Report Number: ICRR0024449

1. Operation Information

Operation ID P174367	**Operation Name** Kazakhstan PSSER DPF
Country Kazakhstan	**Practice Area (Lead)** Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s)	**Closing Date (Original)**	**Total Financing (USD)** 364,851,780.00
Bank Approval Date 09-Dec-2021	**Closing Date (Actual)**	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	0.00	0.00
Revised Commitment	0.00	0.00
Actual	0.00	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The stated program development objective (PDO) was "to support institutional and policy changes for: (i) a more competitive economy driven by a more vibrant private sector and accountable public sector; and (ii) a more sustainable economic transition" (program document [PD], para.41; the Implementation Completion and Results Report [ICR] [para. 11] substitutes "recovery" for transition). For clarity in assessing achievement of specific objectives, and to correspond more closely to the policy actions supported this Implementation Completion and Results Report review (ICRR) unpacks the objectives as follow:

PDO1: A more vibrant private sector.

PDO2: A more accountable public sector.

PDO3: A more sustainable energy and environmental transition.

b. Pillars/Policy Areas

The stated pillars were (PD, paras. 42-43): (1) a more competitive economy driven by a more vibrant private sector and accountable public sector; and (2) lay the foundation for a more sustainable economic transition. For the purpose of this ICRR, the pillars and policy areas are broken down as follows:

Pillar 1: A more vibrant private sector:

- Competition;
- Telecommunications and digital economy;
- Banking sector.

Pillar 2: A more accountable public sector:

- Procurement;
- Corruption.

Pillar 3: A more sustainable energy and environmental transition:

- Energy efficiency and emissions;
- Renewable energy;
- The environment.

c. Comments on Program Cost, Financing and Dates

The Kazakhstan Private-Sector-Led[1] and More Sustainable Economic Recovery Development Policy Financing (DPF) operation was financed through an International Bank for Reconstruction and Development (IBRD) loan of EUR 345.7 million (US$400 million equivalent), which was: approved on December 9, 2021; effective five months late on December 2, 2022; and closed as scheduled on December 31, 2023 (ICR, p. ii).

Although it was a standalone operation, this ICRR refers to it as DPF2 when needed to acknowledge it as the delayed successor to the 2015 First Macroeconomic Management and Competitiveness Programmatic Development Policy Loan, referred to here as DPF1 (originally intended as a programmatic series of two operations).

[1] As stated in the Loan Agreement. The program document and ICR use “private-sector led.” (“Private sector-led” would be preferable.)

3. Relevance of Design

a. Relevance of Objectives

Country context

DPF2 represented a resumption of reforms that had been initiated in 2015 under DPF1 to adjust to the steep decline in oil prices. High oil prices during the 2010-14 recovery from the 2009 global financial crisis had enabled the “Government of Kazakhstan (GoK)…to reduce the tax burden on the private sector, expand the role of the state sector, and more than double the [foreign exchange] assets of the Oil Fund, the National Fund of the Republic of Kazakhstan (NFRK)” – but also contributed to a delay in structural reforms (PD1 for DPF1, p. 1).

Annual GDP growth of 4.4 to 7.5 percent over 2010-14 had driven Kazakhstan to middle income status, reduced income inequality, dropped the poverty rate to 13.5 percent (from 54 percent in 2006), halved unemployment, and doubled real wages (PD1 for DPF1, para. 203 and Figure 2). But the drop in oil prices exposed overdependence on oil revenues and state-owned enterprises (SOEs), with the non-oil deficit rising to 9.1 percent of GDP (against 3.4 percent over 2000-2007) and made pegging the tenge to the US dollar no longer sustainable (PD1, paras. 5 and 16).

The resulting urgency of fiscal and institutional reforms to place Kazakhstan on a more sustainable growth path through macroeconomic adjustment and strengthened private investment provided an opportunity for World Bank (WB) technical and financial support, including a DPF series that would “support the WB’s twin goals of ending extreme poverty and boosting shared prosperity” (PD1, para. 7).

The DPF program was designed to support “the reform of the exchange rate, an increase in non-oil revenues, a reduction in low priority investment expenditures, and improving the effectiveness of social assistance programs,” with a focus on “private sector development, improving the external terms of trade to favor tradables other than oil, strengthening the banking and financial sector, and enhancing the policy environment for competition and business regulation” (ICR, para. 2).

