decline in purchasing power, in relation mainly to the increased costs of food but also to other basic expenditure, worries people the most. Apart from food, an increase in the following expenditure items was reported: medicine and vitamins, housing rental costs, utilities, some health care services and higher education tuition.

As would be expected, low-income families are being most severely affected by the crisis. This is not surprising, given the extremely limited resources at their disposal. For these families, managing the most basic needs, such as food, is becoming a struggle. There were signs of strain even among the better-off families (for example, a mother with four children in Shymkent who had two jobs (working as a state employee and in a private clinic) and could still only afford basic items (e.g. food, education)).

The research confirms that the households most vulnerable to poverty, least likely to be able to withstand economic shocks and thus most likely to experience acute negative consequences in the short and long term are those where:

- Incomes are already low: large families (with many children); single parent families; families with disabled children; and migrant families;
- Livelihoods are relatively low return, for example families engaged in agriculture and in the low-income urban informal sector, such as trade, both of which are strongly affected by falling demand.

The families interviewed were trying hard to adapt in a range of ways. Their capacity to respond depended on existing vulnerabilities within families, e.g. ill-health and disability; household composition; level of income poverty; basis of livelihood. In most cases, there appears to be resilience and capacity to respond to crisis without resorting to the most harmful coping strategies (such as distress sales of assets, removing children from school, resorting to hazardous or exploitative child labour, although see Section 4.4 for discussion of trends in this regard). However, there are limits to how long families can withstand economic stresses. While many families can cope by reducing inessential expenditures or by taking on extra work for a certain period of time, if crises are prolonged they can be pushed into survival strategies that undermine their or their children’s futures.

### 4.2.2 Emotional wellbeing and increased stress

Rising levels of emotional stress often accompany major economic recessions. There are signs already that the economic crisis unfolding in Kazakhstan is impacting on family welfare. A public opinion poll conducted by Baltic Surveys Ltd and The Gallup Organization (April 2009) in southern Kazakhstan (Kyzylorda, Zhambyl and South Kazakhstan oblasts and Almaty city) suggests that people's welfare has been seriously affected. According to the survey:

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24 We encountered several examples of large families living on incomes well below the subsistence minimum of KZT13,450 per person in January 2009: eight members living on KZT54,000 per month; KZT33,400 for a single mother with a disabled child; six children and a single mother surviving on KZT20,000 per month; and an 11-member family in Baidibek living on KZT30,000 per month.

25 Typically, having a disabled child takes one person (usually the mother) out of the labour market. As disabled children and adults need extra means of subsistence, the additional and often substantial pressures are transferred onto the employed able-bodied family members.
• 68% of citizens feel the effects of the financial crises, and as many as 85% of people in Almaty said that they were suffering from the effects.
• Prices, inflation and the job market topped the list of public concerns.\(^{26}\)

In the same vein, there were many accounts during our fieldwork of anxiety and emotional strain in present times. Although some of this is not unique to the crisis, the financial hardship has escalated levels of stress in many homes. It is also notable that people respond to this new situation in a range of ways. Some were profoundly anxious and pessimistic. For example, one unemployed mother of nine we interviewed in Karaganda was in a state of constant panic about rising living costs. Some of those facing prolonged hardship had become very depressed. One mother of five young children said that her situation was so grim that sometimes she wished she was dead.\(^{27}\) Others were more able to accept and deal with the adverse circumstances: ‘We do not have enough money but we have got accustomed to it’; ‘I am grateful as it could be worse’\(^{28}\).

Children were also anxious about the impacts of the crisis, although not as acutely as their parents. The children interviewed were aware of, and concerned about, rising costs. Older children were more affected, as their understanding of the crisis and of their family’s situation was greater. Children at primary school in Karaganda pointed out that everything was getting more expensive in shops. Many children were worried that their situation would not improve. Lack of money, overcrowded housing and inability to afford higher education topped children’s list of concerns. Many were remarkably mature and resilient. In some cases, children were supporting their parents emotionally. This could become a concern if it leaves children without time for study, play or leisure, or if it becomes emotionally draining for them. Still others felt that they were not missing out on anything, as their parents were providing for them. In such cases, this was mainly because parents invested significant effort in protecting their children. This usually meant that the parents were themselves bearing the brunt of hardship, for example by taking on second jobs.

Rising anxiety, as a result of financial strain, is frequently linked to family distress of varying natures. This can include alcohol abuse, divorce, domestic violence or suicide (among both young people and adult breadwinners). Children may be sent to live with other relatives, placed in the care of the state or abandoned (Harper et al., 2009). Kazakhstan, like other countries in the region, witnessed a rise in many of these impacts as a consequence of transition in the early 1990s (UNICEF, 2001). While our interviews with families did not show signs that relationships were being strained dramatically by the stresses of coping with the crisis, and furthermore revealed that parents play the vital role of ensuring their children are protected (‘While we are anxious it is never reflected in our family’),\(^{29}\) clearly ours is a very small sample and cannot be taken as representative of the population as a whole. Additionally, informants may have understandably felt unable to reveal the full extent of their circumstances. However, some particularly vulnerable families clearly have been stretched beyond their ability to cope.

### 4.3 Coping strategies

Strategies for coping with economic shocks can be divided into two broad categories – those which reduce overall expenditure and those which attempt to generate increased income by various means. There is evidence that both types of strategy are being deployed in Kazakhstan in the current crisis. Most of the evidence discussed in this section is qualitative in nature, as quantitative data on responses to the crisis are not yet available. In addition to insights from our fieldwork, this section therefore also draws on Kazakhstan’s experience during the transition period, and the better-documented responses to economic shocks in other countries of the CIS, such as Russia and Kyrgyzstan, to highlight significant potential impacts on children.

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\(^{26}\) Interview, Central Asian Foundation for Developing Democracy, Almaty, 1 September 2009.
\(^{27}\) Key informant interview, Shymkent, 3 September 2009.
\(^{28}\) Key informant interview, Karaganda, 6 September 2009.
\(^{29}\) Key informant interview, Karaganda, 6 September 2009.
4.3.1 Reducing expenditure

A very common response to economic shocks worldwide is to reduce the quality and quantity of food consumed. Although the poorest households are hardest hit, it is noticeable that both poorer and middle-class households often make cuts in food expenditure, since these are often more elastic than other expenditures. For example, in Russia following the 1998 financial crisis, 54% of people surveyed reporting cutting down on food consumed (Lokshin and Yemtsov, 2004). Although this strategy was more common among poorer households (63% of households in the lowest income deciles had reduced food consumption), over a third of the highest-income households (36.5%) had also done so.

Quantitative data on changes in expenditure and consumption patterns in Kazakhstan since the crisis are not yet available. However, qualitative data indicate changes consistent with patterns elsewhere in the CIS during economic shocks. Many of the households interviewed, including a mixture of low-income and middle-class families, were making changes in the food they purchased and consumed in order to make ends meet. In particular, they had reduced consumption of meat, fresh milk and fruit. Some women had stopped purchasing bread (or were purchasing it less often) and were baking it at home instead. Although this saved money, it also increased their workload. Some interviewees had changed their shopping habits, had started shopping in social shops30 and were ensuring they were being economical in their purchases. Section 4.4.1 discusses the potential nutritional implications of these changes.

Another common response to rising food costs is to substitute purchased food with home-grown food. In Russia, following the financial crisis, almost 20% of households grew more food on their household plots. This strategy was more common among better-off households, reflecting their greater land ownership (Lokshin and Yemtsov, 2004). Our fieldwork indicates that this is an emerging response strategy in Kazakhstan, particularly among urban families, which formerly purchased more food but now make greater use of their household plots. Further monitoring would be necessary to establish the contribution of household plots to the nutrition of households cultivating them.

Another area where interviewees noted making expenditure cuts was health care. This is a common response of poor households to economic stress and has been observed in some other countries in the region, e.g. Kyrgyzstan (Ablezova et al., 2004). Some people were relying more on homemade medicines or opting to purchase cheaper drug brands; others were unable to afford health services. For example, one mother interviewed was struggling to afford an eye operation for her disabled child but could not get financial help from the local Department of Labour and Social Protection. The necessary eye operation was not covered under the general health care system. Moreover, to receive the service the mother and son had to travel to Almaty.

One other way in which people were cutting costs was by celebrating less. The costs of customary celebrations, such as funerals, circumcisions, births, etc, can be significant, particularly for poorer and rural households (Werner, 2000). Although cutting back helps to save money, it can also increase people’s social isolation if they are less able to meet friends or relatives regularly. In turn, this can decrease the emotional wellbeing of both adults and children.

4.3.2 Getting into debt

Borrowing, primarily to smooth consumption, is another frequent response to economic shocks. Quantitative data from Kazakhstan were not available. Qualitative evidence from our fieldwork suggests that borrowing, particularly from friends and relatives, is one of the most common coping strategies. In Baidibek, families were even getting into debt in order to be able to afford food. Others were borrowing to pay for their children’s higher education. Finding ways to pay back the money creates extra stress for families, which in turn can impact on children’s emotional health and development. Evidence from Kyrgyzstan suggests that the poorest people are generally less able to borrow from friends and relatives (generally without interest), as their social capital is

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30 These are the shops where consumer goods are sold at cheaper prices, subsidised by the government.
primarily ‘horizontal’ – their linkages are with other poor people. Therefore, to borrow, they have to take out high interest loans from moneylenders (Ablezova et al., 2004). In such cases, they frequently face substantial long-term difficulties in repaying loans, and may be forced to sell assets. The longer the crisis continues, the less able families in difficulties may be to borrow from friends and relatives as their own reserves are depleted, and the greater the risk that they will need to turn to moneylenders.

4.3.3 Income-generating activities

Taking on additional formal or informal work is another important coping strategy in the face of economic shocks. In Russia, following the 1998 financial crisis, 7% of working-age adults took on second jobs (Lokshin and Yemtsov, 2004). Similar data are not yet available for Kazakhstan. Interviews in Karaganda indicated that some adults have started to take on second jobs in order to make ends meet – such as working at night as well as in the day. The viability of this coping strategy depends on the availability of employment which, as already observed, is currently declining substantially.

A few of the women interviewed had started informal businesses as a way of supplementing income, such as making and selling food for bus drivers or baking cakes for sale. Sometimes, children were helping. One widow was relying on her young son (nine years old) to help her pick mushrooms in the forest, so that she could prepare the food for her catering business. While these supplementary activities were helping families make ends meet, the jobs are informal – low margin and low status – which means that parents are working harder for relatively small additional earnings. This also limits the time available for nurture and care of children, and may have impacts on parents’ own health if they have no time to rest. Although this was not mentioned in our fieldwork, evidence from the transition period indicates that lack of time to rest was one of the most significant effects for adults (Rigi, 1999). Children may also have to take on extra household responsibilities as a result of adults’ engagement in other activities. These possible impacts are discussed further in Section 4.4.

A local NGO reported a rise in the number of young mothers trying to get back to work as quickly as possible after childbirth to improve their economic situation. Experience in OECD countries indicates that increases in the length of paid maternity leave are strongly associated with a decline in infant mortality (Stewart and Huerta, 2006). The trend of returning to work as quickly as possible, if widespread, could have significant negative consequences for child health.

At the same time, in families with many children, in both rural and urban areas, lack of child care has constrained women from taking on income-generating activities. In many cases, mothers would prefer to be working but cannot afford private child care, and state preschool education is unavailable or unaffordable. There are few part-time work-from-home initiatives enabling mothers to combine work with child care. ‘I have been waiting three years for a place in kindergarten’ exclaimed one parent. ‘When you have five, six, seven, eight children there is a lot of work to be done.’ Many are frustrated that government support is not forthcoming. In a few cases, parents had had to leave children alone or in the care of older siblings, a phenomenon that is extensive in many countries and largely unreported (see Section 4.4.2).

There is already an established pattern of young people migrating from depressed rural areas and small towns to the larger cities, particularly Almaty and Astana, in search of work. No quantitative data were available, but it is likely that this trend may intensify as a result of the crisis, and such moves were indicated by fieldwork.32

31 Key informant interview, Karaganda, 6 September 2009.
32 For example, construction trading entrepreneurs from Shymkent who planned to move to Almaty where they hoped business prospects would be better.
4.3.4 Protective factors

In most households, the gender division of responsibility means that mothers make choices about how allocations of household resources are made. Two key findings should be emphasised:

- Budget spending strongly prioritised child wellbeing; and
- Choices were not influenced by gender (e.g. boys were not prioritised in household resource distribution over girls). However, in some cases choices depended on the age of the children (e.g. youngest child getting the best food, making elder siblings upset).

It is notable that both parents were seeking to minimise crisis impacts on children’s wellbeing, taking on additional income-generating activities and altering their own consumption patterns (this usually meant cutting their own expenditure on non-essential items, although no reports of food reduction have been noted). There are limits, however, to how much parents can do to protect their children. Moreover, such coping strategies may have adverse impacts on parents’ own wellbeing, with potentially long-term adverse consequences (e.g. stress, ill-health).

Some of the people interviewed reported receiving help from family and friends, and occasionally support from other community members. In some contexts (e.g. Karaganda), there were stories of migrant friends living abroad (mainly in Germany) who were helping families financially. However, as the situation deteriorated in the West, their support was also declining.

The overwhelming majority noted that the most valued government support was in the form of school assistance (e.g. free uniforms, textbooks, school meals, etc). A substantial number of people interviewed preferred not to seek support and relied on ‘themselves only’. Only a few reported receiving support from charitable foundations (through either an NGO or an informal private charity).

4.4 Impacts on children’s rights

These household-level effects have had a range of impacts on children’s rights. Here we discuss the impacts on four broad clusters of rights: survival, development, protection and participation.

4.4.1 Survival and development

Nutrition

Adequate nutrition is often one of the first casualties of reduced purchasing power of households during economic downturn. Using a composite nutritional indicator based on underweight and overweight, stunting and wasting, rates of anaemia, consumption of iodised salt and levels of vitamin A deficiency, even before the crisis period the World Health Organization (WHO) considered nutrition to be a public health problem of high importance (Timmer, 2007). According to the most recent Multiple Indicator Cluster Survey (MICS) (UNICEF, 2006a), in 2006 4% of children under five were moderately underweight (weight for age) and 0.8% severely underweight; 3.8% of children were wasted (weight for height) and 1% severely wasted. At the same time, 12.8% of children are stunted for their age. There were significant regional variations, with children in West Kazakhstan (8.8%) and Almaty (8.1%) oblasts more likely to be underweight for their age than other children and those in Aktobe (23.5%), Kyrgyz (23.3%) and Almaty (22.1%) oblasts most likely to be stunted. The highest proportion of moderately stunted children was found in West Kazakhstan (12.5%) and Mangistau (9.3%) oblasts. Children whose mothers had higher levels of education were less likely to be underweight and stunted compared with children of mothers with primary or incomplete secondary education. Rates of malnutrition are consistently higher in rural areas because of the interaction of factors such as food availability, nutritional practices and poor sanitation. The MICS in 2006 found that boys were more affected than girls.

33 In most of the cases these were immigrants from Kazakhstan living in Germany. It was well documented that after independence in the early 1990s many citizens of German origin decided to leave Kazakhstan.
34 Key informant interview, Shymkent, 3 September 2009.
Official data from 2007 indicate that in 2006 2.7% of the population lived on an income below the cost of a basic food basket (ASRK, 2008a). However, as noted above, much of the population lives only a little way above the poverty line and thus is vulnerable to rises in food prices, such as those that have occurred since 2007. Even before the onset of the crisis, poor people’s diets were largely made up of carbohydrates and low in other essential nutrients. For example, 2002 Living Standards Measurement Study (LSMS) data show that consumption of meat products, milk, eggs, fruit and vegetables among the poorest people quintile was more than two times lower than the national average (UNDP, 2004).

Deficiency of micronutrients such as iron, folic acid and vitamin A is already a serious problem in Kazakhstan. MICS data (UNICEF, 2006a) indicate that 45.7% of reproductive age women in Kazakhstan and 36% of children aged 6-59 months suffer from iron deficiency anaemia, and 57.2% of children of this age group suffer from vitamin A deficiency.

Data indicating changes in children’s or women’s nutritional status since the onset of the crisis were not available. However, interviews undertaken with families for this research across localities showed strong evidence of reduced consumption in both quality and quantity of food. Families were increasingly unable to afford meat, fresh milk or fruits. Some of the families interviewed had substituted UHT milk for fresh milk, for example. Interviewees also mentioned consuming fish rather than meat to save money. Reduced consumption of iron-rich foods such as meat may lead to increased rates of iron deficiency anaemia, while lower consumption of fresh milk and fruits may contribute to increased deficiencies of other vitamins and minerals and related diseases. Some families were shifting to less cooked food in order to reduce energy bills, which could also have nutritional implications. On the positive side, breastfeeding rates may increase because of the high costs of food and formula.

**Housing and access to water**

Fieldwork has confirmed what is already known about housing deprivation: there is a serious problem of overcrowding, particularly in urban areas and, in both rural areas and newly constructed urban settlements, significant numbers of families lack access to utilities, adequate water and sanitation and social services.

Access to water is a particularly acute problem, with only 57.2% of households in rural areas having access to safe drinking water. Overall, almost a quarter of the population uses unsafe drinking water (UNICEF, 2006a). To avoid this, many families purchase drinking water – for example, families in Baidibek spend a significant proportion of their budget every week buying drinking water as the water available is not potable. In some cases, however, there is no access to water. Low-income families interviewed mentioned that they were spending KZT1500 every two weeks on water. If the crisis persists, people may be forced to stop purchasing bottled water and start using poor quality water instead.

Overcrowding is common in Kazakhstan in both rural and urban settings, and is a major concern for children. In many cases, parents from low-income families reported that their children are ‘dreaming of better housing’. In our fieldwork, several examples emerged of multiple siblings having to share a room (e.g. four children in one room), leaving them very little space for

35 In the Aral Sea regions, the incidence of anaemia among women of reproductive age reaches 87%, with up to 99% in pregnant women (UNICEF, 2006a).
36 Rates of exclusive breastfeeding for the first six months, as recommended by the WHO, are low in Kazakhstan – under 20%. Some improvement has been recorded recently owing to the successful integration of the Baby Friendly Hospitals Initiative. In common with other countries in the region, the length of breastfeeding is higher than for many countries with similar income. 57.1% of children were still breastfeeding at 12-15 months (UNICEF, 2006a and interview with UNICEF, 25 August 2009).
37 The corresponding figure for urban areas is 95.2% (UNICEF, 2006a).
38 Abundant examples were encountered of six, seven or eight people living in one-bedroom apartments. There was a case of a single mother living with five of her children in one room. Also, there were cases of single parents living with their extended family to support themselves more easily, e.g. six people including a disabled child living in two bedrooms.
39 Key informant interviews, Karaganda, 6 September 2009.
schoolwork and play. In Baidi bek, there were a few cases of boys and girls having to share the same bedroom, which was causing them distress. In Shymkent, we heard a story of a disabled child who preferred living in a boarding school because he could have his own bed there and more privacy.

Although these housing problems predate the crisis, there is a danger that plans to address housing issues may not be carried through as a result of crisis-related funding constraints. Additionally, in relation to housing credit, falling employment has affected borrowers’ ability and willingness to service bank loans, and credit losses have risen steeply (a sharp rise in mortgage loan defaults was recorded – from 1.2% in 2008 to 9.7% in 2009). Official data are not available, but anecdotal evidence suggests that the crises in the banking sector (increase in interest rates and reduction of incomes) have led to thousands of people losing their homes, as they have struggled to pay their mortgages, leading to significant stress and anxiety among adults and children. In general, people who have lost their homes have moved in with relatives. While this reduces living costs, problems of overcrowding may be increased. Where child care is unavailable as a result of relocating, this has increased the difficulties working mothers face in looking after their young children. Many families with mortgages were unsurprisingly acutely anxious about rising interest rates and/or limited ability to refinance their mortgages.