The planned second operation, however, was cancelled in 2017 in the wake of a debt crisis ensuing from depreciation of the tenge, rising external borrowing, and a downgrade in Kazakhstan’s sovereign credit rating (PD2, footnote 11).

GoK relaunched the reform program in 2020 to address multiple crises: the COVID-19 pandemic; falling oil prices; inflation; and flagging public confidence in the government (ICR, para. 3). Key “constraints to competitiveness included economic concentration, the dominance by a few large state-owned and state-connected enterprises (SOCEs), unequal application of business regulations, opportunities for corruption, inadequate access to finance, and weak accountability of the institutions of governance” (PD2, para. 3). Overuse of subsidized hydrocarbon resources “has made Kazakhstan the largest per-capita greenhouse gas (GHG) emitter in Europe and Central Asia,” necessitating climate change and environmental measures (ibid.).

Relevance of objectives

The stated objectives of “a more competitive economy” and “a more sustainable economic transition” were relevant to the constraints of a state-dominated economy and excessive use of and emissions from hydrocarbon-based energy. They related directly to the objectives of Kazakhstan’s National Development Plan 2025 (adopted in 2018 and amended in 2020) and the sector strategy for Kazakhstan’s Transition to Green Economy 2050 (adopted in 2013), which underpinned “the country’s transition to a more inclusive, sustainable and greener growth model” (PD1, Box 5). They were also well aligned with the 2020-2025 Country Partnership Framework (CPF; underpinned by the 2018 Systematic Country Diagnostic), which stressed “the need for Kazakhstan to implement a new development model to deliver more inclusive and sustainable growth…. for markets to work efficiently and … management of policy and natural wealth to build economic resilience and support environmental and growth sustainability” (PD2, para. 119).

Nonetheless, the objectives as stated were broad in relation to the actual focus of the policy actions (as noted in the ICR, para. 12) and represented downstream outcomes rather than the more directly related expected outcomes of the policy measures being undertaken. For the purpose of this ICRR, the “competitive economy” objective has been disaggregated into its distinct objectives of improving certain aspects of the private sector environment and making the public sector more accountable. Similarly, the “sustainable economic transition” objective has been narrowed to “a more sustainable energy and environmental transition” to reflect the actual focus.

b. Relevance of Prior Actions

Rationale

Most of the nine prior actions (PAs) specified sub-actions or measures that addressed identified constraints relevant to the objectives. Although the PD (and the ICR) did not provide an explicit overall theory of change, it laid out an implicit results chain for each PA through a detailed discussion of the rationale, substance, expected results and next steps. The actions generally addressed constraints identified in prior analytical work and made substantive, credible contributions to achieving the stated objectives.

Table 1: Objectives, Policy Areas and Prior Actions (PAs) for Kazakhstan Private Sector-Led and More Sustainable Economic Recovery DPF

PDO 1: A more vibrant private sector
Competition
PA1: To foster competition and level the playing field for all enterprises in the economy, the Borrower has created and operationalized the Agency for the Protection and Development of Competition as an independent state authority with powers to, inter alia, i. investigate and prevent anti-competitive practices and mergers; and ii. impose sanctions.
Telecommunications and digital economy

PA2: To strengthen the enabling environment for telecommunications and the broader digital economy and to attract private investment into the sector, the Borrower has: i. Adopted amendments to legislation on digital technologies to enhance the regulatory environment for personal data protection and facilitate the development of private sector led data-driven technology; and ii. Adopted amendments to legislation on licensing of wireless broadband internet services to simplify the requirements and promote investment by introducing the technological neutrality principle in the license and reducing by 90 percent for at least five years the fees for the use of radio frequency spectrum.
Banking sector
PA3 [PA4 in ICR]: To support market discipline and fair competition in the banking sector, the Borrower has, through the Agency for Financial Regulation, resolved regulatory non-compliance of three commercial banks in accordance with the Law on Banks and Banking.
PDO 2: A more accountable public sector
Procurement
PA4 [PA3 in ICR]: To improve open competition, transparency, and accountability in public procurement, the Borrower has: i. submitted to Parliament amendments to the Public Procurement Law to: (a) Set open tender as the default procurement method; (b) Reduce single sourcing and clarify the exceptional circumstances where it can be permitted; and ii. Submitted to Parliament amendments to the Public Procurement Law (PPL) and adopted new procedures to reduce the right to use single sourcing procurement by the SOEs.
Corruption
PA5: To reduce corruption and improve accountability in the public and quasi-public sector, the Borrower has: i. Restricted all civil servants, persons subject to anti-corruption restrictions, and members of their families from accepting gifts, remuneration and services in exchange for actions or inactions within their official powers, and from opening and owning foreign bank accounts. ii. Expanded liability to all persons authorized to perform public functions, including the management of the quasi-public sector for corruption offenses; and iii. Strengthened the enforcement of anti-corruption legislation by requiring the creation of anti-corruption compliance services across the quasi-public sector.
PDO 3: A more sustainable energy and environmental transition
Energy efficiency and emissions
PA6: To improve energy efficiency and reduce GHG emissions, the Borrower has submitted to Parliament amendments to the Energy Saving and Energy Efficiency Act of January 13, 2012, that: i. Expand energy consumption reporting to include all state -owned and budget sector entities.

ii. Update the reporting requirements to enable better tracking of energy consumption. iii. Require procurement of goods and services by all public entities to include energy efficiency requirements; and iv. Adopt a new certification system for individual energy auditors.
PA7: To strengthen the Emission Trading Scheme (ETS), a key instrument for meeting Kazakhstan's NDC commitment to reduce GHG emissions, the Borrower has: i. Adopted a requirement to allocate emission allowances by benchmarking the emission intensity of production process for all enterprises under the ETS. ii. Strengthened the operation of the ETS with regard to the trade in carbon units and the operation of the carbon unit registry.
Renewable energy
PA8: To increase the installed capacity of renewable energy generation, the Borrower has adopted amendments to the Renewable Energy legislation of July 4, 2009 (No. 165-IV) that: i. Institute rules for determining the renewable energy surcharge in consumer billing, starting from July 1, 2021. ii. Strengthen state support to assure payment for renewable energy to renewable energy suppliers selected through competitive auctions. iii. Allow 20-year Power Purchase Agreements (PPAs) based on renewable auctions held after January 1, 2021; and iv. Establish waste-to-energy pricing methodology and standard PPA templates for waste-to-energy auctions.
The environment
PA9: To protect, conserve, and restore the environment, the Borrower has adopted legislation that introduces: [a. Emissions/Pollution] i. Requirements for permits and reporting on emissions from facilities with a harmful impact on the environment, including flaring and venting of associated gas, with administrative penalties for misreporting and for exceeding permitted limits. ii. Requirements for a national standard on Best Available Techniques to prevent pollution and minimize anthropogenic impacts on the environment in selected economic sectors. [b. Environment/Climate] iii. Requirements for mandatory Strategic Environmental Assessment (SEA) of government projects and the territorial development program; and

iv. Requirements for climate vulnerability assessment and adaptation planning for agriculture, water management, forestry, and civil protection.

Source: ICR, Table 2

PDO1: **A more vibrant private sector**

PA1: Establishment of an independent Agency for Protection and Development of Competition was an essential step to redress the constraint on private enterprise imposed by the dominance of state-owned enterprises, whose presence in 20 out of 29 sectors impaired the ability of private firms to compete on a level playing field (PD2, para. 45). With sanctioning powers, this Agency was critical to follow through on previous steps, including the 2015 Competition Law and a new privatization law decree for 2021-25 (PD2, paras. 46-47). It drew on a 2016 report by the Organization for Economic Co-operation and Development (OECD) on *Reforming Kazakhstan*, the 2017 Private Sector Diagnostic, and a 2019 WB study on competitiveness and diversification (PD2, Table 5). **Relevance of PA1: Highly Satisfactory (HS).**

PA2: Kazakhstan had progressed in terms of internet utilization (82 percent of the population) and affordable mobile tariffs, but further development and technological advance was constrained by the dominance of the state incumbent controlling two of the three mobile operators, a complex regulatory environment, and lack of trusted personal data protection (PD2, para. 53). PA2 sought to address these constraints through amendments to legislation on digital technologies and licensing of broadband internet services. These represented first steps that were intended to “contribute to attracting private sector investment into the digital economy of Kazakhstan and also help accelerate the adoption of digital technologies,” though their effectiveness would depend on further amendments and support measures (PD2, paras. 54-58). The action drew on the WB’s technical assistance (TA) and 2019 *Assessment of the Digital Enabling Environment*. **Relevance of PA2: Satisfactory (S).**