Second, it was reported that both house prices and rental prices are increasing, leaving home ownership beyond the reach of the majority of families. This is a concern particularly for newly forming families. On the other hand, social housing is hardly available and waiting lists are long. In some cases, large households have had to wait 10 years for social housing, leaving many people despondent. Some interviewees expressed their outright anger and frustration regarding local government officials’ indifference. People felt that government was only ‘referring them around and not offering tangible help’.

Finally, there is an indication that in the current economic climate it will be even more difficult for local government to initiate social housing programmes, or to execute planned commitments to the state’s water and sanitation development programme.

Health

So far, there does not seem to be evidence of worsening health status among children or their families. However, health status is an outcome of numerous factors, including nutrition, quality of environment (e.g. housing, water, presence or absence of particular environmental hazards, safety and security), education, knowledge and behaviour, work patterns, cultural beliefs about health and the quality, effectiveness and accessibility of health care. Many of these (in particular nutrition, work patterns, quality of environment, safety and security and access to health care) are directly or indirectly affected by income poverty and by the coping strategies discussed above. Overcrowded, under-heated homes, for example, lead to an increased risk of respiratory disease; poorer nutrition and longer working hours may mean people are less able to resist disease and are ill for longer. For children, this may mean increasing absence from school owing to illness, as has been observed in Kyrgyzstan among poorer socioeconomic groups (Ablezova et al., 2004). As already noted, pressures on women to return to work as soon as possible after the birth of a child could have significant negative consequences for infants’ health.

Research on Kazakhstan’s health care system suggests that informal charges present a significant barrier to access, particularly for poor and rural people (Kulzhanov and Rechel, 2007). Evidence from our fieldwork in Karaganda confirms Kulzhanov and Rechel’s finding that existing cost barriers lead people to self-medicate with home remedies or cheap pharmaceuticals, or to delay treatment, which can be injurious to health. People with existing chronic conditions or disabilities

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41 Interview with Women’s Federation, 25 August 2009.
42 Key informant interviews, Shymkent, 3 September 2009.
43 Key informant interviews, Karaganda, 6 September 2009.
44 Key informant interviews, Shymkent, 3 September 2009.
45 Interview with Director of Child Rights Committee in Karaganda, 6 September 2009.
are likely to be particularly severely affected by the reduced affordability of health care. For example, families of disabled children interviewed in Baidibek observed that ‘affording medicines has become impossible’. This situation could deteriorate further as incomes are squeezed.

Mortality among adolescents (15-19) and young people (20-24) is an emerging yet little understood problem in Kazakhstan. Among countries in the region, Kazakhstan has the highest suicide rates among male and female adolescents aged 15-19 (UNICEF, 2005a). While the reasons why these rates are higher in Kazakhstan than elsewhere in the region are not understood, there is some risk that they may increase during the crisis if young people feel that present stresses are overwhelming and that they lack a future.

Taken together, these findings suggest that, if the crisis is prolonged, there may be rising rates of physical and mental ill-health among children and adults. Further monitoring of the key health and nutrition indicators discussed in the preceding sections would indicate whether this is the case, and whether certain groups or regions of the country are being particularly affected.

**Education**

*Preschool*

Overall, given its level of GDP per capita, preschool education rates in Kazakhstan are quite low. UNICEF data (2009c) indicate that preschool education now covers only 20.0% of children aged 36-59 months. Children from rural and poorer families are less likely to attend preschool compared with other groups. The enrolment rate in urban areas is 24.1%, compared with 7% in rural areas.

There are also important wealth differentials. Of children living in households belonging to the top two wealth quintiles, respectively, 44.8% and 22.5% attend preschool facilities. The figure drops to 8.6% and 2.8% in poor and poorest households (UNDP, 2007). At the same time, general access to compulsory pre-primary education in the past decade has increased considerably owing to the growth of pre-primary groups and classes in schools. These were held in 64% of schools in 2004, 67.6% in 2005 and 78% in 2006. However, acute lack is felt everywhere, with rural areas at a greater disadvantage. Up to 239,000 children are currently on waiting lists. Achieving the target of 100% coverage of three to six year olds by 2010 will require places for an additional 800,000 children.

Although achieving universal preschool education coverage by 2010 is a government goal, the crisis risks jeopardising what progress there has been to date. Progress towards the goal of universal preschool education coverage by the end of 2010 has been very slow. This was one of the pre-crisis goals, which may well be affected by a decline in government budgets.

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46 Key informant interviews, Baidibek, 4 September 2009.
47 According to interviews in Karaganda on 6 September 2009, there has been a substantial increase of preschools to cover 65.7% of children. This has been achieved through construction, expansion and restoration of the educational facilities (Child Rights Committee of Karaganda, 2008). The largest numbers of children receiving preschool education are registered in Astana city (47%), Karaganda oblast (33.4%), Almaty city (29.7%) and Pavlodar oblast (26.8%). Much fewer children are enrolled in preschools in Akmola (8.8%), Kyrgyzorda (8.2%), South Kazakhstan (8.1%) and Almaty (7.1%) oblasts (ibid).
48 Private kindergartens do exist, although the costs of attending them are unaffordable for most parents. The fee for attending private kindergartens is around KZT60,000, i.e. it equals the country’s average salary. Cost sharing with parents also varies geographically. For example, in Almaty parents pay 60% of the costs and the rest is covered by the state. Our field research suggests that even better-off families are considering pulling their children out of private kindergartens and relying more on child care provided by grandparents (key informant interviews, Shymkent, 3 September 2009).
49 Total spending on preschool education is projected to grow tenfold – from 0.1% to 1% of GDP. However, this growth to a large extent will be supported by off-budget funding (40%, with only 60% of budget funds). Karaganda expenditures broken down by educational levels remain as a whole stable: 6.7% of expenditures of the state budget on education were assigned to preschool education and care in 2008; general education 69%; and technical post-general and vocational education 9.1% (Child Rights Committee of Karaganda, 2008).
Impact of the Economic Crisis and Food and Fuel Price Volatility on Children and Women in Kazakhstan

**General primary and secondary education**

Overall, education enrolment rates are high, with the exception of children from some socially excluded groups. Kazakhstan has achieved the MDGs of universal primary education and gender equality in primary and secondary education (UNICEF, 2009c). A small but significant percentage of children – 2% in primary and 5% in secondary school – are not enrolled or leave school before completion (UNICEF, 2006a). Oralman girls are vulnerable to not completing secondary education, as gender-segregated schooling is not available and some families are reluctant to let teenage daughters attend (UNDP, 2007).

There has been no indication of families deciding to pull their children out from school, despite financial difficulties. This may be because parents and children value education very highly and prioritise expenditure cuts in other areas to allow children to remain in school. Many parents reported that they would never pull their children out of school, despite their deteriorating income. ‘My child has to go to school – I am very strict about it’. Education is perceived as an investment in children’s future and a way out of impoverishment.

At the same time, some of the poorest families are having to cut back on expenditures such as uniforms, textbooks and shoes (these were the most prevalent examples cited in interviews in Baidibek). In our fieldwork, there was no evidence of children stopping attending school because they lacked these basic items; however, experience from other crises indicates that many children prefer not to attend school (or are not allowed to) without these supplies. There was evidence of children self-excluding from additional activities such as summer camps. Children of poorer families interviewed in Shymkent were not attending summer camps because they could not pay for expenses such as cinema tickets and ice-creams, and they preferred to stay at home rather than be mocked by their peers. Better-off families indicated they had cut back on educational expenses such as private tutors.

**Higher education**

Access to higher education in Kazakhstan is more limited. According to the recent OECD policy review (2007), about 84% of students currently pay tuition fees for public and private tertiary education in Kazakhstan. Consequently, access for the worse off who are unable to qualify for a government grant is a major issue. A national survey in 2005 found that 59.8% of high school leavers from poor families have no opportunity to continue education, 76% citing lack of money as the main reason (ibid).

The field research has confirmed that the crisis has exacerbated the risks for young people in accessing higher education. In a few instances, we were told of youth having to drop out of university because they could not afford the high tuition fees. Indeed, some private universities are increasing tuition fees to cope with rising costs in the crisis, exacerbating poorer students’ difficulties (Lillis, 2009). In fact, the majority of families – even those with young children – were very concerned about their ability to afford higher education.

**4.4.2 Child care, protection and participation**

This section discusses observed and possible impacts on child care and protection of children from violence and abuse and their participation in decision making on matters affecting them. The nature of these issues means that reliable quantitative data are very scarce. Other than for the numbers of children in state care, data concerning trends (and thus the pre-crisis situation) are not available. This section therefore primarily discusses insights from our fieldwork, drawing on trends documented in Kazakhstan during the transition period and/or other CIS countries to highlight potential impacts.

**Abuse, neglect and abandonment**

NGOs in both South Kazakhstan and Karaganda have reported a rise in domestic violence since 2007 and an increase in the number of parents who need to put their children in assistance centres
for families who are experiencing hardships. Luchik Nadezhdy – an NGO providing support to disabled children in Karaganda – reports that the pressure on parents to work harder and seek an additional income is forcing some of them to put their disabled children in boarding institutions, in the hope of better care (better living conditions and quality of food and adults able to spend more time with the children). In the past two years, 100 families with disabled children in Karaganda have requested institutional support from state boarding schools; only a small number of children are accepted, owing to a shortage of places. While raised levels of stress in most cases did not lead to such drastic measures, if the crisis persists similar trends may be observed on a wider scale.51

Data on trends in the institutionalisation of children indicate that there has been a continuing upward trend in the number of orphans and children without parental care brought up in boarding institutions. Indeed, the rate of institutionalisation of children in Kazakhstan, at 1670 per 100,000, was the highest in the entire CIS in 2006 (UNICEF, 2009d). The number of children in infant homes has been increasing as well since 2002, reaching 2512 children in 2008 (ASRK, 2008). While there are a number of reasons for this (such as cultural acceptance of institutional upbringing as a successful social policy approach and lack of awareness of the damaging psychological consequences), growing economic difficulties in recent years may have contributed to this trend.52

In times of economic crisis, working parents are sometimes forced to leave their young children at home alone in the care of other children. Evidence from Poland indicates that, as a result of the economic shocks of transition, one in 10 seven- to nine-year-old children were left without adult care – a ‘several fold increase over the beginning of the decade’ (UNICEF, 1997). Furthermore, even where parents do not need to leave young children home alone, they may have little time to spend with them. Among migrant parents in Kyrgyzstan (generally poor families that had migrated from depressed rural areas), 22% felt that they spent inadequate time with their children (Yarkova et al., 2004).

While quantitative data on changing child care patterns in Kazakhstan are not available, there are some indications of diminished quality and availability of care for children. As noted above, parental time is becoming scarcer, with parents doing more than one job and people economising by making food and other items at home. At the same time, many families have limited support networks, particularly in urban areas, and cannot afford to pay for child care, resulting in children being left at home alone, usually with older children in charge. No gender differences in the extent to which parents rely on their older children for child care were reported – the age of the child was more significant.

More generally, there is some indication that the overall environment for children and young people is becoming more insecure. NGOs highlighted a rise in violence among children and young people, both at school and outside, in an attempt to safeguard their social position.53 These NGOs had also observed a rise in crime, principally violent crime, particularly among young people.

**Exploitation of children**

A study commissioned by the International Labour Organization in Kazakhstan (Centre for Study of Public Opinion, 2006) reports that, as the economy has become more formalised, many forms of child labour have disappeared and children’s work has become concentrated in agriculture and in portering in markets. Indeed, children’s involvement in work activities appears to be very low according to aggregate national statistics. The latest MICS report (UNICEF, 2006a) revealed that 2.2% of children aged five to 14 years are involved in work of different types, such as household work (0.5%), work in family businesses or work outside of the household (1% and 1%, respectively). In general, boys are more often involved in labour activity than girls, who help more in domestic work (2.4% and 2.1%, respectively).

51 Focus group discussion with NGOs, Karaganda, 7 September 2009.
52 To draw conclusions on this issue, data would have to be disaggregated more much substantially than the data available for this review have been, to reveal relationships between socioeconomic status, family composition, region, rural/urban location, occupation of head of household, etc, and other variables.
53 Focus group discussions with NGOs, Shymkent, 3 September 2009.
Our fieldwork suggests there is likely to be a small rise in the involvement of children in work as a result of the crisis. As parents increasingly have to devote time and energies to income-generating activity and to cost-reducing measures at home, such as substituting homemade products for bought ones (e.g. bread), older children are having to take on more domestic work. In some cases this means older children looking after younger siblings; in others it means contributing to family businesses. On the positive side, this may mean that older children are learning useful skills.

There was no indication from the fieldwork that this additional work is impacting on children’s opportunities to study outside school hours so far; however, this could occur if the crisis is prolonged or deepens. Greater demands on children’s time may also mean that they have less time available for leisure and play. As is recognised in the UN Convention on the Rights of the Child (UN CRC), play is essential for children’s development, and rest is vital for good health. Again, children’s health and development could be affected through this channel. Further monitoring of trends in children’s time use and work activities would be helpful to better establish how children are being affected by the crisis.

However, there is already evidence of the employment of children in some hazardous and exploitative areas of agricultural work, such as the cotton and tobacco industries in South Kazakhstan (Centre for Study of Public Opinion, 2006) and some indication from local NGOs that this is increasing. The vast majority of these children are migrants from neighbouring countries, working in seasonal agricultural activities. The children concerned are mostly aged 13-16, although some start work as young as nine years old. Conditions in this sector violate national labour laws, in that children are working substantially longer hours (two to three times the officially accepted working day for teenagers), doing physically demanding work, with inadequate rest, unsanitary working conditions and exposure to chemicals and hazardous components of tobacco leaves. These all pose serious hazards to children’s health and development. The child workers interviewed in this study were mostly unable to attend school, because they lacked the necessary books and school supplies (including clothes and shoes), because their seasonal employment prevented it or because they lacked legal status in Kazakhstan. Given the very poor conditions faced by children (and adults) working in this sector, any rise in child labour could be very harmful to children’s wellbeing.

While evidence is very limited, there is some indication of increasing numbers of children and young people at risk of being trafficked, mainly for labour purposes. Young people aged 15-34 from poor or migrant families are one of the groups most at risk of trafficking (ADB, 2006), as they easily fall prey to labour recruiters who promise them employment. It is also possible that some of the children working in the tobacco and cotton industries have been trafficked there, as in the case of the children of guest workers from Uzbekistan, Tajikistan and Kyrgyzstan working in seasonal agricultural activities.

Children’s participation

Our fieldwork indicates that children usually have only a limited voice in household decision making. In some households, particularly single parent households, older children (especially teenagers) occasionally play a more active role in decision making with their parent; this depends on the dynamics of the individual family. To date, there is no evidence of children’s right to be heard and have their opinions taken into account on matters that pertain to them being affected by the crisis. However, one way in which children’s access to information could be affected is if households cut down on buying newspapers, watching TV, etc. There is also some indication of children’s opportunities to participate in culturally important activities, such as feasts, being circumscribed by fewer of such events taking place.

54 Interviews with ILO Almaty, 31 August 2009.
55 Interview with International Organization for Migration (IOM), Almaty, 1 September 2009.
56 Interview with ILO, Almaty, 31 August 2009.
5. Reviewing public financial management

This section provides an overview of public financial management (PFM) in Kazakhstan, focusing particularly on the current situation in the social sector. The aim is to explore the state of budget planning and implementation processes, particularly with respect to allocative efficiency (how well budget allocations and spending are aligned with policy priorities) and operational efficiency (improved budget processes at the national and local levels), budget responsibilities at the different levels and trends in expenditure in three main areas: health, education and social protection. This is then assessed in the context of the crisis, given the rise in demands on the sector as a result of growing poverty and vulnerability, to see whether there have been adjustments in budget allocations to the different sectors that are responsive to growing demand.

5.1 Overview of public financial management in Kazakhstan

Kazakhstan has made significant progress in PFM over the past 10 years, including by improving its budget planning processes and moving towards results-based budgeting in an effort to form a complete and effective system of state planning focused on the achievement of strategic targets and implementation of priority social and economic development policies.

A three-year MTBF57 was introduced with the 2009 budget. This highlights Kazakhstan’s engagement with an active process of shifting to ‘advanced’ PFM reforms58 aimed at strengthening the quality of strategic planning and programme and performance budgeting, and the way it allocates public sector resources for capital and recurrent expenditures. However, to date the track record in transition countries of introducing a medium-term perspective into budget planning is mixed. Some of the main challenges have included: the risk that line ministries will focus on developing new priorities and initiatives rather than reviewing and rationalising existing programmes; the extent to which the MTBF is linked to specific sector plans (allocative efficiency); the extent to which the size of the wage bill can distort overall budget constraints; and the extent to which revenues are adequately projected to meet planned expenditures. In Kazakhstan, the introduction of these reforms during a period of economic crisis, with fiscal contractions and changing demands from the sectors, including the social sectors, poses even more complicated challenges to their smooth operationalisation. The country has moved towards a system in which separate functions are assigned to separate tiers of government; some progressive reforms – following the Law on Transfers among Budgets for 2008-2010 – have been made towards providing more stable and transparent sources of revenue to each tier. However, much remains to be done. In particular, the government has yet to derive a transparent, equitable basis for allocating resources among tiers of government.

Kazakhstan has a single state budget based on consolidation of the central (republican) government budget and local government budgets. The state budget is used for strategic planning purposes only. The republican budget is considered and approved by the Parliament of the Republic of Kazakhstan. Local budgets include budgets from oblasts, cities, the capital city and rayon (district) administrations. Full-time budget commissions are established to ensure timely and quality elaboration of the draft budget, and these submit their proposals on budget clarification and execution.

Estimates of revenues and expenditure needs are determined largely through annual budget negotiations between oblast akims59 and the Ministry of Economy and Budget Planning. Revenue

57 This section draws considerably on Joshua (2009).
58 Broadly speaking, PFM reforms can be classified into ‘basic’ and ‘advanced’. Basic reforms cover: budget classification, budget coverage and integration of capital expenditures, establishment of consolidated treasury single account and effective budget controls. Advanced reforms include: introduction of medium-term perspective and performance-oriented budgeting.
59 Akims are heads of local government in Kazakhstan, e.g. mayors.
estimates at republican level are based on economic growth projections. Expenditure estimates reflect changes in expenditures categories and the impact of specific initiatives of the President (for example the construction of new schools, health clinics, etc). However, in practice, the current system does not provide a sound basis for transparent planning and the implementation of priorities.

A system of intergovernmental transfers is deployed to harmonise oblast budgets and to promote revenue distribution. Transfers from republican to local budgets, following reforms introduced in 2007, are based on identified levels of subventions and withdrawals (in nominal terms) for each oblast and linked to a three-year revenue and expenditure framework. The reforms introduced in 2007 aimed to take account of inputs from every region in the overall revenues in the budget and to strengthen the motivation for regions to improve their tax potential, given that at the moment sub-national governments derive most of their revenues from centrally administered taxes collected within their boundaries. On the basis of this new methodology, the Law on Transfers among Budgets for 2008-2010 was adopted. It is anticipated, following adoption of the new Budget Code in 2009, that further amendments will be required to improve intergovernmental fiscal relations and systems of governance – across the republic, oblast and rayon levels – particularly for health, education, housing and utilities, Targeted Social Assistance (TSA) and social care services. There is still evidence to suggest that transfers to oblasts, for example, have not been successful in mitigating some regional inequalities, with poorer oblasts still receiving fewer resources for social services and transfers than they require for their greater share of poor citizens.

In particular, public spending on policies, including those focused on children, is exercised through a multi-tier budget system whose design is incomplete. Although concepts of decentralisation are central to many programmatic and systemic documents, such as the Budget Code and the Law on Local Self-Government, Kazakhstan is still in the process of defining its vision for a model of relations between the levels of governments. As a result, legislation which regulates intergovernmental relations has numerous gaps and inconsistencies, such as, for example, the fact that clear rules for division of funds between levels of government are not matched by appropriate distribution of regulatory, administrative and political responsibilities.

Table 3 provides an overview of existing functional responsibilities.