PA3 [PA4 in ICR] was intended to address the constraint of contracting credit to the private sector, especially small and medium enterprises (SMEs), and stalled financial deepening (PD2, para. 67). The action to resolve regulatory non-compliance of three commercial banks was a partial step toward improving the banking regulatory environment, drawing on a 2020 internal assessment by the WB. While making a moderate contribution to banking sector stability, thereby setting the stage for further financial deepening, the PD (para. 75) noted that “further engagements” would be needed “to carry the financial policy stream forward” and actually achieve the goal of increased credit to the private sector. **Relevance of PA3: Moderately Satisfactory (MS)**

PDO2: **A more accountable public sector**

PA4 [PA3 in ICR] addressed the inefficient and anti-competitive dominance of single-source procurement, which accounted for over 80 percent of government and SOE procurements, which in turn represented 13 percent of GDP (PD2, paras. 59-60). The 2019 WB/OECD *Assessment of Public Procurement* Systems, as well as the 2018 Public Expenditure and Financial Accountability review, highlighted the importance of mandating open tender as the default method (PD2, para. 60 and Table 5). PA4 would contribute significantly to “improving transparency and accountability within the public sector” (ICR, para. 21). **Relevance of PA4: Highly Satisfactory (HS).**

PA5 recognized “new anti-corruption measures set forth in recent amendments (to the Law on Countering Corruption, the Criminal Code, and the Civil Code)” that addressed the constraint of Kazakhstan’s historically low ranking in the Corruption Perceptions Index, as documented in the OECD's 2017 report on anti-corruption reforms and the IMF's 2019 Article IV consultation (PD2, paras. 76-77 and Table 5). By restricting public officials from gifts, services, and foreign bank accounts, and strengthening anti-corruption enforcement, PA5 was expected to make an essential contribution to building "a culture of transparency and integrity among public servants, particularly in…relationships with the private sector" (PD2, para. 80). **Relevance of PA5: Highly Satisfactory (HS).**

PDO3: **A more sustainable energy and environmental transition**

PA6: With energy-related activities "accounting for 85 percent of the country's total GHG [greenhouse gas] emissions" (PD2, para. 83), PA6 appropriately focused on improving energy consumption reporting, efficiency, and certification in pursuit of the objective of improving sustainability in energy emissions and the environment, consistent with Kazakhstan's 2016 Nationally Defined Contribution (NDC) toward the Paris Agreement on climate change. Monitoring and reporting energy use was seen as a critical first step toward getting businesses and organization to prioritize energy efficiency, as noted in the 2017 WB report on *Energy Efficiency Transformation in Astana and Almaty* (PD2, paras. 84-85 and Table 5), while recognizing that additional by-laws and actions would be needed to operationalize the new monitoring system and achieve the objectives (PD2, para. 87). **Relevance of PA6: Satisfactory (S).**

PA7: As the largest GHG emitter per capita in Central Asia, with emissions continuing to rise steadily since 2013, Kazakhstan set a target under the Paris agreement of reducing GHG by at least 15 percent by 2030 (PD2, para. 88). PA7 sought to strengthen the Emission Trading Scheme (ETS) as a key instrument for meeting that commitment. The ICR (para. 25) pointed out that, while relevant, improving the ETS is inadequate to achieve the objective of reducing emissions without complementary reduction of the high emission caps. Furthermore, the ETS "does not regulate emissions from smaller installations, transport, and agriculture accounting for about 60 percent of total GHG emissions" (PD2, para. 88). **Relevance of PA7: Moderately Unsatisfactory (MU).**

PA8 supported the objective of transitioning toward renewable energy, away from reliance on coal-fired power plants, which accounted for 65 percent of electricity production and a major share of GHG emissions (ICR, para. 26). The WB's 2017 power sector study and the UNDP's 2018 report on renewable energy investments highlighted the importance of improving markets and power purchase agreements (PPAs) with private investors (PD2, Table 5). The amendments supported under PA8 made an essential contribution to improving the environment for achieving renewable energy objectives. **Relevance of PA8: Highly Satisfactory (HS).**

PA9: Amendments to the Environmental Code made in 2021 and other measures supported under PA9 were intended to lay the groundwork for Kazakhstan's "green economic transition" (in line with the global community) and sustainable economic recovery, in line with the OECD's 2017 *Kazakhstan Multi-Dimensional Review* and the United Nations Economic Commission for Europe's 2019 Environmental Performance Reviews (PD2, para. 109). The first two sub-actions [designated as PA9(a) in Table 1] promoted reporting of emissions and use of Best Available Techniques to address the problem of excessive gas flaring, a major source of GHG and pollution (PD2, para. 110). The second two sub-actions [PA9(b)] mandated strategic environmental assessments (SEAs) for government programs and "climate vulnerability assessment and adaptation planning for agriculture, water management, forestry, and civil protection" (PD2, para. 114). These measures made a critical contribution by establishing a policy framework that supports the objectives of a more sustainable energy and environmental transition in the context of climate change, even though the PD (para. 115) anticipated that the results would "be realized in the medium to longer term" and would need to be followed by a five-year implementation framework. **Relevance of PA9: Highly Satisfactory (HS).**