**Table 3: Functional responsibilities for health, education and social protection**

<table>
<thead>
<tr>
<th>Service</th>
<th>Republican</th>
<th>Oblasts</th>
<th>Rayons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>Public health, specialised services, rehabilitation</td>
<td>Primary health care, epidemiology</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>Higher education, secondary education and technical and vocational education and training (TVET)</td>
<td>TVET</td>
<td>Primary education and preschool</td>
</tr>
<tr>
<td>Social protection</td>
<td>Pensions, state social allowances, childbirth allowances</td>
<td>Social care services – elderly, people with disabilities and children</td>
<td>Housing subsidies, TSA and other discretionary payments</td>
</tr>
</tbody>
</table>

The new 2009 Budget Code is one of the most developed areas of the national regulatory system, and is implemented though an effective Financial Management Information System (FMIS) and aligned with the Local Government Law of 2005. The new Budget Code marks a new phase in PFM. The Budget Code, which is accompanied each financial year by a State Budget Law, establishes new foundations for the budget system in Kazakhstan and will have significant implications for strategic planning, policy development, budgetary planning and the delivery of essential services by lower tiers of government.

The main principles embodied in the 2009 Budget Code include:

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60 To reduce disparities in per capita revenues among oblasts, subventions and withdrawals are used as a system of equalisation. The system is based on revenue and expenditure projections – oblasts whose projected expenditures exceed their projected revenues are allocated additional funds (i.e. subventions) to make up the difference. Oblasts whose revenues are projected to exceed their expenditures are subject to withdrawals (i.e. the percentage of centrally administered taxes they are allowed to retain – see Government of Kazakhstan, 2005d).
Separate state and local budgets structures that are only substantively linked through **transfer payments** – thus oblast, rayon and city councils act independently in formulating and approving their separate budgets, which allows these tiers of government, within limits, to determine their own expenditure priorities;

- Budgetary decisions that are based on the principle of **subsidiarity**, or responsibility for expenditures to the lowest tier of government that can effectively carry them out;
- Development of **realistic** forecasts for planned revenues based on common indicators linked to macroeconomic performance of the economy;
- The **classification** of expenditures into three divisions (economic function, economic category and description) and programme-based budget management; and
- State and local budgets **independent** of each other. The principle of budget independence is provided by the assignment of specific revenue sources to local self-government bodies.

The Kazakh budget incorporates extra-budgetary funds, such as the NFRK and the Social Insurance Fund. The Republican Budget Commission, which is formed by the President, provides directions to the budgetary process. Budget evaluation in Kazakhstan currently focuses on collecting regular accounting reports on budget execution and ensuring compliance with spending limitations. The controls have traditionally been input rather than outcome oriented. In the future, under the framework of the MTBF, budget evaluations will need to incorporate measurable monitoring indicators designed at the stage of budget formulation, along with assignment of specific responsibilities on evaluation to oblast and rayon administrations. However, the management of the state accounting system and financial reporting is still governed by a national legal framework, which is cumbersome and imposes high compliance costs. As part of the government’s budget improvement programme – and plans for the gradual implementation of programme-based budgeting and results-based budgeting – accounting and financial reporting will need to be brought up to international standards, as will internal auditing and external auditing procedures undertaken by the Accounting Committee.

Still, despite recent advances, there are still a number of weaknesses and inconsistencies in current fiscal legislation and practice. Most of them result from lack of integration between policy development and budgetary systems, as well as from lack of vision for relations between central and sub-national governments, where a considerable proportion of the social – especially health, education and social care services – spending takes place. In particular:

- Methodologies for resource transfer to sub-national layers of government lack clarity and consistency. The transfer formula is excessively complex.
- The system does not clearly link spending to expected results, and the calculation of expenditure norms is complicated and not based on comprehensive economic assessment of unit costs.
- Predictability of the system is still weak, as many decisions and details on resource allocation are still left to the annual budgets and separate ministerial resolutions. Moreover, predictability is diminished by weak skills for multiyear and scenario-based planning.
- Policymaking functions (and regulatory powers in particular) are still over-concentrated at the central level, making it difficult for sub-national governments to optimise spending.

Given these weaknesses, it will be difficult under recessionary conditions to ensure against systemic under-funding and unfunded mandates across different tiers of government. It will also be difficult to fully utilise new budgetary arrangements proposed in the new Budget Code to support the government in achieving strategic goals. PFM reform is a long-term policy agenda: it is not simple to provide decision makers with good quality, credible and relevant information in a timely manner, let alone incentives to use this information for budgetary decisions.
5.2 Alignment between social sector policies and budgeting in the context of the crisis

Two of the principles of PFM are allocative and operational efficiency. In practice, this means that budget allocations are in line with policy and programming and that allocated resources are used effectively towards achieving outcomes set. Kazakhstan’s 2009-2011 MTBF made some important progress in terms of its alignment with strategic sector plans which, in the cases of the Ministries of Education and Science, Healthcare and Labour and Social Protection, were also developed for the period. This suggests that, assuming that planning has been done according to needs and expected results, the budget would finance over the medium term the implementation of programmes to achieve these results. However, a crisis such as the current one alters this process significantly. On the one hand, there are changes to the overall government budget as a result of revised revenue and expenditure projections; on the other, there are changes in demands from sectors, with the need for social sectors in particular to be responsive to the growing needs of the population rendered vulnerable by the crisis, as explained in Section 4. This poses an important challenge for PFM: the need to realign plans to new demands and programmatic responses in the short and medium term to ensure that changing budget allocations (sometimes increasing, sometimes decreasing) can be used most effectively to achieve results.

Figure 13 illustrates the change in budget allocations to different sectors between the original 2009 budget approved in December 2008 and the revised budget approved in April 2009, which reflects a downward revision of revenue and, correspondingly, of allocations to certain sectors. So, for example, while the revised budget considers a significant rise in the budget to social security/social protection to pay for growing provision of pensions, social assistance and other targeted programmes, the revised budgets for health and education are slightly lower than originally planned, reflecting a reduction in expenses on construction and maintenance, wages and operational costs. Despite this reduction in April, there was still a net increase in these sectors in 2009 with respect to the 2008 budget.

Figure 13: Discrepancy between initially planned (December 2008) and revised central budget (April 2009)

Recurrent expenditure in the social sectors has been secured but new education, health care and social protection projects have been suspended. Spending on capital repairs and equipment purchases has been cut. Similar policies will be applied in 2010, and therefore will need to be reflected accordingly in a revised MTBF. This indicates that PFM needs to become more dynamic in practice to respond to changing conditions, while enabling an adequate operationalisation of the budget in response to new needs.

In this context, a recent analysis of strategic plans of the three ministries (education, health and social protection) pointed towards the following issues (Kovalevskiy, 2009):
• Notwithstanding the impacts of the crisis, in terms of both changing demand for services and benefits resulting from the increased number of people pushed into poverty or unemployment, as well as budgetary adjustments to sector allocations, none of the ministries has made amendments to their strategic direction, goals and tasks. Only the Ministry of Education and Science has added two new tasks to its plan in order to achieve one of its goals, but these are not related to crisis mitigation. This is despite the fact that, as explained in Section 4, children and women are the most vulnerable during financial and economic crises and should correspondingly receive greater policy and programmatic attention, with some of the consequence for them likely to go beyond 2009, possibly up until 2011. Most of the strategic directions, goals and tasks of the sector strategic plans for 2009-2011 were formed before the acute phase of the financial crisis began. The lack of ‘anti-crisis’ adjustment is a cause for concerns. Any increase or decrease of funds to the sectors should be planned to increase operational efficiency and to ensure medium-term strategic and budget plans are in line with revised projections after the crisis.

• Similarly, there have been almost no changes in the value of most indicators describing achievement of goals or fulfilment of tasks. While working on the strategic plans for 2010-2012, ministries kept unchanged most of the indicators related to overcoming negative trends, compared with the strategic plans for 2009-2011. Even if no adjustment is made related to the crisis, with regard to the strategic direction, goals and tasks of the plans, then at least it would be useful to focus efforts on improving the value of the indicators characterising the most critical issues.

• In 2009, ministries’ capital expenditures were cut considerably; nearly all spending on new construction and equipment purchases was frozen. This situation is likely to continue into 2010. It is unlikely, though, that ministries will achieve the planned values under a situation of severe spending cuts. This further highlights the need to adjust social sector strategic plans.

Thus, although the strategic plans of the social sector ministries for 2009-2011 have been approved, and draft plans for 2010-2012 have been developed, these do not reflect crisis impacts, which will either limit their use in practice or act as an impediment to organised and effective policy response to the crisis in these sectors. Emergency programmes and measures should be integrated into broader policy to maximise their effectiveness.

5.3 Social sector spending in the context of the crisis

The 2009-2011 MTBF originally assumed an average oil price of $60 per barrel but, as a result of shocks to oil prices, this was revised downward to a baseline oil price of an average of $40 in 2010-2011. Lower projected oil revenues as well as anti-crisis measures are expected to result in a fiscal deficit of 3.5% in 2009 and 2.4% in 2010. Further, among measures to stimulate the business sector was the cut in the corporate profit tax from 30% to 20% at the start of 2009; on the other hand, a costly 25% increase in public sector wages and pensions that could benefit a large group of workers and pensioners is also weighing significantly on the budget. State budget revenues are likely to fall as tax revenues decrease – driven by lower value-added tax (VAT) revenues on the back of decelerating retail trade and imports. Part of the fiscal deficit is likely to be financed by the NFRK, at least in the short run while oil earnings recover (IMF, 2009b).

Table 4: Budget outlook (KZT billions)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009 plan</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State budget</td>
<td>1766.8</td>
<td>2174.2</td>
<td>2898.3</td>
<td>4040.5</td>
<td>3539.5</td>
</tr>
<tr>
<td>Central budget</td>
<td>1392.8</td>
<td>1696.3</td>
<td>2264.1</td>
<td>3330.9</td>
<td>2837.4</td>
</tr>
<tr>
<td>Local budget</td>
<td>752.2</td>
<td>1028.7</td>
<td>1528.0</td>
<td>1832.0</td>
<td>2068.6</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State budget</td>
<td>1720.1</td>
<td>2092.5</td>
<td>3113.6</td>
<td>4373.8</td>
<td>4272.0</td>
</tr>
<tr>
<td>Central budget</td>
<td>1346.1</td>
<td>1641.6</td>
<td>2476.6</td>
<td>3658.4</td>
<td>3411.0</td>
</tr>
<tr>
<td>Local budget</td>
<td>791.6</td>
<td>1008.8</td>
<td>1518.9</td>
<td>1844.9</td>
<td>2089.5</td>
</tr>
<tr>
<td><strong>Deficit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The budget outlook shows that both revenues and overall expenditures have fallen in 2009 as a result of the crisis, and that there has been a rise in the fiscal deficit. However, as most of the anti-crisis expenditure will be coming out of the NFPK, the impact on the budget of the ACP is less severe. Table 5 shows budget allocations to the main crisis mitigation measures.

### Table 5: Crisis mitigation measures, 2007-2010 ($ millions)

<table>
<thead>
<tr>
<th></th>
<th>Allocated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distressed asset fund</td>
<td>583.7</td>
<td>-</td>
</tr>
<tr>
<td>Bank capital and deposit infusion</td>
<td>4000</td>
<td>3967.4</td>
</tr>
<tr>
<td>Real estate and construction sector support</td>
<td>4702.5</td>
<td>1804.3</td>
</tr>
<tr>
<td>SMEs</td>
<td>2183.5</td>
<td>2572.2</td>
</tr>
<tr>
<td>Agro-industrial sector support</td>
<td>1623.5</td>
<td>157.9</td>
</tr>
<tr>
<td>Infrastructure, innovation and industrial</td>
<td>1000</td>
<td>-</td>
</tr>
<tr>
<td>Employment generation programme</td>
<td>1275.2</td>
<td>595.5</td>
</tr>
</tbody>
</table>

*Source: ADB (2009), with Ministry of Economy and Budget Planning data.*

As seen in Table 5, the stimulus package focuses predominantly on the financial and infrastructure sectors, with direct support to households, particularly those in poverty, not featuring prominently, despite their growing need. Nevertheless, in addition to the ACP, the government has increased budgetary allocations by 10% year on year for social assistance to vulnerable families. Another example of an increased transfer to targeted programmes is the provisions to increase state allowances to families with children (including the child birth allowance and the child care allowance paid until the age of one). From the KZT16.7 billion in the 2008 budget, the initial allocation in 2009 went up to KZT28.8 billion and was revised in July 2009 to KZT30.1 billion (Makhmutova, 2009). Still, it is difficult to estimate the total increase in budget allocations to the different social protection programmes in 2009, as there are no consolidated data yet.

General trends in social sector spending in Kazakhstan have been declining as a share of GDP. In particular, for the past 15 years, expenditures of the state budget on financing of education, public health services and social protection have steadily decreased. This is significant, as the state budget is the primary source for expenditures in these spheres. For example, expenditures on education in 1991 came to 6.5% of GDP and in 2007 3.6%, a decrease of almost half. Expenditures on public health services were 3.6% of GDP in 1991 and in 2007 only 2.3%. Expenditures on social protection, which have absorbed the highest share of social expenditure since 1998, were 3.9% of GDP in 2007, but in 1991 they came to 4.9%, peaking at 7.9% in 1999 as an important anti-crisis measure after the Russian economic crisis.

### Figure 14: Public expenditure on social sectors, 1991-2007 (%)

*Source: ASRK (2008b).*
This trend is important given the unequal access to education, public health services and social protection of the Kazakh population (see Section 4). On the other hand, however, as a sign of stronger commitment towards social spending and poverty reduction, in 2008 the government increased its public expenditures in the social sector by 17.6%, to reach 32.4% of budget allocations, which is significant. Further, the 2009-2011 MTBF is meant to put a special emphasis on social programmes for vulnerable groups (UNICEF, 2008e).

In line with this more positive trend, the increase in allocations to the social sectors was particularly positive in 2009 as a result of the crisis. Expenditure on education as a percentage of GDP is set to increase from 3.6% in 2008 to 4.1% in 2009; for health this increase is from 2.3% to 2.7%. Although the 2009 budget allocations are an improvement, spending on education and health is still lower than might be expected, despite Kazakhstan’s increasing oil-related income. For example, average public expenditure on education by the OECD is 5.4% of GDP,61 whereas public expenditure on health was 6.4% of GDP for the 10 new EU Member States in 2002.62

The greatest jump is in social protection, where expenditure is set to rise from 3.9% of GDP in 2008 to 5.2% of GDP in 2009. This is in line with social sector expenditures over time, whereby social protection has received the highest share. This is relevant, as it shows some responsiveness from the government in the form of countercyclical expenditure to the need to support stronger social services and benefits (Section 6 will explore the appropriateness of responses in relation to growing need). However, allocations are similar to those of LICs; as a well-resourced, middle-income country, Kazakhstan should be striving to increase social protection allocations. For example, EU Member States’ social protection spending is generally between 15% and 20% of GDP. Some former Soviet republics, such as Latvia, and former Council for Mutual Economic Assistance (CMEA) members, such as Slovakia, have increased social protection expenditures to 12.2% and 15.9% in 2006, respectively.63 It will be interesting also to see whether this positive trend in social sector expenditures continues after the crisis. Another important point to highlight is that, although there was higher planned expenditure for health, education and social protection in the initial 2009 budget, further increases in social protection spending have meant that increases to education and health spending have been cut, leading to their planned expenditure falling in the revised budget.

Table 6: State budget expenditures to social sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009 plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KZT billions</td>
<td>281.2</td>
<td>327.8</td>
<td>455.8</td>
<td>572.8</td>
<td>684.1</td>
</tr>
<tr>
<td>As % of GDP</td>
<td>3.4</td>
<td>3.2</td>
<td>3.5</td>
<td>3.6</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KZT billions</td>
<td>185.5</td>
<td>223.4</td>
<td>299.4</td>
<td>363.5</td>
<td>459.2</td>
</tr>
<tr>
<td>As % of GDP</td>
<td>2.4</td>
<td>2.2</td>
<td>2.3</td>
<td>2.3</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Social protection</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KZT billions</td>
<td>345.4</td>
<td>422.4</td>
<td>502.4</td>
<td>622.2</td>
<td>882.2</td>
</tr>
<tr>
<td>As % of GDP</td>
<td>4.5</td>
<td>4.1</td>
<td>3.9</td>
<td>3.9</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Source: National Analytical Centre, with data from Ministry of Economy and Budget Planning 2009.

In addition to what is happening in the consolidated budget, it is important to look at what is happening to budget allocations to the different tiers of government, particularly as local governments have a major role in financing social sector spending. Table 7 below refers to trends and allocations of consolidated expenditures between central and local budgets, whereby spending on each sector varies among different jurisdictions, where spending patterns are based on history rather than need or local priorities and reflect the historical distribution of taxation activity.

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62 See www.who.int/hfadp.
Table 7 shows that, while education and health sector expenditure is highly decentralised, social protection expenditure is less so. Increases to budgets in all three sectors in 2009 have taken place at both central and local levels, which is necessary for financing more services and social assistance programmes, but not sufficient.

Data in Table 7 do not tell us anything about regional disparities in these budget allocations, whether the larger transfers to different oblasts and cities are adequate to meet growing demand and the effectiveness of this spending at the local level. Given some of the issues related to planning at the local level, chiefly in relation to how spending can be used to achieve expected results as pointed out in the PFM analysis, more analysis on the adequacy and effectiveness of higher social spending in the context of the crisis, from the local level upwards, would provide useful information to help adjust the systems and make them more responsive, particularly with the new Budget Code and continued progress toward improving PFM and strengthening decentralisation. A major issue that remains to be addressed is how regional inequalities can be better tackled through more equalising budget transfers, which is still not happening.

At this stage, there is still a problem of inequitable allocation of resources. Poorer oblasts and akimats have lower revenues and also larger populations demanding social services and support, rendering them unable to provide sufficient assistance to their citizens. For example, according to our field research, Baidibek akimat generates only 8% of its budget through local revenue – the remaining 92% is made up of subsidies and transfers from the republican level. There was a sense of the local government having insufficient resources to provide required transfers: one mother explained that she received only half of the amount she was entitled to as an allowance since ‘this is all the government can afford’.

Against this backdrop of progress in PFM and changes in social spending in response to the crisis at the macro level, Section 6 provides an analysis of the effectiveness of the government’s response to the crisis, which is essential to understanding whether the stimulus provided through the ACP and the larger budget allocated to social spending is an effective response to the poverty and vulnerability situation, particularly of children, resulting from the crisis.

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64 Key informant interview, Baidibek, 4 September 2009.
6. Economic and social policy responses to the crisis

This section discusses specific policy responses undertaken by the government to tackle the effects of the crisis in both economic and social policy domains, as well as reviewing the pre-existing policy infrastructure in place pre-crisis, on which the government was able to build. This dual analytical approach is critical, as policy choices adapted in a crisis context do not happen in a vacuum but are instead shaped strongly by country-specific policy legacies and trajectories.

6.1 Fiscal stimulus package

As discussed in Section 5, the government of Kazakhstan was the first in Central Asia to adopt an ACP. Since 2007, the government has responded to the emerging crisis with an expansionary fiscal and monetary policy, aiming to revive economic growth, protect employment and stimulate incentives to increase consumption.

6.1.1 First stage of the ACP

The main objective of the first stage of the ACP was to stabilise the economy and financial sector. Five major actions were adopted to achieve this:

1. Stabilisation of the financial system – injecting financial capital to relieve the financial constraints in the banking sector;65
2. Development of the real estate sector;
3. Support for SMEs;
4. Development of the agro-industrial sector; and
5. Realisation of industrial and infrastructural projects.

This was followed by two additional measures. First, in early 2009 a new Tax Code was adopted, with the objective of easing the tax burden for companies working in non-extractive sectors, which was less favourable than for those in the extractive sector (ADB, 2009). Then, in early February 2009 a new monetary policy was adopted, to stabilise consumer price inflation and the national currency.

Overall, the ACP has been criticised for its limited direct targeting of vulnerable groups. In common with the public perception of crisis response in many OECD countries, the ACP is seen to be focusing on relieving the risks faced by the financial sector and big business.66 There are interventions within the ACP, however, that are more directly oriented towards ordinary citizens, including assistance to the real estate sector and SMEs, and increases in social assistance and school meals for disadvantaged children (as we discuss further below).

6.1.2 Support to the real estate sector and mortgage borrowers

An important ACP measure involved substantial support to the construction sector: $3 billion was allocated to support developers in Astana and Almaty through loan refinancing measures and ensuring sufficient resources exist to finish partially constructed housing (ADB, 2009). The objective was to prevent job losses that would have occurred had construction been discontinued. By end-June 2009, 22,140 apartments in Astana and Almaty were completed (ibid). Subsidised interest rates were made available for mortgage holders. However, the more favourable loans were provided to borrowers with good credit histories. Accordingly, while the measure clearly provides relief to households from the effect of the financial crisis, it appears that the assistance to date is geared heavily towards the urban middle class and state employees. These groups are able to afford apartments in the major cities, which are beyond the means of the poor quintiles of the

65 The measures included setting up a distressed asset fund with a capitalisation of $430 million to purchase problem assets from banks, and buying up to 25% of assets in the four largest banks (Kovalevskiy, 2009).
66 Interview with PPRC, Almaty, 31 August 2009.
At the same time, the ACP initiative does not help families in the rest of the country whose homes are at risk owing to rising interest rates. Moreover, the construction programme does not focus on the ‘social housing’ that is needed to resolve the acute housing deprivation in rural areas and among low-income urban dwellers. It is also not clear whether and how the state has assisted those families that have lost their apartments as a result of rising inflation and unemployment.

6.1.3 Support to small and medium-sized enterprises

Support to SMEs, which constitute 34.8% of all businesses in the country, was a second important ACP measure aimed at ordinary citizens (ASRK, 2008a). The ACP allocated $1 billion to the banks which, in turn, were obliged to refinance the credit to SMEs on more favourable terms than previously provided. According to state reports, the credit was actively issued and has already benefited 5818 businesses (ADB, 2009). It is not clear, however, how accessible the loans are for small entrepreneurs, especially women in rural areas. In our fieldwork, concerns were raised over the highly restrictive process of bank lending, which excludes enterprises with low asset bases, and thus may exclude many SMEs. For example, in the words of a small entrepreneur in Karaganda, ‘DAMU Fund gives money only to reputable companies with enough income and assets’. The situation is further compounded by the numerous constraints in the business environment in which SMEs operate (e.g. highly restrictive business registration process; difficulties in market access and limited access to information; lack of transparency of tendering process; etc). Although the government has announced plans to improve business regulations, it appears that progress has been slow to date. Furthermore, there seems to be an underlying policy presumption that making credit too easily available to small businesses should be avoided, perhaps to prevent default. This position was expressed by an interviewee from the Ministry of Economy and Budget Planning: ‘It is not easy to access money but easy money should not be given out anyway’.

6.2 Second stage of ACP: Labour policy

In April 2009, the government initiated the second phase of the ACP, which focused on interventions to tackle the shrinking labour market as rising unemployment rates became more evident. This initiative, also known as the Road Map, entailed the launch of a regional employment generation strategy, aimed at addressing rising unemployment, raising the purchasing power of the population, slowing down internal migration and improving core services.

The main interventions involve job creation through a combination of public works and vocational training initiatives:

1. Repair and reconstruction of social infrastructure (schools, hospitals and other social institutions, e.g. orphanages), roads and water and sanitation facilities through public works;
2. Retraining programmes for the unemployed;
3. Provision of temporary jobs for up to six months for the socially vulnerable population;
4. Creation of social jobs;
5. Youth internships.

The Road Map is implemented in agreement with the local government and akims, whose role is to assist with part-time jobs and job training programmes, conduct monthly job fairs and monitor how

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67 Interview with PPRC, Almaty, 31 August 2009.
68 Interviews with entrepreneurs, Karaganda, 6 September 2009.
69 Interviews with entrepreneurs, Karaganda and Shymkent, 6 and 8 September 2009.
70 Interview with the Ministry of Economy and Budget Planning, Astana, 8 September 2009.
71 Social jobs refer to work in social institutions such as hospitals, facilities for elderly people, orphanages and schools. It is not clear, however, whether this refers mainly to low-skilled jobs.
many jobs are lost in their oblast. The programme aims to create 350,000 jobs in 2009, with a particular focus on employment creation for women and youth, given that they have been disproportionately affected by rising unemployment (ADB, 2009). Amendments to labour laws have also been made with a view to stimulating working-age unemployed people to find employment through retraining. The latter attempt includes a focus on providing training to unemployed mothers with young children to get work in the future, especially part-time jobs. Other changes include increasing the notice period to which workers are entitled from one to two months and obliging employers to notify the job centre about job losses.

According to a recent ADB report (2009), the Road Map has already produced results. It has created 252,277 jobs, of which 211,039 have been filled. Local governments have provided 77,000 additional new jobs and the retraining programme has benefited 44,675 people. The social jobs component has achieved 83% of its target of 70,000 people, while the internship component has achieved 98% of its target of 34,452 people (ibid).

In addition to these job creation measures, as part of extending the safety net the government has increased public sector wages and pensions by 25% in 2009. While this is not in itself a pro-poor measure, given high levels of public sector employment in general (70%) and especially in rural areas, it does help address rising costs of living in the lower wealth quintiles. There is a plan to raise the wages of those employed in the public sector by a further 25% in 2010, and by an additional 30% in 2011. By 2011, the base part of the pension will be raised to 50% of the subsistence level. According to the latest commitments, the average wage of teachers will be raised to KZT71,712 in 2012 (compared with KZT44,130 in 2009). These are clearly positive measures, although it is important to point out that they come in the context of sharply declining growth in real wages – in 2008 growth of real wages was only 2.5%, having decreased from 16.1% in 2007. There are also concerns that increases in salaries do not adequately compensate for rising living costs.

Strengths notwithstanding, the Road Map is characterised by some important gaps in terms of addressing the specific vulnerabilities of some social groups:

- A lack of measures to protect informal sector employees – only those workers registered with job centres as unemployed are eligible for Road Map jobs;
- A lack of protection of migrant labourers (both foreign workers, especially because of their frequent illegal status, and internal migrants);
- The programme is not strongly aligned with social policies, e.g. addressing the issue of parental time for care and nurture and providing meaningful institutional support (e.g. preschool);
- There are concerns that the job creation programme may benefit mainly men because funds for job creation are channelled predominantly into male-dominated sectors, e.g. construction, communication and infrastructure;
- Women are also missing out as the type of retraining women are opting for (e.g. accounting, finance management, etc) is not beneficial in the long run, because there is a general oversupply of these skills in the economy;
- Concerns have also been expressed that the Road Map does not resolve long-term employment issues for a majority of beneficiaries, as public works jobs are seasonal and

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72 This constitutes a significant proportion of the total number of lost jobs – 568,100.
73 Interview with Ministry of Labour and Social Protection, Astana, 28 August 2009.
74 Key informant interviews, Shymkent, 4 September 2009. At the same time, differentials in monthly nominal wages between the sectors of the economy are substantial. For example, monthly nominal wages in the financial sector are four times higher than in education (ASRK, 2009). The average monthly salary paid in education is KZT46,599, compared with KZT138,801 in the financial sector.
75 Interview with Women’s Federation, Astana, 25 August 2009.
76 Interview with Women’s Federation, Astana, 25 August 2009.
low paid,\footnote{Interview with Department of Education, Shymkent, 2 September 2009, and key informant interviews, Baidibek, 4 September 2009.} and that measures to date can be seen as emergency responses only rather than as addressing more systemic weaknesses;

- The government has scaled up some of its social assistance measures (see discussion below), which arguably could play a role in cushioning vulnerable groups against some of the economic and social impacts they may face as a result of the crisis, but linkages between the labour policy-oriented interventions provided for in the Road Map and social assistance-related measures do not appear to be well coordinated, reducing the possibility of synergistic effects.

### 6.3 Investment in social policy

A third area of crisis-related interventions falls under the broad category of investment in social policy, including investment in basic services and investment in social protection measures. Importantly, all social spending pledges were kept in 2009 and expenditures on social security were increased slightly. The government has guaranteed that all of its commitments to increase social benefits and wages of public sector workers will be honoured in full in 2009 and 2010; interviews with various ministries and local departments confirmed this. We discuss these commitments in more detail below. However, in order to understand the extent to which existing basic services and social protection policies and programmes have the capacity to adequately support vulnerable social groups, it is necessary first to briefly review Kazakhstan’s social policy infrastructure, with particular attention to measures related to child well-being.

#### 6.3.1 Overview of basic service provision

**Box 1: Pre-existing policy infrastructure**

After independence, as with economic policy, social policy reforms responded to a number of issues: sharply reduced fiscal resources; inherited Soviet policy agendas; the need for policies and institutions to meet emerging challenges and promote national development; and social dislocation arising from transition.

**Health**

Health sector reforms have needed to respond to new epidemiological challenges (Borowitz and Atun, 2006; Figueras et al., 2004), and to enable a shift from a vertical highly centralised system to one that can provide more effective primary level and preventative care and address public health issues. A combination of the revenue crisis of the early 1990s and the changing burden of disease propelled health sector reforms during the transition period. However, major health reforms of the late 1990s often lacked consistency and clear direction. In recent years, the government has reverted to budgetary financing of the health sector, and in 2004 it initiated a comprehensive National Programme of Health Care Reform and Development for 2005-2010 (Kulzhanov and Rechel, 2007). A guaranteed benefits package defining health services free of charge was introduced in 2004, complemented by outpatient benefits to specified population groups. Health financing comes from three principal sources: the government budget (scheduled to rise to 4% of GDP by 2010), official user fees and informal payments (ibid). The scale of the latter is unknown, but qualitative evidence suggests that this and official user fees represent a considerable barrier to access for poorer people.

**Education**

Following a 13% decline in the proportion of 15-18 year olds in secondary and technical education in the 1990s, there has been a strong emphasis on universalising secondary education. As a result, enrolment rates in primary, basic and secondary education were over 99% in 2006 (UNDP, 2007). However, education quality has deteriorated since independence, particularly in rural areas (ibid). Current priority policy issues are: school attendance, education quality, rural school problems and education for children from vulnerable population groups. These are intended as steps towards realising Kazakhstan’s objective of becoming one of the 50 most competitive countries in the world.

Availability and uptake of preschool education declined sharply during the transition period as infrastructure was sold off and fees introduced, putting kindergartens out of the reach of even dual-income earning families.
Impact of the Economic Crisis and Food and Fuel Price Volatility on Children and Women in Kazakhstan

(Cornia, 2007). Since the late 1990s, there has been only a limited rise in enrolments (6% over 1999-2006) (ibid). Current policy aims to universalise preschool education for three to six year olds by 2010, through a combination of kindergartens and preschool classes in schools (UNDP, 2007). Meanwhile, in recent years there have been some efforts to improve education for children with special needs. There is growing acceptance of the concept of inclusive education, although practice is currently very limited (ibid). This is an area where further investment and attention are needed to meet the right of all children to education.

Anti-poverty policy and social protection
Kazakhstan inherited a social protection system oriented primarily towards providing transfers to specific pre-identified categories (e.g. orphans, disabled people), with a complex array of benefits, pensions and privileges (e.g. subsidies on fuel and transport). The most significant reforms include pay-as-you-go (PAYG) pensions and the introduction of TSA in 2003. However, there are many leftovers from Soviet-era social protection policy. In common with the Soviet approach, amounts of transfers are determined as legislated multiples of a guaranteed minimum amount. The main Soviet income support benefits were means tested, as is TSA; both involve the provision of substantial documentary evidence and a complex means test. (This is common to many other CIS countries, including Kyrgyzstan.) Kazakhstan's much better revenue position means that it is in a position to provide substantial social protection transfers, which could have a major impact on income (and non-income) aspects of poverty.

Child protection
A striking legacy of Soviet social policy is the large numbers of children in state residential care. Indeed, in 2007 the rate of institutionalisation of children (1670 per 100,000) was the highest in the CIS (UNICEF, 2009d) and this rose over the 2000-2007 period. This reflects continued faith in institutional upbringing by both the state and families, and lack of acknowledgement of the harmful emotional effects of growing up in institutional care (ibid), meaning that giving over children to state care was a viable coping strategy for families stretched to breaking point by the stresses of poverty, uncertainty and social dislocation. Against this background there have been some efforts to promote alternative care arrangements for orphans and children separated from their families. These include promoting foster care and providing financial incentives for foster carers.

Recent efforts to modernise social infrastructure
Spearheaded by strong economic growth in recent years, core service provision has been improving in Kazakhstan. The government’s aim of becoming one of the 50 most competitive economies in the world, as outlined in Strategy 2030 (Ministry of Foreign Affairs, 1997), puts a strong emphasis on human capital development and improving citizens’ wellbeing, especially families and children. Child-specific measures have included the revision of key national legislation in accordance with UN CRC principles; the 2006 launch of the Children of Kazakhstan programme, aimed at improving the living standards of children; and the creation of a state Committee on Child Rights Protection, under the control of the Ministry of Education and Science, to implement national policy for the protection of children’s rights. These policy commitments have also been backed by a steady increase in public expenditures in the social sector. By 2008, 32.4% of budget allocations was spent on social policy (UNICEF, 2008e).

In 2004, a comprehensive National Programme of Health Care Reform and Development (2005-2010) was launched, addressing the most prominent issues within health care, including transformation of primary health care and improvement of the quality and continuity of health services. Since 2002, budgetary allocations to the health sector have also been increasing, rising to 3.4% as a share of GDP by 2006. This has enabled the state to introduce a basic benefit package (BBP), stipulating a range of free services guaranteed to all citizens. The BBP is important to mother and child health as it provides medicines to children and teenagers with chronic diseases and preventive medical examinations for women of reproductive age (from 15 to 49 years old), including further supervision and treatment (UN, 2008). Since 2005, all pregnant women have been receiving free iron and iodine supplements, as a measure to reduce the incidence of anaemia. Maternal and infant mortality is now monitored on a daily basis.
In the case of education services, a new focus was formulated in the President’s Address in 2007 entitled New Kazakhstan in a New World. Ensuring access to and quality of education at all levels is a cornerstone of this plan. Kazakhstan offers free compulsory school education and a significant recovery in enrolment rates has been achieved since transition in gender equality in primary and secondary education (UNDP, 2007). However, as noted in Section 4.4.1, enrolment rates in pre-primary education are seriously lagging. To date, important initiatives have been initiated to increase choice and flexibility in the school system, establish education standards and introduce more diversified curricula. A national education quality assessment and external monitoring system for learning achievements have been established, and a substantial increase in the number of teachers has been achieved. Social infrastructure has also been strengthened, with multiple new schools constructed under the 100 Schools and 100 Public Health Facilities programme.

These advancements notwithstanding, disadvantages in access to core services persist. Importantly, in the context of crises, existing social policy mechanisms are not robust enough to provide adequate support to vulnerable populations and guarantee access to good-quality and affordable services for all children and families. More targeted action is needed to improve the quality of primary health care services, to expand access to preschool and higher education and to develop integrated child protection systems away from institutional care.

Health system reforms have been particularly slow, and numerous gaps still exist, including: weak service delivery; weak accountability of service providers; a need for a stronger focus on preventive services; and constraints to access, particularly in rural and remote areas. The 2006 outbreak of HIV among young children in southern Kazakhstan as a result of infected blood revealed shortcomings in the health system. As a result of weak quality control and insufficient funding at the local level, more than 130 children contracted the virus through tainted blood transfusions while they were hospitalised for other ailments. Investigation revealed that under-funded hospitals had exacerbated the problem of tainted blood by using the same blood dosage for multiple children, reusing syringes and even failing to sterilise them properly and performing unnecessary blood transfusions (UN, 2008).

This event highlighted considerable inequities in terms of health financing per capita between oblasts and between urban and rural areas, and uneven resource allocation among oblasts. Another major challenge within the current health care system lies in out-of-pocket payments for health services and pharmaceuticals. Despite an increased emphasis on primary care, the inpatient sector continues to consume the bulk of health funding, and the question of specialised and parallel health services has so far not been addressed. Improving the quality and efficiency of health services and addressing an oversupply of health workers in urban areas while rural areas remain under-served are key challenges (Kulzhanov and Rechel, 2007).

In the case of the education system, further improvements are required in order to ensure that services are more responsive and accessible to all children (e.g. children with special needs, children from migrant families and children from ethnic minorities, such as Oralmans). With regard to compulsory education, the following issues remain unaddressed: persisting lack of schools and teachers in remote rural areas and/or transport; quality of education, including curricula, textbooks and teacher qualifications; weak inclusion of children with disabilities, particularly in rural areas; poor governance and corruption contributing to growing inequalities; and improvement of incentives for teaching staff.

More investment in early childhood development (ECD) is an issue that requires a special mention, given that it is crucial to child wellbeing. Since transition, the government has given priority to basic

78 According to this document, “education sector reform is one of the most important instruments enabling the country to achieve real competitiveness”. Currently, Kazakhstan takes 56th place in the global index of competitiveness and is still a leading nation among CIS countries (UN, 2008).
79 Interview with UNICEF, Astana, 26 August 2009.
80 It was noted in the fieldwork that reforms lack consistency, as they are often started and discontinued (e.g. management turnover, ad hoc planning, political bargaining).
education rather than ECD policy. Consequently, the problem of preschool education availability remains a significant concern. This acute lack is felt everywhere, although children from rural areas and low-income families are at a greater disadvantage. In urban areas, only one-third of children have the opportunity to attend kindergarten; in rural areas this indicator is below 7% (UNICEF, 2006a).

Ongoing attempts to transfer financial responsibility for preschools from enterprises to local municipalities have had limited success, mainly because of municipalities’ lack of a fiscal base. In poorer oblasts, the funding is lacking to construct new facilities (Kovalevskiy, 2009). Some local governments attempted to solve this problem by forcing construction companies to build small-scale child care centres in new residential buildings, but this was also unsuccessful (ibid). Although policymakers have set the target of 100% preschool education coverage by the end of 2010 for all age groups, progress has been very slow. Moreover, this target was set before the crisis, and may well be affected by budgetary declines.

Other basic services that also present significant policy challenges include access to drinking water and improved sanitation, both of which are still very problematic in Kazakhstan, in particular in rural areas. Access to drinking water is at 95.2% in urban areas and 57.2% in rural areas. However, almost a quarter of the population uses unsafe drinking water (UNICEF, 2006a). Progress on increasing people’s access to drinking water has been very slow. The situation is aggravated by lack of a substantive water policy and a unified approach to managing water supply and sanitation infrastructure, as well as weak government institutions dealing with water supply issues.

Housing is another area of concern. Housing supply during the past 10 years has been increasing, with apartments and houses built predominantly in urban areas. In January-July of 2007, the volume of investment in housing construction was at 160% compared with the same period of 2006. Yet, while housing supply is increasing, the majority cannot afford housing as they are on low incomes. The construction season of 2007 was notable for a dramatic increase in prices for all construction materials, which resulted in housing cost increases.

6.3.2 Kazakhstan’s social protection system

The sub-programme of Strategy 2030, Prosperity, Security and Improved Living Standards for All Citizens, provides the current guidance on combating poverty and vulnerability in Kazakhstan. Social protection issues are among the top items on the country’s development agenda, given that, since independence, the system of social protection inherited from the Soviet Union has been undergoing reforms to make it more relevant to the new market economy. Currently, the social protection system consists of three main elements: social assistance, social insurance and social services. We briefly review social benefits and insurance measures before turning to analyse social services and child protection mechanisms.

Social assistance

In recent years, the government has rebuilt its social assistance programme and introduced a range of benefits and allowances, targeting both the general population and low-income groups. TSA is the government’s key anti-poverty programme, directed at families and individuals whose monthly income is below the subsistence level. This is a means-tested cash benefit aimed at making up the difference between average income per capita and the official poverty threshold. The current system of support for families with children is complex. It includes a range of benefits, of which some are targeted at vulnerable groups and others are universal. The family allowance for the care of a child until the age of one year and, since 2003, the one-off allowance for the birth of a child are distributed irrespective of family’s level of income. For poor families, the local government pays the allowance to children until they reach the age of 18. Finally, families with four or more young children and disabled children also receive welfare benefits. In addition to welfare benefits, the local government provides assistance to poor families for housing and utilities support. Table 8 describes these benefits in more detail.