Rating

Satisfactory

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

Most of the results indicators (RIs) directly tracked implementation of the associated PAs, and many captured outcomes relevant to achievement of objectives. Only three were less than satisfactory.

Table 2: Results indicators by Objective and PAs; baseline and target values; status and achievement							
Results indicator (RI)	**Associated PAs**	**RI Relevance**	**Baseline** (2020)	**Target** (2022)	**Actual** (2022)	**Actual as % of targeted change**	**RI Achievement rating**
PDO1: A more vibrant private sector							
Competition							
RI1: Number of investigations on anticompetitive practices that were resolved by issuing a decision	PA1	HS	0	5	95 170 (2023)	1900%	High
Telecommunications and the digital economy							
RI2: Share of population using the internet	PA2	HS	83% (2019)	88%	93% (2023)	200%	High
RI3: Share of electronic commerce in total volume of retail trade.	PA2	HS	1.8%	3%	13% (2023)	933%	High
Banking sector							
RI5: Number of banks which have violated	PA3	S	3	0	1	67%	

three or more times over the preceding 12-month period any capital adequacy ratios or liquidity coverage ratio.					0 (2024)	100%	High [delayed]
PDO 2: A more accountable public sector							
Procurement							
RI4: Procurement contracts by value awarded through an open competitive method**.**	PA4	HS	35%	>50%	75% 76% (2023)	273%	High
Corruption							
RI6: Annual National Anti-Corruption Report detailing progress of anti-corruption measures both across the public and the quasi-public sector.	PA5	MS	Not published	Published	Published	100%	[High]
PDO 3: A more sustainable energy and environmental transition							
Energy efficiency and emissions							
RI7: Heat consumption in budgetary organizations.	PA6	S	0.26 GCal/m2	0.24 GCal/m2	0.29 GCal/m2 0.28 GCal/m2 (2023)	-200%	Negligible
RI8: Accounts opened to register carbon offset projects in the carbon registry.	PA7	MU	0 (2019)	10	5 (2023) 13 (2024)	50% 130%	[Substantial]
RI9: Renewable energy capacity	PA8	HS	1635 MW	2400 MW	2400MW 2903 MW (2023)	166%	High
RI10: Reduction in flaring volume relative to 2014.	PA9(a)(i)	S	-25%	-50%	-73.9% -74.2% (2023)	148%	High
The environment							

RI11: Green technology service operator established and staffed to provide business incubation services.	PA9(a)(ii) PA1	MS	Not Estab-lished	Established	Established Operational (2023)	100%	[High]
RI12: Strategic Environmental Assessment initiated for government programs launched after July 1, 2021.	PA9(b)	S	0	10%	100% (2024)	1000%	High

Source: ICR, Table 2

Note: RI achievement ratings note achievement of the targeted change for the RI. RI achievement ratings in brackets reflect ratings that may have been adjusted based on weak relevance of the results indicator (discussed in efficacy section).

PDO1: **A more vibrant private sector**

RI1 was directly attributable to establishment of the Agency for the Protection and Development of Competition under PA1, reflecting its ability to “exercise its power and enforce competition rules” (ICR, para. 33). It was relevant to the objective of a more vibrant and competitive private sector in terms of resolving anticompetitive practices. It was readily measurable. **Relevance of RI1: Highly Satisfactory (HS).**

RI2 and **RI3** were relevant to the objective of making the private sector more vibrant and competitive through increased investment in and use of the internet and digital technologies. They were reasonably attributable to PA2 in that improved privacy protection was expected to encourage greater usage of the internet and simplification of licensing was expected to facilitate increased private investment in digital technologies, both of which would lead to increased electronic commerce. They were measurable, and the PD2 (para. 147) indicated that data could be obtained from the relevant line ministry for monitoring during implementation. **Relevance of RI2: Highly Satisfactory (HS); RI3: Highly Satisfactory (HS).**