81 Based on a universal model of protection.
82 Interview with Ministry of Labour and Social Protection, Astana, 28 September 2009.
**Social insurance**

The pension system was one of the earliest areas to undergo reform. In 2005, the government introduced obligatory social insurance for risks such as disability, loss of breadwinner and unemployment and, since early 2008, new types of social insurance have been introduced, including allowances to support pregnancy, delivery and home care for children over one year old of working parents. The focus on children within the social protection system has also been strengthened through the establishment of a new Social Council in Parliament in 2007, to focus on the challenges of increasing public spending to the social sector and to promote the children’s agenda at the national and local level (UNICEF, 2008e).

### Table 8: Types of social benefits

<table>
<thead>
<tr>
<th>Type of social assistance</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child’s birth allowance</td>
<td>This is a one-off payment. It has been raised in 2008 to equal 30 minimal calculated amount (MCA). Planned to increase to 50 MCA in 2010.</td>
</tr>
<tr>
<td>Monthly child care allowance for children below one year of age</td>
<td>This is paid from a social insurance fund. It is means tested and calculated as 40% of the average monthly salary of a mother, or not less than 5, 5.5 and 6 MCA for the first, second, third and other children, if the mother is unemployed. This allowance is supposed to be raised in 2009 up to KZT5790 for the first child and up to KZT6369 for the second. Child care allowance is paid on a monthly basis regardless of the family income.</td>
</tr>
<tr>
<td>Monthly state allowance for children up to 18 years old from poor families</td>
<td>Equal to 1 MCA – KZT1296. The payment depends on the capacity of local budgets, which is why TSA payments differ across oblasts.</td>
</tr>
<tr>
<td>Special state allowance to mothers having many children (four or more)</td>
<td>Equals 3.9 MCA; increase planned in 2009.</td>
</tr>
<tr>
<td>TSA</td>
<td>Means tested and targeted at poor people. Average size in 2009 is KZT1790 per month. Growth of allowances predicted in 2010 and 2011. As the local budget is responsible it is uncertain if this will happen.</td>
</tr>
<tr>
<td>Special state allowances (e.g. housing allowance)</td>
<td>These include discounts for housing maintenance and utilities, fuel, telephone, medicines, glasses, public transportation, periodical subscription, etc. Paid from local budget. Not means tested but rather provided to special categories of citizens.</td>
</tr>
<tr>
<td>Allowance for disabled children under 16 years of age</td>
<td>Not means tested.</td>
</tr>
<tr>
<td>Allowance to parents or foster parents of disabled children</td>
<td>Equal to 1 MCA.</td>
</tr>
</tbody>
</table>

Although Kazakhstan has rebuilt an extensive social protection infrastructure over the years, the current system is still inadequate to cushion vulnerable groups from crisis situations. There are a number of institutional and governance weaknesses that render the existing social assistance programme inefficient and unlikely to effectively respond to emerging demands. The challenges in the current social assistance programme are presented in Box 2.

### Box 2: Social assistance programming challenges

**Insufficient coverage and targeting**

A recent evaluation of benefits by Sange Research Centre (2008) found that only 40% of all social benefits goes to the poorest two quintiles, the rest leaking to the non-poor. Only TSA and the monthly state allowance for children from poor families reach a higher proportion of poor people, since these are means tested. But, even here, only 70.6% of poor people received TSA in 2006, and the rest was distributed among the wealthiest two quintiles, indicating a need for better targeting. Other allowances are based on categorical entitlements and are awarded to various political categories of people (e.g. war veterans, Chernobyl victims, individuals awarded orders or medals, victims of political repression). For example, poor households represent the lowest percentage of beneficiaries of housing allowance, despite their greater needs.

**Insufficient size of allowances**

In 2009, the average per capita amount of TSA is KZT1790 (calibrated for tenge devaluation) (Joshua, 2009). This is perceived by both families and government officials interviewed as very low, without a significant impact with regard to protecting children from falling into poverty. It can barely cover their food...
costs,84 leaving parents with very little to invest in the human development of their children (e.g. books, school uniforms, shoes, preschool).

Unpredictability
Benefits targeting poor people (monthly child benefits, TSA and housing allowance) are financed from local akimat budgets. Actual amounts and types of social benefits are based on local resource capacity and, as a result of varying fiscal space, in practice differ widely between oblasts. The better-off regions and cities are able to offer more substantial support to their residents and to extend social support measures as a response to the crisis. For example, in Astana there are various fee waivers (e.g. transport, housing), social stores for low-income families and social drugstores. Poorer akimats are unable to provide similar assistance to their citizens. In Baidibek, for example, a mother received an allowance for only the half of the amount she was entitled to, as we have seen.

Cumbersome procedures
‘This is the most inaccessible service owing to the large amount of necessary documentation needed to prove that your income is below the cost of food basket’ (Sange Report, 2008). In order to qualify, and in addition to providing many other documents, applicants must submit their residence registration document. The fieldwork found that this is a major disincentive for families. It also results in migrant households being kept outside of the social protection system owing to a lack of proper registration. Some are living in illegal housing; internal migrants live with friends and relatives who are reluctant to register them because of tenancy laws.85

Limited access to information and awareness about entitlements
This was encountered frequently during the fieldwork. The local government was described by many families as unhelpful with regard to advising people and raising awareness on rights. ‘Nobody will explain to me how things work – I just get shuffled around’86 was one of the many responses heard. Also, there is an indication that people may be forced to pay bribes to local authorities to receive benefits. In some cases, people pay fees to intermediaries to help them prepare and submit an application.

Cost-related obstacles
Finally, obtaining necessary documentation was also cited as a problem by poor families, owing to indirect costs incurred to collect them, e.g. in copying necessary documentation. Transportation costs also appear to be an issue. The government bodies from which documents are needed may be dispersed across the city/village. Moreover, even though the Ministry of Labour and Social Protection has simplified procedures, recipients still need to travel to the rayon level to submit their application. This creates time and cost barriers for the poorest population groups, especially those from rural areas.

Social services and child protection
In recent years, attention has been focused on expanding and improving the system of social services for vulnerable children, with a greater focus on integrated support. The law on special social services was adopted in 2008, spearheading systemic reforms in the sector. This includes development of quality standards, diversification of service delivery suppliers and greater engagement of NGOs and the private sector in social care. The republican budget for 2009-2011 assigned KZT30.5 billion for provision of social services, with KZT5.7 billion assigned for 2009.87 Pilot projects have already begun in three oblasts, with the participation of NGOs.

Notwithstanding these achievements, state institutions (orphanages, regional social service centres, rehabilitation organisations, etc) remain the main service providers in Kazakhstan (UN, 2008). Moreover, state support for families with children (e.g. large households, parents with disabled children, foster parents) is in many ways still inadequate. At present, there is a lack of preventive, inclusive measures and services for families in crisis and children at risk of neglect and abuse, especially in less developed oblasts. Public institutions lack sufficient human and financial resources for prevention and rehabilitation work. At the local level, there is a dearth of professional social workers – even among NGOs – to meet the special needs of families in trouble (for example, services to prevent and treat alcohol and drug abuse, domestic violence, parental neglect). No

84 Interview with Ministry of Labour and Social Protection, Astana, 28 August 2009, and key informant interviews, August and September 2009.
85 Interview with UNDP Syslab Project, 30 September 2009.
86 Key informant interview, Shymkent, 3 September 2009.
87 Interview with Ministry of Labour and Social Protection, Astana, 28 September 2009.
evidence could be found of other small-scale social and practical support for families in difficulties, such as visiting social workers, which is being implemented in parts of Russia and Kyrgyzstan (Carter, 2005) and has been found to be effective in reducing the flow of children into institutional care.

6.3.3 Crisis responses to child- and family-specific vulnerabilities

As mentioned, social spending pledges were honoured in 2009, with expenditure on basic services and especially social protection increasing in the planned 2009 budget. The state’s expenditure on education, health and social protection had been increasing in nominal terms in recent years (2005-2008) but had remained relatively constant as a share of GDP. However, planned expenditure in these sectors was set to increase in 2009, from 3.6% to 4.1% of GDP in education, from 2.3% to 2.7% of GDP in health and from 3.9% to 5.2% of GDP in social protection. This highlights the stronger priority given to targeted social protection programmes as a response to the crisis. Yet, despite this initial increase in resources to the different social sectors, as explained above, the April 2009 budget revisions to adjust to the fall in government revenue resulted in a decrease in budget allocations with respect to initial 2009 budget plans. Nevertheless, as we discuss below, the crisis has not been used as an opportunity to ‘build back better’ (Evans 2009) and strengthen the quality of social protection; budget allocations to social protection continue to be similar to those of LICs. Given the country’s significant oil wealth, these low allocations to social protection are particularly problematic in the context of the crisis, with greater demand for social protection support.

Analysis of the ACP reveals that, despite the generous fiscal stimulus package, new or expanded measures introduced by the government in response to emerging child- and gender-related vulnerabilities have been more limited. We now turn briefly to explore the government’s response with regard to specific areas critical to child wellbeing.

Access to core services

Since the onset of the crisis, there has been limited attention to strengthening service delivery for marginalised groups. The focus of the ACP is on strengthening infrastructure at the expense of service delivery, institutional strengthening and human resource development. As we have outlined, the core services do not guarantee equitable access for all children, especially with regard to early education, health care and housing. Moreover, the crisis is very likely going to exacerbate the barriers for vulnerable children and their caregivers to accessing and affording quality services. The following areas are of particular concern.

Adequate nutrition

The strategic plan of the Ministry of Healthcare takes into consideration the fact that the most vulnerable categories in situations of crisis include pregnant women and infants. However, it ignores other vulnerable children who also require protection (e.g. chronically sick children, including those suffering from HIV/AIDS, disabled children and children and young people with mental disorders) (Kovalevskiy, 2009). And while there is a high political commitment to reducing maternal and child mortality, it appears that no additional government measures have been introduced since the crisis began to monitor the nutrition of groups at risk – both pregnant and nursing mothers and infants – and provide them with supplementary feeding to avoid malnutrition. The BBP includes iron supplements to address high levels of anaemia (which may be exacerbated by the crisis) but, according to the pregnant mothers we interviewed, kits are often distributed incomplete.

As part of the ACP, the government is investing $1 billion into the agribusiness sector, both to ensure food security and to develop export-oriented food production. Despite important long-term implications, this does not necessarily help resolve current acute food needs. At the moment, only

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88 Approved in December 2009
89 FGDs with NGOs, Shymkent, and UNICEF, 3 September 2009.
90 Key informant interviews, Karaganda, 6 September 2009.
63.4% of children are being provided with hot meals at schools. A proposal to raise the number of students from poor families receiving quality and balanced hot meals from 2010 is currently under consideration (Kovalevskiy, 2009). What the outcome of this will be, however, is uncertain. Furthermore, this does not address the nutritional needs of children under five, who are usually more vulnerable (UNICEF, 2006a).

In terms of water and sanitation, another critical determinant of child nutrition, key informant interviews suggested that the government programme on rural territories development for 2004-2010, which includes construction and reconstruction of water supply systems, may be postponed because of the crisis.

**Access to health care**

Two issues that are critical to mother and child health warrant particular attention in the context of the crisis. First, ensuring the standardised BBP is equally available to citizens across oblasts: although the BBP is guaranteed, our field research revealed that children and mothers have differential access to the package of care depending on their location. As already discussed, owing to insufficient health financing in some of the oblasts, guaranteed medical services are not fully available (Kovalevskiy, 2009). Moreover, field research found that many people are not aware of the BBP, which further impedes access to these services, despite them being free. More proactive strategies are needed to ensure these barriers are removed, including stronger interaction with marginalised citizens to raise awareness on available services.

Another critical issue that must be explicitly addressed is high out-of-pocket expenditure – both formal and ‘under the table’. Despite the priority given to salary payments in recent years, health sector worker salaries are still relatively low. This encourages the practice whereby health staff demand informal payments for supposedly free services. The situation is not as acute as it was during the period of transition, but it does persist. People are also exposed to dramatically high health expenses, particularly for catastrophic illness. These continue to directly affect access to and affordability of health services for low-income families as well as migrant families who are excluded from the safety net.

**Access to social infrastructure**

Since the onset of the crisis, the government has decided to postpone the construction of new social facilities. Moreover, spending on capital repairs and equipment purchases has been cut. Some facilities will be repaired within the Road Map, which is welcome but leaves other important service delivery issues unresolved. For example, it is not clear whether there are enough resources to operationalise these facilities with adequate staff and equipment. As discussed already, both of these issues are pressing in Kazakhstan. It appears very unlikely in the current context that local budgets will be able to raise funds to build new kindergartens and increase provision of preschool education in line with declared policy commitments. Private investment within public–private partnerships is also likely to dry up. There are similar constraints in the water supply and sanitation sector and in social housing, as construction work may be postponed owing to the crisis.

**School support and ECD**

Another measure that could make a significant contribution to child wellbeing is the provision of school support measures. During the field research, free uniforms, textbooks and hot meals were perceived by families as the most valuable form of support. At the moment, all local governments are obliged to allocate 1% of their education budget towards providing such support to poor families. Although many children from low-income families are provided for, not all students are benefiting. A proposal has been submitted to the Parliament to increase budget allocations to 3% of education budgets.
in order to ensure wider coverage. Again, the result of this is still unknown. There are also concerns that the programmes may not have guaranteed funding, given that oblasts’ revenue streams are more volatile than those at central government level. As discussed in Section 5, the poorer oblasts in general have lower revenues and more poor persons, and therefore face a greater demand for programme benefits.

Finally, a more targeted action to expand access to preschool is urgently required, despite budgetary constraints. In efforts to reach a broader section of the child population, a variety of lower-cost ECD services modalities can be pursued that are ‘community based’ and/or ‘home based’. Quality subsidised crèches, after-school care and flexible working are other possible institutional support responses to parents who are increasingly more likely to experience pressures on the time available to care for their young children.

Social protection measures
Since the crisis hit in Kazakhstan, budgetary commitments to social protection have increased from 3.9% in 2007 and 2008 to 5.2% in 2009. Although mid-year budget revisions resulting from the fall in government revenues reduced health and education budgets, the social protection budget increased by almost 140,000 tenge (Ministry of Finance, 2009).

Furthermore, the number and size of benefits to protect the welfare of children have increased. In 2008, rates of benefit paid on birth and subsequent monthly payments for children were increased by 2 and 1.6 times, respectively, and they are expected to rise further in 2010-2011. Moreover, as a direct response to the crisis, the government has decided to extend the period of eligibility for the unemployment benefit of KZT17,000 per month from four to six months. To be eligible, an unemployed person needs to be registered in an employment centre and attend a job training programme. If s/he cannot find a job within six months, s/he becomes eligible for TSA.

While these increases in social protection spending are clearly positive, there are concerns that policy commitments are still insufficient to protect children from the adverse effects of economic volatility and loss of family incomes. Data on uptake of the TSA programme show a small rise between 2007 and 2008 (ASRK, 2009c), but a decline in the first six months of 2009 as compared with 2008 (ADB, 2009). This is more likely to reflect barriers to uptake of the benefit or poor families’ lack of awareness of their eligibility than a decline in need.

Moreover, wide regional differences remain in terms of vulnerability to the impacts of the crisis, which are not being effectively targeted in the government’s crisis response package. It is well known that social service expenditure varies significantly between regions, and in some oblasts it is substantially underfinanced. South Kazakhstan is an example of a region which lacks resources and at the same time has the highest percentage of large families and children. An increase in budget allocations during the crisis is critical to alleviate disparities, deficits and inequalities and to ensure that relief reaches the most disadvantaged, marginalised and neglected children and their families. At the same time, it should also be acknowledged that children’ wellbeing depends not only on the scale of resources, but also on efficient decisions with respect to distribution of funds (UNICEF, 2008f). This means that, during the crisis, stronger efforts are necessary to ensure that budgetary resources are reallocated towards priority areas in order to be able to achieve better outcomes for children. Investment in ECD (i.e. preschools), for example, is one critical area that warrants greater attention in budget prioritisation.

In addition to these specific shortcomings of the crisis response, a number of pre-existing weaknesses of the social protection system need to be addressed if the actual as well as potential impacts of the crisis on vulnerable children are to be tackled effectively. In particular, there is a need to strengthen the social protection system so that it becomes more efficient, systematic, integrated and proactive.

First, while changes to insurance payments offer some relief to registered unemployed people, people working in the informal sector are excluded from this safety net measure. This is of concern, given the large number of families in Kazakhstan working in the informal sector.
Second, more efforts are needed to strengthen the efficiency and effectiveness of social assistance to poor and vulnerable households. The main benefits remain inadequate to cushion both families and children effectively from falling into poverty during the economic downturn. From the standpoint of child wellbeing, it is important not only to raise the size of the allowances but also to reduce the barriers to obtaining allowances, as well as improving their targeting to disadvantaged families. While there are inevitably many competing demands on government resources in a period of economic crisis, protecting children from the adverse effects of poverty has a strong claim as a sound policy investment. Both during the crisis, and as Kazakhstan moves into planning for recovery, increasing the size of benefits to poor families with children should be a policy priority. Steps to achieving this could include reviewing how current approaches could be modified to reduce the severity of poverty and the poverty gap experienced by families below the subsistence minimum. Such a review should consider ways to focus expenditure on families in poverty and reduce the administrative burden for both poor families and local authorities.

Finally, more needs to be done to strengthen social services infrastructure to adequately protect children from social risks and to safeguard child’s emotional wellbeing during times of crisis. Declines in material living standards for many families, together with emotional stress caused by economic insecurity, unemployment and overcrowded housing, are placing families under particular pressure. There are already signs that the economic shocks risk exacerbating child protection concerns, in terms both of parental nurture and care and of exploitation, abuse and neglect (e.g. child work, trafficking, abandonment). State efforts need to be intensified to provide effective support to families in their child-rearing responsibilities, to prevent family breakdown and potential exploitation and abuse of children. In particular, the government needs to invest more resources to:

- Enforce mechanisms for identifying child labour exploitation and trafficking and develop government capacity to deal with it;
- Establish uniform criteria for families or children in ‘trouble’, to enable their easy identification;
- Address a dearth of qualified/experienced social workers to identify and address family problems to provide individual counselling to children who need protection;
- Expand a network of support services (e.g. crisis centres, etc) across regions for the victims of violence, domestic abuse or trafficking, or youth in custody;
- Strengthen linkages between social support and other benefits, including adequate housing, as provided to families with children, especially to families in crisis because of poverty, to families caring for children with disabilities or children infected by HIV/AIDS and to single parent households (UN, 2008);
- Improve measures for children living without family care.

**Integrating a child-sensitive lens into crisis responses**

In addition to the coverage and quality of services and social protection programmes introduced, children are also likely to be affected by the extent to which child wellbeing considerations are integrated into problem analysis, policy design, implementation and monitoring. The fieldwork findings highlighted the following challenges, which will need to be addressed in order to be able to mainstream children’s rights effectively into crisis policy responses.

**Attention to child-specific vulnerabilities**

First, capacity to diagnose child-specific vulnerabilities and generate plans is an area that seems to require significant strengthening. Kovalevskiy’s (2009) analysis of key ministries’ plans for 2009-2011 revealed that strategies remained unchanged despite the shocks. The field research confirmed this: state and local government plans generally ignore crisis impacts (no plans have been substantially amended). As a result, a window of opportunity may have been lost to assess potential crisis implications on child wellbeing and to put specific measures in place to mitigate the adverse impacts.

97 Interviews with ILO and IOM, Almaty, 31 August and 1 September 2009, respectively.
Second, there are divergent perceptions about the crisis. While the highest ranks of government are aware that, despite mitigation policies, the crisis will have an adverse impact on the most vulnerable, ministries and local government are less willing to acknowledge this explicitly, or do not consider the crisis a burning issue. For example, some local government officials stated that ‘the crisis is not so palpable – we cannot see it now. It is better to be looking at the impact of programmes’. Some officials were also eager to point out that the current economic crisis is ‘nothing in comparison’ to the transitional period, which had much more dramatic impacts on people’s welfare. (It was, of course, much longer than the current crisis has so far been.)

Timely and accurate data for use in investigating the impacts of crisis on children are also lacking among state agencies. Even before the crisis, information availability to inform child wellbeing programming was limited, especially in relation to vulnerable children – beyond the typical categories of vulnerability, such as orphans, etc. The Ministry of Labour and Social Protection still lacks disaggregated data on children at risk and the field research revealed that, in some oblasts, there is an acute lack of basic information, such as numbers of children living in low-income families.

Some examples of good practice are emerging, however. For instance, the state Department on Child Rights of the Child Rights Committee in Karaganda is the first agency monitoring the status of children on a quarterly basis. It publishes a report with comprehensive data on children 0-17 years of age. Every month, data are updated and reports are used in local government planning. According to the committee, local authorities are very happy to be able to use these reports, implying that there is a rationale and a need to replicate these efforts nationally. The committee has also set up a child rights hotline, by means of which children and others can report abuse. However, overall, no measures have been put in place to improve and increase the collection of disaggregated data to effectively monitor the effects of the crisis on children and families.

Integration of both social and economic vulnerabilities

There is as yet no integrated approach to address the multiple dimensions of child vulnerability in Kazakhstan. Social assistance (e.g. child and family allowances) is, to some degree, able to cushion the impacts of economic shocks on households. But this support is not well integrated with social services and complementary activities, such as birth registration, food protection, preschool support, etc (ODI, 2009). Programme delivery remains quite vertical. In his evaluation of government functions, Kovalevskiy (2009) finds that agencies often work on only a single problem or issue (e.g. public works, entitlements to special state allowance, housing benefits, residential care). This prevents the government from addressing the multiple dimensions of child vulnerability that are generated by, both economic and social shocks. These problems exist because of weak interagency coordination and a lack of a shared database to monitor the outcomes.

Local government capacities

Achievement of the ACP depends to a large extent on the efficiency of local authorities. Capacity at local level to design child-friendly strategies and action plans is weak. While at national level there are well-thought-out plans, problems arise at local level regarding weak ability to implement these ideas effectively. Results-based planning is still at a quite rudimentary stage. The ‘concluding memoranda’ with akims that central government has adopted appear insufficient to monitor and ensure delivery by local government on the ACP. More capacity development is needed to help local government achieve the planned goals, and to strengthen the participation of NGOs in both service delivery and oversight of measures.

98 FGDs with NGOs, Shymkent, and UNICEF, 3 September 2009.
99 Interview with local authorities, Shymkent, 2 September 2009.
100 Others denied the existence of poverty in their oblasts. Underpinning these constraints is the generally limited understanding of the concepts of poverty and vulnerability in Kazakhstan. Interview with BOTA Foundation, 30 August 2009, and WHO, 26 August 2009.
101 Interviews with UNICEF, NGOs, Astana, Karaganda, Shymkent, August and September 2009.
102 Interview with government officials, Shymkent, 3 September 2009.
Box 3: The role of citizen voices in shaping policy responses

The role of citizens in shaping policy responses to the crisis has been quite limited to date, and no consultation processes with civil society groups have been organised. While NGOs’ role in social development has increased in recent years, they are engaged mainly in social service delivery rather than policy advocacy. In South Kazakhstan, for example, 460 non-state actors are registered, whose mandate is mainly to solve social problems. Despite efforts to increase opportunities for NGOs to participate in policymaking (mainly drafting of laws), in reality only a few are actively engaged, especially in rural areas. Funding constraints have been cited as a key factor affecting the ability of NGOs to provide quality services to respond adequately to the crisis. A key survival strategy for many has been to establish relationships with the private sector and emerging philanthropists.

Ordinary citizens are even further removed from the decision-making process. Across the localities visited, it was clear that they are seldom consulted in government affairs and have contact with the authorities primarily through school. There are some positive views about government support, albeit not related specifically to the government’s response to the crisis. As already noted, school is valued, in terms of both the support it provides and its role in bringing people closer to authorities and in some cases the decision-making process, e.g. parents’ councils. A frequent response in interviews was ‘only school helps us’. Others complained that ‘authorities do not help us. Maybe they do not know how – maybe they do not want to’ and ‘they [local government] see us as beggars’. In more severe cases, people are even afraid of authorities: ‘I avoid going to NGOs to seek legal help, fearing the negative consequences from the local government’. It is also notable that NGOs do not feature prominently in people’s lives. In fact, only a very small number of interviewees were aware of their existence and role. This is despite the growing number of NGOs and their increasing engagement in government service delivery. It is thus not surprising that, as noted in Section 4, most crisis-affected people interviewed were relying principally on their families and wider social networks for support, rather than state organs or NGOs.

103 In 2004, the government approved the State Programme of Government Support of NGOs, to develop NGOs’ role in addressing burning social problems, in cooperation with the state (ADB, 2008).
104 Interview with Sana Sazim, 16 September 2009.
105 Key informant interviews, Karaganda and Shymkent, September 2009.
7. Conclusions and policy recommendations

Kazakhstan is a well-resourced country with nevertheless relatively high poverty levels in comparison with other countries of similar GDP level, such as Bulgaria. Child poverty remains at a higher level than adult poverty. Compared with its immediate neighbours, Kazakhstan has better indicators of child wellbeing but, compared with countries with similar GDP, its indicators suggest that much more can be achieved, for example its levels of social sector spending are closer to those of LICs rather than those of middle-income countries. Post-transition, the government reorganised its poverty-focused institutions and social policy, but retained a commitment to social policy and recognised important wellbeing outcomes linked to such investments. These are clearly articulated in the National Development Strategy (Strategy 2030), the TSA programme (2005-) and the Children of Kazakhstan programme, aimed at raising children’s living standards. From 2002, the negative trend of social sector spending was stabilised, and since 2006 there has been an increase in public expenditure in the social sector. Importantly, the government has showed its commitment to maintaining and, in the case of social protection, increasing such investments during this period of financial crisis in response to rising poverty rates after several years of significant poverty reduction.

Thus, key issues of concern, such as infant and maternal mortality, child morbidity, access to health care and education, housing conditions and water supply are all being addressed in principle through national planning processes, public policy and social protection. Important indicators have shown improvements over the past 10 years, although there is still some way to go to bring them in line with countries of similar GDP and, clearly, many policies and investments could still achieve more. For example, investments in public health have been between 2.2% of GDP in 2006 and 2.7% of GDP in 2009, which is close to 1% of GDP lower overall compared with Eastern European countries (Cornia, 2007) and significantly lower (close to 4 percentage points) than the average for new EU member states. Similarly, Kazakhstan’s expenditure on education is lower than that of other countries with similar GDP and, at approximately 4% of GDP, significantly below the 5.4% GDP average for OECD countries. Nevertheless, in line with current PFM reforms, better planning and policy implementation could make spending in the social sectors more cost effective, generating better outcomes for the resources invested. This is particularly so in the case of local governments, which are responsible for spending a significant share of resources in such sectors while policymaking functions are still overly concentrated at central level, making it difficult for sub-national governments to optimise spending and better link it with expected results. Similarly, sector ministries are still not successfully aligning sector policy and spending, a particular challenge in a context of changing needs and programme responses such as during this crisis.

The question at this time, therefore, is what, if anything, should be done in the context of financial crisis to address obvious suffering, prevent more people falling into poverty, redress any backsliding in current anti-poverty trends and, indeed, turn crisis into opportunity in order to reform policy and institutions, better enable implementation and bring Kazakhstan into line with its GDP potential.

7.1 Impacts of the financial crisis on Kazakhstan

The current financial crisis has affected Kazakhstan through three main avenues: the drop in oil prices, which is shrinking revenue for Kazakhstan as an oil-exporting country; the contraction in global demand and trade, which is affecting exports, tourism and remittances; and the tightening of credit markets and more cautious attitudes to risk, which is affecting capital inflows, depressing asset prices and reducing investment. This has affected sectors with formal employees and the self-employed through contractions in manufacturing, construction, transport and communications and trade. The deterioration of the economy has also impacted those working in the informal sector. Reduced incomes, reduced real value of wages, increases in food prices, inflation, higher
unemployment, underemployment, adults working longer hours in more than one occupation and associated family stresses can be expected and have been observed as a result.

The drop in demand for trade and reduced oil prices, the drying up of external sources of financing and the hike in international food prices caused economic activity to slow down and the amount of government revenues to decrease significantly. These shocks, coupled with investment outflows, which also put pressure on foreign reserves, and a depreciation of the Russian rouble pushed authorities to devalue the national currency, the tenge, by 20% in February of this year. However, a significant amount of available resources in the government’s NFRK, from oil earnings (which were particularly high in 2008), has been useful in neutralising many of the effects of these negative shocks, including for example increasing the budget available to social spending, particularly for social assistance.

After a year of rising inflation in mid-2008, this has been brought under control in 2009, through an effective use of monetary policy. This has in turn translated to a slight recovery of real wages.

7.2 Household-level impacts of crisis

Unemployment has risen unevenly by sector, gender and region. For example, in the second quarter of 2009, the number of unemployed females increased by approximately 31.4% more than the number of unemployed males with respect to the previous year. Wages have also decreased or failed to grow at previous rates. Data from the mid-2000s showed that 44% of employees earned low wages and 58% of the poor were without work or with salaries too low to provide for families. Those in the informal sector and the self-employed are also particularly affected. Many in rural areas are public sector employees and thus their households are more sheltered from impacts, since there are government commitments to boost wages and maintain employment. The largest numbers of poor are in rural areas, but poverty incidence has risen more in urban areas, perhaps reflecting job losses.

At the household level, families are already experiencing a decline in living standards, owing in part to inflation, the devaluation of the tenge, the rise in prices of essential commodities and reduced income or loss of income. The problem is particularly acute where incomes are already low, especially in relation to: large families (with many children), disability in the household, single parent families, families with disabled children and migrant families. It is also significant where livelihoods are relatively low return, for example families engaged in agriculture and in the low-income urban informal sector, such as trade, both of which are strongly affected by falling demand.

Migrants, both internal and external to Kazakhstan, have been very much affected. While at the macro level Kazakhstan is a net exporter of remittances, there are many individuals within the country who have also been affected. This includes internal rural–urban migrants as well as those receiving remittances from overseas. Those most affected include low-skilled construction workers, labour migrants from neighbouring countries and internal migrants from rural areas who are unregistered and fall outside of the safety net system. Many accept worse working conditions and very little pay rather than return home where conditions may be worse.

Gender inequality merits particular attention. Indications are that women face discrimination in terms of pay and employment, earning 62% of men’s earnings, with significantly higher unemployment rates (43% compared with 57%) and greater disparity for women of childbearing and child-rearing age (30-55), indicating possible discrimination or lack of child care. In general, low wage earners often work more than one job, with implications for care, nurture and household responsibilities and for child labour, in terms of children both taking on domestic responsibilities and undertaking income-earning activities.

Elsewhere, for example after the Asian financial crisis, women and young people were made redundant first. Additionally, in some sectors perceived as male, women may actually comprise a (sometimes major) part of the labour force and are especially vulnerable owing to their
concentration in low-skilled and thus easily expendable jobs. Other gender-related issues are also cause for concern. Between 2006 and 2008, the share of the poor among female-headed households increased by 10%.

Youth typically face considerable problems in times of recession, unable to afford higher education, the first to be made unemployed or unable to secure employment and victims of reductions in perceived 'non-essential' services such as sexual and psychological health services. In fact, the youth unemployment rate is higher than the overall rate in Kazakhstan: in the second quarter of 2009 the former was 7.2% while the latter was 6.7%.

As with findings elsewhere in the region and worldwide, family distress and emotional ill-being are commonly associated with financial crisis. Kazakhstan already has some concerning indicators, with low life expectancy, especially for men but also for women, and relatively high levels of youth suicide. Interviews with NGOs reported a recent rise in domestic violence and, while not documented, these indicators would fall into line with data from elsewhere (Harper et al., 2009a) and with the experience during the early years of transition (UNICEF, 2001).

7.3 Recommendations

Bearing in mind the impacts summarised above and taking into account the policy responses as outlined in Section 6, the following conclusions and recommendations can be made.

7.3.1 Build back better

The government of Kazakhstan has approached the crisis as an opportunity to ‘diversify the economy … achieve the real competitiveness and carve out niche for ourselves in the external markets’ (President of the Republic of Kazakhstan, 6 March 2009)

The fiscal stimulus package adopted by the government is both ambitious in scope and generous in financing. Given that aggregate national poverty and unemployment indicators have been kept in check to a large extent, as a result of timely interventions by the government, the rollout of the stimulus package policy measures could be strengthened to tackle significant pockets of poverty and vulnerability among excluded groups, including children and young people and their carers, especially in rural areas and among migrant populations.

The process of implementing measures to tackle the specific vulnerabilities of particular social groups, including children, could also be seen as an opportunity for the government to simultaneously enhance both technical capacities to target vulnerable populations and institutional governance factors critical for sustainable longer-term programme effectiveness. In particular, capacity of local governments needs to be addressed urgently. Local government capacity in defining child poverty and implementing national policy would benefit from technical support as well as additional resources where appropriate.

7.3.2 Target effectively, especially vulnerable groups

Within the Road Map programme there is some direct targeting of vulnerable groups, aiming to provide some protection from poverty. In addition to addressing rising unemployment, the Road Map is envisaged as an opportunity to raise the purchasing power of the population, slow down internal migration and improve core services.

The main interventions involve job creation through: the repair and reconstruction of social infrastructure (schools, hospitals and other social institutions, e.g. orphanages), roads and water and sanitation facilities; retraining programmes for the unemployed; provision of temporary jobs for
up to six months for socially vulnerable populations; the creation of social jobs; and youth internships.

Amendments to labour laws were also made with a view to stimulating working-age unemployed people to find employment through retraining. The latter attempt is important as it focuses on providing training to unemployed mothers with young children to help them get work in the future, especially part-time jobs. Other changes include increasing the notice period from one to two months and obliging employers to notify the job centre about job losses. The programme aims to create 350,000 jobs in 2009 and achieve a sharp rise in the number of women and youth in employment.

Nevertheless, the ACP, while laudable, has been criticised for its limited direct targeting of vulnerable groups and lack of specification concerning implementation. In common with the public perception of crisis response in many OECD countries, the ACP is seen in some areas to be focusing on relieving the risks faced by the financial sector and big business. There are interventions within the ACP, however, as shown above, that are oriented more directly towards ordinary citizens, including assistance to the real estate sector and SMEs, and increases in social assistance and school meals for disadvantaged children.

Pre-existing high levels of poverty and especially vulnerable groups, including migrants, ethnic minorities and regionally situated pockets of deprivation, require additional funds to support the funding shortfall of particular regions so as to address the immediate needs of these populations as well as to obtain better data to identify these groups. These especially vulnerable populations are most likely to also get into debt and find themselves trapped in poverty, having to further deplete assets to pay off debts.

What we do not know is how these declines impact children in migrants’ countries of origin, or within Kazakhstan. Research on this topic is urgently needed, as this is not a problem contained within national borders. The deteriorating working conditions to which migrant workers are exposed also need monitoring as, even if remittances are maintained, these flows may not be sustainable if conditions become abusive and dangerous.

7.3.3 Increase expenditure on public services
Kazakhstan’s middle-income status should be accompanied by a greater commitment to social sector spending in line with countries with similar levels of income and comparable social protection systems, such as those in Eastern Europe. If supported by better management and use of public funds to deliver quality services more equitably, this would contribute to a broader basis for economic growth and poverty reduction, which would be important to reduce the poverty impacts of future crises and would lead to more rapid recovery.

For example, given the low relative spending on health in relation to GDP (2.3% in 2008), particular attention should be paid to ensuring that expenditure cuts are not made, and that spending is instead maintained or increased to cushion families suffering from declining incomes from resorting to negative coping strategies, such as self-diagnosis and self-treatment of health care needs or waiting too long to seek medical attention for cost reasons.

While there has been attention to pregnant women and children, some groups are left out, e.g. chronically sick children, including those suffering from HIV/AIDS, disabled children and children and young people with mental disorders (Kovalevskiy, 2009). And while there is a high political commitment to reducing maternal and child mortality, it appears that no additional government measures have been introduced since the crisis began to monitor the nutrition of groups at risk –

106 Social jobs refer to work in social institutions such as hospitals, facilities for elderly people, orphanages and schools. It is not clear, however, whether this mainly refers to low-skilled jobs.
107 Interview with Ministry of Labour and Social Protection, Astana, 28 August 2009.
108 Interview with PPRC, Almaty, 31 August 2009.
109 Interview with PPRC, Almaty, 31 August 2009.
both pregnant and nursing mothers and infants – and to provide them with supplementary feeding to avoid malnutrition.

School feeding, which is highly valued, could be enlarged at this time of crisis. At the moment, all local governments are obliged to allocate 1% of their education budget to provide such support to poor families. Although many children from low-income families are provided for, not all students are benefiting. A proposal has been submitted to the Parliament to increase budget allocations to 3% in order to ensure wider coverage. The result of this is still unknown. There are also concerns that the programmes may not have guaranteed funding, given that oblasts’ revenue streams are more volatile than those at central government level. The current system of intergovernmental transfers and allocations is leading to considerable regional disparities. The poorer oblasts in general have lower revenues and more poor persons. As a result, they face a greater demand for programme benefits, which they are unable to meet. In the context of the crisis, addressing these shortcomings in the decentralisation of social sector funds, so that it more adequately meets regional demand, is crucial to render social services more responsive.

In the early childhood development sector, where investment has not recovered in line with GDP and trails investment in other sectors, and where investment not only is fundamental for child development and wellbeing but also enables women’s employment in particular, the current crisis could be taken as an opportunity to reprioritise this area. This is particularly important also in relation to supporting nurture and care during times of stress, and better enabling society’s social reproduction. Although achieving universal preschool education coverage by 2010 is a government goal, the crisis risks jeopardising what progress there has been to date. Progress towards the goal of universal preschool education coverage by the end of 2010 has been very slow. This was one of the pre-crisis goals which may, if not additionally supported, be affected by a possible decline in government budgets.  

Scale is important but distribution equally so. During crises, stronger efforts are necessary to ensure budgetary resources are reallocated towards priority areas in order to achieve better outcomes for children. Investment in ECD is one critical area that warrants greater attention in budget prioritisation. Local authorities in particular lack skills in planning and designing programmes that put child-friendly policies into action.

7.3.4 Expand social assistance in line with spending thresholds of other middle-income countries

Kazakhstan has a well-founded social assistance programme and, as part of the crisis response, the number and size of benefits have been increased, including child benefit, birth payments, unemployment pay and TSA. However, this is still insufficient to mitigate the adverse impacts of the crisis on vulnerable children. Despite increases in spending, further efforts are needed to modernise the existing social protection system and to improve its efficiency – making it more systematic, integrated and proactive and less fragmented into a range of transfers that raise administrative costs and increase the likelihood of poor targeting. In the short term, outreach programmes to increase vulnerable families’ awareness of the benefits for which they are eligible and reducing barriers to uptake (such as having to travel to rayon centres to provide documentation to Ministry of Labour and Social Protection offices) would increase the effectiveness of the TSA system in protecting vulnerable children.

Inadequate linkages exist between social support and other benefits, including adequate housing provided to families with children, especially to families in crisis because of poverty, to families caring for children with disabilities or children infected by HIV/AIDS and to single parent households (UN, 2008). Consideration needs also to be paid to those in the informal sector, self-

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110 Total spending on preschool education is projected to grow tenfold – from 0.1% to 1% of GDP. This growth, however, will be supported to a large extent by off-budget funding (40%, with only 60% of budget funds). Karaganda expenditures broken down by educational levels remain as a whole stable: 6.7% of expenditures of the state budget on education were assigned to preschool education and care in 2008, 69% to general education and 9.1% to technical post-general and vocational education (Child Rights Committee of Karaganda, 2008).
employed people who are often ineligible owing to their essential business assets, whatever their income level, and migrants.