RI5 was directly attributable to the measures to address regulatory non-compliance of banks, as supported by PA3. It was relevant to the objective of a more vibrant private sector in that reduction of non-compliance and improved stability of the banking sector were expected to facilitate increased investment, liquidity, and credit. It was readily measurable. However, the three banks targeted by this RI accounted for less than 1 percent of banking sector assets, so a complementary indicator of stability in the banking sector as a whole would have been desirable (ICR, para. 40). **Relevance of RI5: Satisfactory (S).**

PDO2: **A more accountable public sector**

RI4 was directly attributable to PA4 amendments to the Public Procurement Law and highly relevant to making the public sector more accountable by reducing excessive use of non-competitive contracts. Measurement was straightforward. The only limitation was that it focused just on general administration procurement, as “it was not feasible to combine outcomes from procurement by general administration and SOEs” (ICR, para. 38). **Relevance of RI4: Highly Satisfactory (HS).**

RI6 referred only to the publication of an Anti-Corruption Report, which was not directly related to the specific measures supported by PA5. It was, however, a reasonable measure of progress toward the objective of improving public sector accountability. Measurement was straightforward. **Relevance of RI6: Moderately Satisfactory (MS).**

PDO3: **A more sustainable energy and environmental transition**

RI7 measured the expected outcome of the reporting and other requirements of PA6 (“a needed first step to have credible movement toward efficient energy use”; PD2, para. 84) in terms of actual reduction of heat consumption in affected organizations, thereby promoting the objective of increasing energy efficiency and sustainability. It was measurable, with data evidently available through the line Ministry (PD2, para. 147). **Relevance of RI7: Satisfactory (S).**

RI8 related to sub-action (ii) of PA7 regarding trade in carbon units, but not to sub-action (i) regarding emissions. While perhaps simpler to measure, it did not adequately track the critical outcome of actual reduction in emissions. **Relevance of RI8: Moderately Unsatisfactory (MU).**

RI9 was directly attributable to the measures taken under PA8 to facilitate increased capacity of renewable energy generation, and it was highly relevant to the objective of a more sustainable energy transition. Measurement was straightforward. **Relevance of RI9: Highly Satisfactory (HS).**

RI10 was reasonably attributable to sub-action (i) of PA9 to require permits and reporting on emissions, especially flaring (although flaring volume would also depend on market and other factors). Reducing flaring was measurable and highly relevant to the objective of a more sustainable energy transition. **Relevance of RI10: Satisfactory (S).**

RI11 was indirectly related to PA9 sub-action (ii) insofar as establishing a green technology service operator was one of the measures taken under revision of the Environmental Code to establish a national standard on Best Available Techniques (PD2, para. 114). The service was expected to help incubate green investments that would contribute to the objective of a more sustainable (and less polluting) environmental transition. As such, it measured a step toward, but not the actual desired outcome. Measurement was straightforward. **Relevance of RI11: Moderately Satisfactory (MS).**

RI12 was directly attributable to the measures under PA9(b) to require SEAs. It related more to implementation of the PA than to measurement of the intended outcome (ICR, para. 31). Measurement was straightforward. **Relevance of RI12: Satisfactory (S).**

Rating

Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

A more vibrant private sector

Rationale

RI1 was substantially exceeded within the original time frame (2022), and the number of anti-competitive cases resolved continued to rise through 2023, reflecting unexpectedly rapid operationalization of the new agency (ICR, para. 33). This set the stage for needed further steps, especially privatization of subsidiaries of major holding companies, to reduce the dominance of SOEs in the economy (ICR para. 34). **Achievement Rating: RI1: High.**

RI2 and **RI3** substantially exceeded their targets within the original time frame. The already-high share of the population using the internet continued to rise, and the substantially increased share of electronic commerce in retail trade (starting from a very low base) indicated increasing private sector activity in e-commerce (ICR, para. 36). The PD (para. 54) noted a gender gap in internet usage in rural (though not urban) areas, but no indicator or data was included in the ICR (though para. 20 reported a rising overall gender gap in internet usage to 94.1 of males and 91.8 percent of females). **Achievement Rating: RI2: High; RI3: High.**

RI5 was fully achieved with a delay of nearly two years beyond the initial target date of end-2022, in that one of the three banks was still out of compliance as of end-2023 (due in part to sanctions related to Russia's invasion of Ukraine), but subsequently met the capital adequacy and liquidity requirements. **Achievement Rating: RI5: High.**