While the system is intended to alleviate poverty, Kazakhstan’s programme could go further and make both families and children resilient to falling into poverty during the economic downturn. This would have long-run economic and social benefits. From the standpoint of child wellbeing, it is important not only to raise the size of allowances but also to reduce the barriers to obtaining allowances and to improve their targeting to disadvantaged families and to regional pockets of poverty. At the moment, there is insufficient coverage and targeting is weak, with only 40% going to the poorest quintile. As Kazakhstan starts to recover from the crisis and plan for the future, there is an opportunity to strengthen the social protection system so as to provide minimum income security or a social floor for all citizens. Reviewing how expenditures could be reallocated and benefits redesigned to more effectively protect vulnerable families is an important first step.

7.3.5 Improve child protection services and linkages to broader social protection systems

While child protection legislation and policy exist at a national level, enactment is constrained by limited resources. Social spending pledges have been kept at 12% of GDP on all social sectors, with expenditure specifically on social benefits for children and families constituting approximately 0.5% of GDP – this is considered too low in comparison with countries of Central and Southeast Europe, which spend up to 2.6% on children and families, although the extent to which this is specifically on social protection is unclear. Nevertheless, higher expenditure at this time on child-related social protection would release both short- and long-term benefits.

Between regions and oblasts, expenditure varies widely; in some, social protection spending is significantly underfinanced. South Kazakhstan lacks resources and has the highest percentage of large families and children. Better planning at the local level is important, which can be reflected in better use of transfers from the central government towards child protection, in addition to advocating for more equalising transfers to poorer oblasts and rayons.

A far greater proportion of resources should be allocated to child protection in line with Kazakhstan’s GDP. Very little information is available on the impacts of the crisis on children’s right to protection from abuse, violence and neglect. UNICEF should urgently undertake this type of analysis, given that research from past crises has highlighted increased child protection deprivations, including involvement in harmful forms of child labour, increased vulnerability to sexual violence and commercial sex work and abandonment of some children.

Moreover, broader social protection packages are not well linked into child protection mechanisms, such as those addressing child labour, exploitation and trafficking. There appear to be no uniform criteria for families or children in ‘trouble’, which prevents their easy identification. There remains a lack of qualified/experienced social workers to identify and address family problems and to provide individual counselling to children who need protection. Further efforts are needed to establish a wide network of support services (e.g. crisis centres, etc) across regions for the victims of violence, domestic abuse or trafficking, or youth in custody, etc.

7.3.6 Strengthen child-sensitive data collection and real-time monitoring

Timely and accurate data regarding the impacts of crises on children are acutely lacking among state agencies. Even before the crisis, information available to inform child wellbeing programming was limited, especially in relation to vulnerable children – beyond the typical categories of vulnerability, such as orphans. The Ministry of Labour and Social Protection still lacks disaggregated data on children at risk. The field research revealed in some oblasts an acute lack of basic information, for example the Department of Social Welfare in Baidibek does not have records on the exact number of children living in low-income families. However, there are some very good examples that could be replicated, such as the state-founded Department on Child Rights of the Child Rights Committee in Karaganda, which is the first agency to monitor the status of children on a quarterly basis. It publishes a report with comprehensive data on children 0-17 years of age.
Other data constraints include a lack of integration of information, such as that on social support, birth registration, preschool, etc. This limits ability to address multiple dimensions of child vulnerability. This is compounded by a tendency towards vertical programming and single issues. There is also weak interagency coordination and a lack of a shared database to monitor outcomes.\textsuperscript{111}

There is an urgent need to invest in real-time monitoring of impacts on women and children – much of the available data and analysis on impacts is neither age nor sex disaggregated, making it difficult to understand impacts on children and on different groups of children (e.g. migrants, girls, boys, youth, children with disabilities, ethnic groups, etc). However, our knowledge of other crises suggests that children are generally among the hardest hit. Moreover, although macroeconomic indicators may improve more quickly, impacts on the ground generally experience a lag, both in terms of the onset of impacts and in terms of recovery. Hence, monitoring impacts is still important. This will also provide invaluable data on the robustness of existing formal and informal social protection mechanisms in supporting families to cope with the impacts of the global downturn.

Moreover, of the many and various policy responses to the crisis, few are explicitly child or gender sensitive in design, and they appear to have been implemented based on the assumption that tackling household poverty and vulnerability will help protect all citizens. However, ample research evidence suggests that this is not always the case, owing to unequal intra-household resource allocations. Accordingly, ensuring that disaggregated data on the uptake of different crisis response measures and discussing age- and gender-sensitive policy recommendations with government partners appear to be an urgent priority, so that measures can be targeted effectively and scarce resources utilised optimally.

More analysis of public service delivery, performance and expenditure effectiveness at the micro level (oblasts and rayons) could be useful to inform improvements and ensure better PFM, including through effective use of transferred funds according to expected outcomes. In the case of improving spending on children, this is particularly relevant in: health, education, housing and utilities; TSA and social care services (where significant resources and functions have been decentralised); and spending on each sector, which varies among different jurisdictions, and where there has been little progress in planning according to local priorities. Such planning might improve the responsiveness and effectiveness of local social sector policies with regard to the changing needs of the population in the context of the crisis.

7.3.7 **Strengthen linkages with civil society to capitalise on community-based knowledge and outreach**

NGOs tend to be engaged in service delivery, not policy advocacy. Importantly, NGOs have much to offer and, in both Karaganda and Shymkent, have a good understanding of the issues affecting children and families in the context of crises. Non-state actors were not involved in planning the ACP – no consultations were conducted – but could have much to offer. The NGO network on social and community development is substantially weaker in rural areas. Funding constraints have been cited as a key factor affecting the ability of NGOs to provide quality services to respond adequately to the crisis. As a result, information on NGO responses to the crisis is by and large sparse. This suggests that efforts should be made to strengthen knowledge management systems so as to facilitate learning within and across NGOs and government, as well as to enhance coordination efforts among non-governmental agencies. Such synergies are especially critical when resources are scarce. More capacity development is needed to help local government achieve planned goals, and to strengthen the participation of NGOs in both service delivery and oversight of measures.

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Appendix 1: Question guide

A) Government

Ministry of Economy and Budget Planning, IMF

1. Key impacts of recession so far on government revenue, on public expenditure plans, particularly for education, health and social protection (if there are any planned changes in spending in these sectors, what was the rationale for these changes)
2. Impacts on employment
3. Impacts on aid flows
4. Impacts on exchange rates
5. Impacts on remittances (are they significant? If so, from where do they derive?)
6. Areas of the economy already worst hit or projected to be worst hit and why – which sectors? How are these distributed geographically? What about by age? By gender?
7. How much did the reduction of oil prices and demand impact on your public expenditure plans? Which has been greater, the shock to the oil sector or to the broader economy as a result of the crisis? What sectors have been the most affected?
8. Are there sector-specific MTEF/MTBFs (medium-term expenditure/budget frameworks) in addition to the central one? How useful have they been for planning in the wake of the crisis? Have they been revised? What is the timeline for readjustment of revenues and expenditure? (i.e. when is stabilisation and then recovery expected, not only in terms of economic growth, but activity to sectors, increase in fiscal revenues, etc)
9. Does the ‘anti-crisis plan’ have any specific provisions to mitigate the impacts of the crisis on the poorest, particularly through social protection mechanisms/social safety nets? What are these?

Ministry of Healthcare

1. Coverage and entitlements under the health insurance system
2. Scale of out of pocket payments – for consultations, treatment (e.g. scans, x-rays), and for medicine. Is there any evidence on the proportion of average monthly expenditure they consume? Are there any other forms of health insurance (e.g. community based/cooperatives) and are they effective in covering poorer households?
3. Access to health care – physical access – are there groups with limited access – e.g. in remote rural areas, in informal urban settlements (if these exist in Kazakhstan?)
4. What areas of ill-health do you expect to increase during the recession (adult and child health)? Why these in particular? Who do you expect to be worst affected and why? (Could probe on specific diseases e.g. TB, other respiratory diseases, cancers, cardiac diseases, diabetes, gastrointestinal, HIV/AIDS, reproductive/maternal health)
5. Has there been a rise in people self-medicating, either with purchased medicines or home remedies since ‘transition’? Is this likely to become more common in the recession?
6. Which nutritional problems do you expect to be worst affected by the recession and why? (Probe re micronutrient deficiencies such as anaemia, goitre, vitamin A deficiency), protein/calorie malnutrition and obesity, wasting)
7. Are there potential problems of importing adequate medicine supplies as a result of the crisis? How will the government handle this?
8. What is the government doing/planning to do to prevent the health and nutritional situation worsening? What more could be done? What should donors do? What about NGOs?
9. Has the Ministry of Healthcare been subject to budget cuts as a result of the crisis? If so, in which areas?
10. Has the ministry undergone reforms in their public finance management system (planning/budgeting/spending) in the past few years and, if so, has it contributed?
Ministry of Education and Science

1. Which children are currently most likely not to complete an education? Why? As recession worsens, are other groups vulnerable to not completing a high school education?
2. Is there a problem of non-attendance? (children registered but missing a lot of school owing to work – either paid or unpaid household chores and caring work). Has this got worse since the start of the recession?
3. What are the other key issues facing vulnerable children in relation to education (e.g. tuition/corruption, quality, sufficient teachers in key subjects, infrastructure of schools, other)
4. What do they project the impact of recession to be on the state education budget? And on schools and the education children receive (e.g. if teachers are moonlighting more to make ends meet)? Have any issues been raised by Ministry of Economy and Budget Planning on size of the teacher payroll?
5. What national measures are there at present to protect vulnerable children and young people’s access to education? (e.g. fee waivers, scholarships for underprivileged children, school meals etc). What budget do they have? Are there oblast/rayon-level measures as well financed from local budgets?
6. What would they prioritise to protect children’s access to education?
7. Are there any plans to try to increase access to preschools? (To what extent is the pre-existing infrastructure still there and useable?)
8. What support, if any, would they like from UNICEF and/or other donors?
9. Has the ministry undergone reforms in their public finance management system (planning/budgeting/spending) in the past few years and if so, has it contributed? (national and local levels)

ASRK

1. It would be very useful to get more detailed data on social assistance, social insurance and targeted social services to poor families, specifically:
   - Proportion of low-income social assistance to families received in each quintile
   - Average amounts received as a proportion of average monthly income
   - Relationship of average amount received to the poverty gap in lowest quintiles
   - Relationship of average amount received to the minimum consumption level
   - Trends in receipt especially by quintile
   - Poverty head count by gender and by age
   - Poverty count by male- vs. female-headed households
   Also, statistics on labour:
   - Evolution of employment, unemployment and underemployment by sector, gender, age group, regions and area of occupation
2. Data on child health trends over time and inequalities (e.g. by income, gender, ethnic group or region)
3. Data on education trends over time and inequalities (e.g. by income, gender, ethnic group or region)
4. Data on trends over time in institutionalisation of children and more general child protection services
5. What types of monitoring initiatives if any are under way to assess impacts of the crisis on the population? (e.g. some countries are undertaking quarterly assessments)

Ministry of Labour and Social Protection

1. What do they see as the groups of families and children who are most vulnerable to the effects of crisis?
   - Regions
   - Rural/urban/small urban (often post-industrial)
   - Different livelihood groups (e.g. large and small farmers, people working in manufacturing, people working in oil industry, people working in different kinds of services)
What are the main impacts on employment? In what sectors? Is the government introducing some temporary employment or capacity building schemes? What population are they targeted to (male/female, youth, rural/urban, others)

2. Is there a major issue of migration within Kazakhstan? Who is migrating? (i.e. are people migrating with children or leaving them behind? Are children migrating alone? Are fathers migrating alone? Mothers?) Do migrants face problems with registration in their new place? Does this mean difficulties in accessing social services?

3. What sorts of coping strategies were common during the ‘transition’ period? Is there evidence of people resorting to these coping strategies in the current crisis? Are there any that are particularly harmful for children?
   - Cutting down food expenses
   - Cutting back on school
   - Health care, utilities (e.g. heating, lighting)
   - Increased reliance on child labour
   - Cutting back on socialising/traditional celebrations
   - Migration
   - Sending children to live with other relatives
   - Prostitution/trafficking
   - Reduced caring time for children as women (or main carers) take on additional income-generating activities
   - Increased domestic or community violence
   - Higher levels of alcoholism/drugs – particularly in the case of adolescents and youth

4. How far does the current social protection system protect vulnerable families, especially those with children? Are there groups of families and children that it is not reaching? Why? How does the amount transferred relate to average incomes especially in the lowest quintile? Are there any limitations on how long families can receive this assistance if they have children under 18 and meet the income criteria?

5. How important are pensions (as opposed to family assistance) in protecting children’s living standards? How common is it for older people to live with their children among different groups of the population?

6. Are there currently any problems of non-payment/arrears (e.g. in remote rural areas)? Was this a problem during the ‘transition period’? Could it reoccur during this crisis?

7. Have social protection budgets been cut, maintained or increased since the onset of the crisis? And why?

8. What is the government doing to protect poor people’s living standards during the crisis? Any specific action to protect children? Is there any other action planned?

9. How may the programmes of deinstitutionalisation of children and of support for disabled children be affected by the crisis? Has there been a rise in the rate of children being abandoned/sent to children’s homes since the recession started?

10. Has there been a rise in the number of children working and/or living on the streets since the start of the crisis?

11. What role are NGOs playing in terms of social protection in general and specifically in terms of responding to the crisis?

12. Is there a role that donors can play?

13. Has the Ministry of Healthcare been subject to budget cuts as a result of the crisis? If so, in which areas?

Council/Commission for Women’s Affairs and Women’s Federation, UNIFEM and any women-oriented NGOs

Issues to explore:

1. Are there differences in the ways women and men (and girls and boys) are responding in terms of rising commodity prices for food, utilities, services? (e.g. research from Russia – Lokshin and Yemtsov – suggests women were more likely to cut down on food that they themselves ate; in some contexts boys are being taken out of school as they are more likely to access paid work, in others girls are taken out to supplement household responsibilities)
2. How have women’s economic opportunities – in agriculture, in informal sector, in formal sector – been affected by crisis? How are men’s opportunities being affected? What does this mean for women? And are there differences by age (e.g. young unmarried women vs. married women vs. female headed households vs. elderly women?)

3. How are women’s and men’s workloads (both work and domestic) being affected? Given that there is very little preschool provision and probably even less day care/nursery provision (for younger children), how are women/families managing child care when working? What about women who don’t have familial help around, e.g. because they have migrated for work? To what extent are children left at home without adult supervision?

4. How much control do women have over household decisions – about how to spend money, and about children, e.g. education, health-seeking behaviour, older children’s/young adults’ choice of marriage partners? Are there major differences between different ethnic groups? (Not only Russian and Kazakh but also minorities, e.g. Uzbek, Dungan, etc). Are there indications that gender roles in terms of household decision making is an area of conflict within households; if so, how is this being affected by crisis? (e.g. increased rates of violence? family break up etc?)

5. What do Council and Commission see as key ways women are likely to be affected by crisis?

6. What are they (and other government and NGO actors) doing to try to protect/improve situation of women?

7. What could donors do?

B) Donors/international agencies

General questions

1. Key areas of vulnerability in Kazakhstan:
   - Which livelihoods do they expect to be hardest hit by recession?
   - What groups do they think are most vulnerable and why?
   - In what ways do they think children may be vulnerable to the crisis?

2. Pre-crisis, where were the existing gaps in the social protection system? (in how it functioned as well as its provisions). What about in terms of basic service provision (health, education, social services, nutrition)?

3. What do they see as key actions to protect groups likely to be disadvantaged in the recession? And children/youth specifically? What are their plans/what are they already doing?

4. Have they produced or commissioned any research or do they have any project documentation that may be useful?

5. Their view of capacity issues in government, and among donors re crisis response

Questions for specific donors/international agencies

ILO and IOM

Both:

1. Issues of migration – internal and external? How significant have internal and external been to Kazakhstan? What are the migration patterns? (i.e. men migrating alone, families migrating together? Women migrating alone? Where parents migrate without children, who are children left with?)

2. Are migration flows and remittance patterns expected to change during the crisis? How?

3. Is there an issue of needing to register in the new location (for internal migration) and how much does this cost? Is it a barrier for poor households in accessing services?

4. Are special services (such as flexible curricula at school) available for children who have migrated with parents?

ILO:

Issues of child labour – did child labour dip after the initial transition period? Or once child labour had emerged as a livelihood strategy did it become institutionalised for a certain group of the population? Are there indications that it is on the rise? What kinds of child labour? What age
children? Gender patterning? Is it conflicting with schooling? Could it be injurious to health? Are children in paid labour at risk of non-payment/ under-payment? Is there any evidence of a rise in the worst forms of child labour (e.g. prostitution, extreme hazards e.g. mining, vs. long hours e.g. domestic work)

IOM: Is there any evidence of a rise in trafficking and to where, which age groups?

UNDP and UNICEF

These interviews can triangulate findings from interviews with ministries. In addition:

1. Trends in (child- and gender-related) poverty in past few years
2. Their views on who is most vulnerable and why? And what needs to be done to protect them
3. Views on the Crisis Response Package and the extent to which it was child- and gender-sensitive
4. Implications of crisis for ability to achieve MDGs (especially poverty, health and education ones)
5. What can be done to protect living standards and human development during crisis? Opportunities for this?
6. Capacity issues in government and among donors to respond to crisis
7. Political economy issues e.g. corruption, political will to address issues related to children
8. What was the impact on the conference on child-sensitive budgeting that was promoted by UNICEF and did it have the participation of various government actors? Is there any evidence of the 2009 budget being more child responsive or the government taking more child-sensitive budgeting decisions (including with regard to financing of the main social services)?

World Bank

1. How has the government’s performance been in the face of the crisis, in terms of PFM response and in terms of broader policy responses?
2. Have any public expenditure reviews been conducted by the Bank (or is there one in the pipelines)? What is the Bank’s opinion of the government’s budget and expenditure management at the national and local levels? What bottlenecks exist? Are these likely to be more problematic as a result of the crisis?
3. Is the World Bank supporting any specific programmes to counter the effects of the crisis?
4. Is there any particular emphasis or support by the Bank to projects/programmes focused on the development of women and children?
5. How does the Bank view the government’s social protection framework? Does it respond to needs of the different vulnerable population groups? Is the Bank supporting social protection in the country? If so, through which programmes?
6. What are the Bank’s social sector projects in the country? Were they conceived and are they led by government or donors?
7. What is the extent of donor alignment in the country? Given it is middle income, which are the biggest donors and what are the main forms of support?

C) NGOs

1. Who do they see as the main vulnerable groups in the area of Kazakhstan they work in?
2. What do they see as the main causes of their vulnerability?
3. What work they do with vulnerable groups currently? (activities, size of client group, location they work)
4. Have they noticed any new patterns of vulnerability arising, e.g. new groups of people coming to them for help, new social problems emerging? What do they see as the causes of this new vulnerability/these new social problems?
5. What were the key gaps in the social protection of vulnerable people and their access to basic services before this recession? Have these worsened in the current crisis?
6. How effective do they feel government responses to the crisis are? Which actors were key in shaping the government response? Was there a consultation process? Is the response being monitored/evaluated?

7. What would they prioritise as government actions to better protect their client group or other vulnerable people from the effects of recession?

D) Sub-national government actors

The aim of these interviews is primarily to:

1. Understand livelihoods in a particular region and how they are being affected/are likely to be affected by the crisis

2. Understand regional-specific vulnerabilities and how they are being affected/likely to be affected by the crisis

3. Understand the realities of government service provision financing) on the ground and the constraints it faces

4. Understand local responses to the crisis – both formal mechanisms and informal coping strategies (either individual or community)

Essentially, the questions for regional/district departments will be similar to those above, but with a local/regional focus.

At regional/district level, it will be important to explore questions of financing – local capacity to raise revenues and how it is then used; do they formulate plans for sector related spending at the local level or are the decisions made by central ministries? Are there issues of capacity in budget implementation and service delivery? Are transfers from the centre to carry out devolved functions enough to finance programmed actions? Is there any monitoring and reporting of spending and service delivery (effectiveness in relation to plan)? This can triangulate the discussions held in Astana and Almaty with Ministry of Economy and Budget Planning

Akimat/village-level governance structures

1. How are livelihoods in that rayon/village affected? (employment, food and fuel prices, remittances, general inflation, etc)

2. Which groups are most affected and why? In what types of jobs are they working? What are people doing to cope?

3. How are basic services affected (education, health, water/sanitation)

4. How are social services affected? (e.g. child protection services, child maintenance enforcement, etc)

5. How are children affected? What proportion of people are receiving social assistance? What type? How helpful is it?

6. What local responses are there to crisis (e.g. by local authorities, schools, NGOs, religious organisations, etc)? Or what were there during the ‘transition’ period? Might these be repeated?

7. Are the impacts of the recession being monitored at the local level? If so, by whom and with what focus?

E) The ‘front-line’: Families and service providers

School at primary level

1. Explore what they have observed in terms of children dropping out/attending less frequently/migrating/working more (for pay or at home) – at what ages? Any gender differences?

2. Do they have any school-based schemes to enable disadvantaged children to continue their education? e.g. subsidised textbooks, waiving school fund contributions, school meals, etc
Health care facilities

1. Trends in illness since the start of the crisis – are there any notable changes? What can these be attributed to?
2. Trends in health seeking behaviour since the start of the crisis – are particular groups using public facilities more/less? Why? How is their budget affected? What are the main out-of-pocket expenses users face? Roughly how much are they?
3. Trends in availability and cost of medicines – how are they affected?
4. What types of health insurance mechanisms does the population have: private? Community? Social security? Government sponsored? None? Have people left their health insurance arrangements after the crisis?

Families

Key areas to explore:
1. Sources of livelihood, how affected by crisis? Differences between male and female adults? Young and older adults?
2. What it means for their children? (girls and boys)
3. Who they get help from? What kind of help? (probe family, neighbours, government [what kind, which structures?], NGOs, community associations, religious leaders)
4. What would most improve their quality of life?
5. Have there been any changes in reported domestic violence as a result of the crisis? If so, what have been the responses?

Children

Key areas to explore:
1. Changes in school – attendance, quality of education (educational materials, etc)
2. Changes in workloads at home/work and time for homework
3. Changes in opportunities to play/socialise/recreate
4. Changes in levels of nutrition
5. Other changes in their lives (household coping strategies, e.g. cutting heating, reduced food consumption, parents working more so less caring time, more household tensions/conflicts, etc)
6. What would most improve their lives?
## Appendix 2: Types of social protection measures

<table>
<thead>
<tr>
<th>Protective</th>
<th>General household-level measures</th>
<th>Mother and child-specific measures</th>
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<tr>
<td><strong>Social assistance</strong></td>
<td>TSA is the government’s main anti-poverty programme, effective from January 2002. It is a cash payment provided to the individuals with average per capita monthly income below the poverty line for each oblast. The size of the assistance per each member is estimated as a difference between the average per capita income and the poverty line in the region. Based on the recommendations made by the specially created district commissions, the eligibility is confirmed by the local governments. The programme is funded by local budgets. To continue to be eligible, the beneficiaries need to submit evidence about their income on a quarterly basis. Households are eligible with total income not exceeding 40% of monthly minimum wage (e.g. KZT4946) (World Bank, 2004). The average size in 2008 was KZT1149 and KZT1790 in 2009. 244,147 people were beneficiaries in 2008 and only 155,000 applied in 2009 compared with 2002 when there were 1,187,000 recipients (Makhmutova, 2009).</td>
<td>The following child allowances are paid from the republican budget: 1) Allowance to families having children: Allowance on the birth of a child – the amount of the state allowance paid for the birth of a child has been increased to KZT34,740 starting on 1 January 2008; family allowance for the care of a child until the age of one year irrespective of level of income – monthly child care was supposed to be increased in 2009, for the first child up to KZT5,790, an increase of 177%; for the second child up to KZT6,369, an increase of 167%; for the third child up to KZT6,948, an increase of 159%; for the fourth child and any following children up to KZT7,527, an increase of 153%; allowance for unemployed women monthly is equal to 5, 5.5, 6 and 6.6 MCA – varies according to the number of children; and social child care or social insurance for employed payment is 40% of monthly income. Should not be lower than for unemployed; 2) Families with four or more children who are minors, a special welfare payment: Mothers with four or more children also receive a special payment from the budget, and families from needy families receive targeted social help, which therefore assists needy children. Awarded by Altın Alka and Kumis Alka. The current payment equals 3.9 MCA (approximately KZT4,700 per month). 3) On the loss of the wage earner of the family with dependents who are minors, a state social allowance is paid. The size of the allowance varies depending on number of dependents in the family. 4) State allowance to disabled children until they reach 16 years. Not income tested. An allowance is also paid to parents looking after a disabled child up to 18 years of age. Equal to 1 MCA. The following allowances are paid from local budgets: TSA: 60% of the recipients are children Allowance to children living in families with incomes below the size of a food basket until they reach the age of 18 years: incomes not exceeding 60% of minimal monthly wage; every child receives the assistance equal to the special indicator called MCA. In 2009 it increased to KZT1296 from KZT1273 in 2008 ($8.50). Support in kind to low-income families for education and raising of disabled children at home. Social guarantees to temporarily unemployed families, to self-employed women and to women employed in the informal sector are under consideration.</td>
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<tr>
<td>Social services</td>
<td>Services for orphaned children and disabled</td>
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<td><strong>Orphans</strong></td>
<td>Orphaned children are under state care. Kazakhstan is making steps toward deinstitutionalisation of social protection and this vulnerable group of society. In order not to divide families with parents and children who are incapable or have no means to care of orphan children Kazakhstan adopted a law on specialised social services which regulates private suppliers of services in the system of child care. In general, social conditions of orphanages and orphanages for disabled children have improved. Despite the achievements it is still necessary to increase the budget expenditures for orphaned children to provide them with an adequate life and development.</td>
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<td><strong>Disabled</strong></td>
<td>Another positive change in recent years involves the introduction of social standards and the expansion and improvement of the system of social services for disabled children and children with limited abilities. There are 18 medical and social organisations for children and 90 departments of social assistance in rehabilitation centres for children with disabilities related to locomotion. The legislation also stipulates providing disabled children with the services of social workers in the home, and with assisting devices such as wheelchairs, in accordance with each individual’s programme of rehabilitation.</td>
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<th>Preventative</th>
<th>Social insurance</th>
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<td><strong>Insurance for unemployed, disabled and survivor insurance</strong></td>
<td>Disability, survivor and unemployment insurance based on social contributions made by employers and employees to the State Social Insurance Fund has been introduced. According to the World Bank the main benefit of moving to this insurance system will be that in case of an event leading to disability or death, consumption can be better smoothed by linking the level of benefits to the recipient's income.</td>
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<td><strong>Old-age pensions</strong></td>
<td>The pension system is an insurance programme based on individual contributions under its fully funded component and takes into account length of service and contribution history. In 2004 the Kazakhstan pension system consisted of a phasing-out PAYG system, mandatory 10% individual contributions and voluntary individual contributions allocated to individual accounts in the accumulation funds and invested in available financial instruments. The full size civil pension was estimated at 60% of average monthly income during three consecutive years of service since January 1995. The government guaranteed a minimum pension to those who retired before January 1998. Those who retired afterwards and made mandatory contributions during the required period are entitled to receive</td>
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<td>With the creation of a multi-level social support system in 2005 and the introduction of obligatory social insurance, the realisation of state social guarantees for children, including payment of social allowances owing to the loss of the primary wage earner, payments on the birth of a child and support for caring for a child under one year old, is carried out fundamentally by means of the state budget. Since 2005 social insurance includes paid maternity leave during pregnancy and delivery at the expense of the employer. In addition, payments to working women’s pension funds should be made during the period of maternity leave until the child reaches the age of one year.</td>
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**Promotive**

**Productive transfers**

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<th>Help to the unemployed</th>
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<td>The state provides the following social support to the unemployed: assistance in finding employment, professional training, public works. Professional training is financed out of the republican and local budgets. Public works mainly entailing repair and construction of facilities (e.g. social infrastructure) are organised by central and local executive bodies and funded from republican and local budgets, as well as funds of the employers.</td>
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**Transformative**

**Social equity measures**

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<th>Gender anti-discrimination measures</th>
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<td>Kazakhstan signed the Convention on Elimination of All Forms of Discrimination against Women (CEDAW) in 1998, on 29 June, which that the Constitution, laws and other means of practical implementation provide female groups of society with equal social rights to men. As a result, Kazakhstan adopted the Plan on the Role of Women in the Republic of Kazakhstan and Strategy on Gender Equality for 2006-2016, directed at equalisation of women’s and men’s roles in the country and realising monitoring of gender policy from the state’s side and civil society. The key pillars of this strategy are:</td>
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<td>• Achieving gender equality in public and political spheres</td>
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<td>• Achieving gender equality in the economy</td>
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<td>• Teaching gender – legal and gender education</td>
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<tr>
<td>• Improving reproductive health of men and women</td>
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<tr>
<td>• Prevention of gender-based violence</td>
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<td>• Achieving gender equality in the family</td>
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| Numerous laws, decrees and other legal forms have been adopted that are directed to protection of children and families welfare, including: |
| The Law on Marriage and Family was adopted in December 1998, which comprises social protection of children, women, orphan children and disabled, including disabled children. |
| The law on Worst Forms of Child Labour, adopted in 2002, and the Law on Minimum Age of Children for Admission to Work, adopted in 2000, commit to: |
| • Develop and implement strategies on fighting against worst forms of child labour in Kazakhstan; |
| • Lead state policy on protection of children’s rights and |
| • Create favourable conditions for their development |

| Social infrastructure development is a task of strategic importance. From 2007 to 2009, 100 schools and 100 public health services facilities, such as hospitals, polyclinics, maternity homes and blood centres, will be constructed. The network of preschool organisations between 2003 and 2006 increased by 108 units. |

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<th>Health</th>
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<td>The Programme of Health Care Reform and Development for 2005-2010 initiated a number of measures for the protection of mothers and children. In 2007, funds from the republican budget in the form of special purpose routine transfers are provided for the purposes of: supplying medicines to children and teenagers who are registered at outpatient dispensaries with chronic diseases; supplying children under five years old with medicines; supplying pregnant women with iron and iodine supplements; preventive medical examinations of women of reproductive age (from 15 to 49 years old), including further supervision and treatment.</td>
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<th>Complementary (basic services) measures</th>
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an old-age allowance to bring their retirement income up to the minimum pension.
Also, the government has cooperated with UNICEF/UNFPA (UN Population Fund) and WHO (joint annual work plan, parallel funding) on the Improvement of Primary Health Care/Maternal and Child Health Quality Services in South Kazakhstan Oblast, which covered main lifecycle periods: women’s and children’s health, safe pregnancy and delivery, first days of life of a child, integrated management of childhood illness and better parenting. The programme was successfully implemented and the Department of Health of South Kazakhstan achieved the anticipated target.

**Education**

The government provides the students and master’s degree students who are from orphanages and orphans who left without care of parents and study in accordance with the laws of the Republic of Kazakhstan are provided with scholarships which account for 50% from the state scholarship for students, master’s degree students and studying persons and they are also provided with 30% increased scholarships.
Appendix 3: Conceptual framework

Linkages between macro-level shocks and children’s experiences of poverty and vulnerability

The impact of the crisis on the macro-level environment

The financial crisis has had a substantial impact on financial flows within countries, and also between countries. Net financial flows to developing countries may fall by as much as 300 billion in two years, equivalent to a 25% drop (te Velde, 2008). Although not yet entering into recession, many emerging and developing economies’ growth rates have fallen substantially (though to date they remain positive for these countries as a group) (te Velde et al., 2009).

The recession in the North has had a major adverse impact on world production levels, and in particular on trade volumes, with world exports having fallen precipitously this year. Export growth rates in the developing world, and especially Asia and the Middle East, have fallen substantially. The sectors which have been worst affected are often the more dynamic sectors with better paying jobs. Imports, for example of computers and computing equipment, are declining in all major industrialised country markets, and clothing and footwear import growth is contracting sharply.
Reduced employment opportunities in Europe, North America and the Gulf States have in turn reduced the work opportunities available to migrants. To date, existing evidence suggests that remittances sent by migrants are continuing to grow, although the very rapid rate of increase in recent years has declined and the most recent forecasts predict that they will actually contract over the course of 2009 (te Velde et al., 2009).

The outlook for aid volumes received by low-income countries is even bleaker, with aid flows already starting to decline substantially from 2007, both as a share of GDP and in absolute dollar values. A recent ODI study (2009a) suggests that aid has already declined by as much as 20% (Economist, March 14, 2009).

**Meso-level effects**

The scale of the macro-level effects will determine the extent of meso impacts, from declining investment in public services to diminishing access to credit, and from growing unemployment and diminished consumption capacities to potentially heightened social exclusion.
More specifically, the reduction in the fiscal resources available for governments often affects service delivery, not just in education, health, sanitation and water, but also in other equally important areas such as child protection, child care and social protection. McCord and Vandermoortele (2009) argue that:

The financial effects of the crisis were not recognised fully in most 2008-2009 budgets, which underestimated the likely impact on government revenue ... The medium-term effects on social protection allocations are more likely to be significant, and the extension of social protection to those affected by the crisis is likely to be compromised by lack of resources. Even the extension of existing programmes, planned prior to the financial crisis, will be limited by falling revenues and concerns regarding the control of budget deficits.

This may in turn be affected by declining revenues among NGO and private sector service providers. For example, in Uganda, NGO revenues are reported to have fallen by over 5% in the space of a year, with the decline more pronounced since October 2008 (ibid).

Employment is also falling and expected to fall further, and credit tightening is already evident (te Velde et al., 2009), and may erode the already limited opportunities that women in particular face in accessing microfinance. Combined, this may result in retreat into more subsistence modes of production, with negative implications for growth and probably levels of inequality. All of these meso-level effects are likely to be exacerbated for socially excluded groups, especially women, children and youth and minority populations.

**Effects on household coping capacities**

Meso-level effects in turn have an important impact on household coping capacities. First, there is considerable evidence to suggest that some of the most common household responses to economic shocks are to reduce consumption – in quantity and quality of food, expenditure on health care, investment in children’s education etc – and/or to draw on household savings and sell assets, such as livestock (Holmes et al., 2008; Holmes and Jones, 2009).

In terms of household labour supply, past crises have often had a disproportionately negative effect on women’s employment, frequently leading to greater working hours and a move into more risky and lower status forms of employment, including commercial sex work. There is considerable evidence of this, for instance, from the Asian Economic Crisis of 1997/1998 crises. Declining household employment options frequently also result in increased child labour, either paid forms (especially for boys) or unpaid domestic work (especially girls).

Increased pressures on working time of parents reduce the time available for reproduction functions, nurture and care, and can be expected to reduce the level and/or quality of education participation. In more severe cases, household emotional wellbeing can be seriously undermined by economic shocks. South African research, for instance, has found that household economic shocks are significantly associated with risk behaviours (such as sexual risk-taking behaviours and substance abuse), even after controlling for respondents’ socioeconomic status and other individual and household variables (Lee-Rife, 2007). Economic decline may also lead to intra-household violence, drastically reducing emotional and physical wellbeing. This was painfully highlighted in the increase in child and teenage suicides in Central Asia following the collapse of the Soviet Union (Falkingham, 2000) as well as in the spate of family suicides in South Korea in the immediate wake of the 1997 crisis. Recent reports in the US are highlighting increased use of suicide prevention hotlines. The Samaritans of New York have seen calls rise more than 16% in the past year, many of them money-related (Associated Press, 2008).

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112 In Thailand, sex workers diversified services from a brothel base to more informal and casual arrangements, heightening the risk of HIV infection. A census on commercial sex premises found that the number of sex premises increased from 7208 in 1997 to 8016 in 1998, with a minimal increase in sex workers from 63,526 in 1997 to 63,941 in 1998. The size of premise, in terms of the numbers of sex workers, had become smaller pre-crisis and continued to decrease post-crisis (Tangcharoensathein et al., 2000). In Indonesia, an increase in the number of commercial sex workers is suggested to correspond with the layoffs made in female employment in manufacturing such as textiles (Wilipo, 1999, in Hopkins, 2006). Similarly, in Malaysia, the health impacts of the crisis are said to have been disproportionate as more women entered the sex industry to support their families (Bronner, 355 in Hopkins, 2006).

113 Recent reports in the US are highlighting increased use of suicide prevention hotlines. The Samaritans of New York have seen calls rise more than 16% in the past year, many of them money-related (Associated Press, 2008).
escalating rates of violence in response to household economic shocks. Moreover, although family violence cuts across all classes, it is markedly higher among poor families, thus highlighting the additional vulnerability that children residing in impoverished households face during a crisis.\textsuperscript{114}

**Intra-household dynamics**

Household functions and their effects on child vulnerability are profoundly influenced by intra-household dynamics, in particular the balance of power among genders and generations in relation to decision making and control over resources. Changes in income and household consumption are likely to affect the resources allocated to children. In particular, quantity and quality of children’s food, their access to medicine, health and education and other basic needs may be affected (e.g. Hossain et al., 2009). Choices about how or whether the allocation of household resources to child wellbeing – in particular, specific resources to girls or boys, to older or younger siblings – are changed or reduced will depend on a number of factors. They are likely to be influenced by the levels of education of decision makers in the family, the household wealth and asset base, household composition, family eligibility for governmental or NGO social protection (Pereznieto and Jones, 2005) as well as parental attitudes and practices towards their offspring (Hossain et al., 2009).\textsuperscript{115}

The position of women in decision-making roles in the family, as well as education levels, is likely to influence these decisions. Child wellbeing is positively correlated with women’s higher levels of education and bargaining power and control over resources in the household. In some societies, however, because of bias towards boys, resources to girls may be the first to be taken away. For example, unemployment and poverty in the East Asian crisis led to rising nutritional and educational deprivations, especially among girls, and deteriorating physical security and exploitation of children in Indonesia and Thailand (Waddington, 2005).

Furthermore, while parents, especially mothers, may seek to minimise the impacts of shocks on their offspring in the short-term by taking on additional income-generating activities and altering their own food consumption, the quantity and quality of children’s food, their access to medicine, health and education and other basic needs may be affected in the longer term, especially if the economic downturn is prolonged (Pereznieto and Jones, 2005).

Household decisions about how to cope with an economic crisis are likely to have a significant effect on children’s time. Children’s time will often be a resource which is used as part of the household coping strategy, whether children are withdrawn from school because of associated costs, or because they need to take on paid activities to support household income, or unpaid activities to take over or support activities if parents, especially mothers, are spending more time working. In many contexts, it is girls who take on more domestic work and boys who engage in paid activities. Cultural norms also influence decisions and, where parents value sons’ education more highly than that of daughters, it is often girls who experience the impacts first (Woldehanna and Jones, 2008a).

In some contexts, crises may result in child abandonment. For instance, Hossain et al. (2009) found that in both Kenya and Bangladesh family members, including children, had been abandoned as carers left to look for employment. In such cases, children were left as household heads, putting considerable pressure on young people to weather such shocks, typically in the absence of either formal or informal social protection mechanisms.

In sum, the potential extent of child vulnerabilities in a crisis context are mediated by the interaction between macroeconomic environmental changes, their meso- and household-level effects and pre-existing intra-household dynamics. However, choice of policy response can play a major role in mitigating negative impacts on children and protecting their key social and economic rights.

\textsuperscript{114} For instance, in Colorado, US, children living in families with less than $15,000 in annual income were 22 times more likely to be abused or neglected than children in families with incomes of $30,000 or more (Hutson, 2003).

\textsuperscript{115} For instance, in Jamaica the extent to which parents sought to cushion their children from the worst effects of the crisis depended on whether women were in relationships in which they wanted to continue having offspring and the extent to which fathers were or were not absentee parents (Hossain et al., 2009).