Rating

Highly Satisfactory

OBJECTIVE 2

Objective

A more accountable public sector

Rationale

RI4 was substantially exceeded, with three-quarters of public procurement other than SOEs contracted through open competition. **Achievement Rating: RI4: High.**

RI6 was achieved through publication of a national anti-corruption report that set forth new measures to capture illicit enrichment, expanded coverage of officials, protection of whistleblowers, and creation of compliance service units (ICR, para. 42). A subsequent report in 2023 provided further details on the government's anti-corruption measures. The rating of RI6 is downgraded due to the MS relevance rating of the PA**. Achievement Rating: RI6: Substantial.**

Rating

Satisfactory

OBJECTIVE 3

Objective

A more sustainable energy and environmental transition

Rationale

RI7: Not only was the targeted reduction of heat consumption in budgetary organizations not achieved, but consumption actually increased substantially as of 2022 (with a slight improvement in 2023). One implication is that simply improving reporting is insufficient to actually change behavior. The subsequent DPF series (approved in 2024) included efficiency requirements for the top 100 energy-intensive enterprises and extension of stricter standards to the second tier (ICR, para. 45). **Achievement Rating: RI7: Negligible.**

RI8: The targeted number of accounts opened to register carbon offset projects was only half-realized as of 2023, though exceeded by 2024. However, the low relevance of the indicator to implementation of PA7 regarding the ETS and to achievement of the emissions objective meant that RI8 was rated MU, and thus the achievement rating is restricted to Modest. **Achievement Rating: RI8: Modest.**

RI9: The targeted increase in renewable energy capacity was met on time and exceeded in 2023, reaching 5.9 percent of total energy production from a combination of 58 wind power plants, 46 solar power plants, 39 hydroelectric power plants, and 3 bio-fuel power plants (ICR, para. 50). **Achievement Rating: RI9: High.**

RI10: The targeted reduction in flaring volume was substantially exceeded on schedule, with a further slight reduction in 2023 to nearly a quarter of the 2014 level, directly supporting the energy and environmental objectives. **Achievement Rating: RI10: High.**

RI11 was achieved in that a green technology service operator was established on schedule in 2022 and operationalized in 2023. This was a step toward promoting the objective of increasing investment in green projects. The rating of RI11 is downgraded due to the MS relevance rating of the PA. **Achievement Rating: RI11: Substantial.**

RI12: The targeted 10 percent increase in government programs with an SEA was substantially exceeded in that they were made mandatory as of January 2024 for all government programs launched after July 1, 2021. **Achievement Rating: RI12: High.**

Rating

Moderately Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

PDOs 1 and 2 (disaggregated from the original single PDO) were rated HS and S, respectively while PDO3 was rated MS due to the Negligible rating of RI7. Seven of the twelve RIs had High achievement.

Overall Efficacy Rating

Satisfactory

6. Outcome

Rationale

Relevance of PAs and Efficacy are both rated Satisfactory.

a. Rating

Satisfactory

7. Risk to Development Outcome

The ICR (section V), highlighted the following the risks to sustaining development outcomes:

Macroeconomic risks. The main downside risk to maintaining strong economic growth (6 percent in 2023) is slowdown of Kazakhstan's key trading partners, China, and Russia. Investment prospects may be constrained by continued tight international financial conditions due to inflation concerns, although some countries have loosened somewhat. These risks are mitigated by Kazakhstan's strong economic management and sound National Fund, as well as continued improvement of fiscal risk management under the programmatic DPF series approved in March 2024 (ICR para. 69).

Institutional capacity. Effective implementation depends on operationalization and performance of several newly-established agencies, which can take time. These include the Agency for Strategic Planning and Reform, a competition agency, and green technology service providers. The competition agency performed well in exceeding the RI4 target. Capacity building and TA by the WB and IMF (including through DPF series) can help to mitigate these risks (ICR, para. 70).

Governance. Kazakhstan has a history of weak rule of law, and the rule of law and judicial impartiality are often at risk in transition economies. Cabinet reshuffling under the new prime minister in February 2024 could complicate implementation. Further reforms and capacity-building to strengthen governance, including in SOEs, would help mitigate these risks (ICR, para. 71).

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Prior experience and analytical work

The design drew on lessons from the previous DPF series, for which the second operation was suspended, and benefited from "years of policy engagement through analytical work by the WBG, including in the fields of environment, climate change, budgetary operations and public expenditures, productivity, competition, procurement, and the financial sector," complemented by "analytical work by other institutions, including the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the IMF, the Organisation for Economic Cooperation and Development (OECD), and the United Nations Development Program (UNDP)" (PD2, para. 44 and Table 5).

Results chain and indicators

Although the PD did not provide an explicit overall theory of change or results chain, for each PA it did provide a detailed explanation of the rationale and substance and how implementation would lead to the expected results. Most of the RIs directly tracked implementation of the associated PA, and many captured outcomes relevant to achievement of objectives.

Identification and mitigation of risks

The PD (paras. 149-151) considered the overall risk as moderate, except for the institutional capacity for implementation – given the challenges of responding to new legislation (especially regarding procurement and corruption) and the context of limited coordination across government (especially regarding environmental issues). Responsibility for mitigation rested heavily on the President's Supreme Council for Reform and the new Agency for Strategic Planning and Reform, supported by WB TA, analytical work, and targeted lending operations (particularly regarding the financial sector [in collaboration with the IFC]), justice sector, decarbonization, and energy efficiency improvements.

Consultation with stakeholders and development partners

The PD (paras. 123-4) noted that legislation supported by the operation followed Kazakhstan's "well-defined process for public consultation on new law concepts, new laws, and the engagement of civil society," including publication of information and public hearings. The ICR (para. 76) stated that the operation "greatly benefited from closely collaborating with the ADB, the French Development Agency (AFD), the European Bank for Reconstruction and Development (EBRD), (UNDP), and United States Agency for International Development (USAID) on the policy reform agenda in energy efficiency and renewable energy," as well as with the UNDP on the environment and OECD on SOE governance and private sector.

Rating

Highly Satisfactory

b. Bank Performance – Implementation

Rationale

Adaptation

There were no changes during implementation that would have warranted adaptation (ICR. Para. 15).

Monitoring

The program was adequately monitored, with the support of WB TA and preparation of follow-up operations. However, some of the RIs reflected only implementation of the PA, requiring additional monitoring to capture progress toward PDOs, and some data sources proved challenging due to “reshuffling of government officials and lack of awareness” (ICR, paras. 67-68).

Rating

Satisfactory

c. Overall Bank Performance

Rationale

The design was well grounded and robust, with strong consultation/collaboration and TA support.

Overall Bank Performance Rating

Highly Satisfactory

9. Other Impacts

a. Social and Poverty

It is too early for evidence to be available on possible social and poverty impacts.

b. Environmental

It is too early for evidence to be available on improvements in pollution and resilience to climate change.

c. Gender

There were no gender-specific aspects, and only a possible indirect impact on internet access by rural women (for which the available data do not provide a sufficiently detailed breakdown).

d. Other

n.a.

10. Quality of ICR

Rationale

The ICR provided strong, evidence-based analysis of the results, with exceptional documentation of sources in footnotes. Although the ICR (like the PD) did not provide an explicit overall theory of change or results chain, it thoroughly discussed each PA, indicating the intended results. It was appropriately critical, e.g., of the relevance of some of the RIs in terms of measuring achievement of objectives.

It was well written, clear, logical, and consistent with the guidelines. The lessons were rooted in the analysis and relevant to the design of future operations.

a. Rating

High

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Highly Satisfactory	The design was well grounded and robust, with especially strong consultation and TA support.
Relevance of Results Indicators	---	Satisfactory	
Quality of ICR	---	High	

12. Lessons

The ICR set forth several lessons (section VI), and IEG highlights the following two:

A standalone DPF can advance reforms in a broader context of commitment to reform. The second DPF in the 2015 Macroeconomic Management and Competitiveness series was cancelled in 2017 under excessive debt burden and currency depreciation. Nonetheless, the GoK resumed reforms in 2020 to help cope with the crises of the COVID-19 pandemic and falling oil prices (ICR, para. 3). The desire to transition to more private-led and sustainable growth motivated resumption of the reform agenda supported by the DPF under review (ICR, para. 6). Although it was a standalone operation, it also provided a basis for supporting further reforms in the DPF series approved in 2024.

When actions represent only a first or intermediate step toward an eventual outcome, articulation of the assumed results chain is desirable to demonstrate the operation's support to achieve stated objectives. Monitoring and evaluation is more effective when RIs reflect both implementation of PAs and the intended outcomes. Whereas the RIs in this operation were well aligned with actions under the PAs, indicators of progress in achieving the objectives were sometimes lacking (ICR, para. 75).

13. Project Performance Assessment Report (PPAR) Recommended?

No