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ADVANCING URBAN AND REGIONAL DEVELOPMENT IN KAZAKHSTAN

A SPOTLIGHT ON THE NEW REGIONS AND REGIONAL CENTERS

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April 2024

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Acknowledgement

This paper was prepared by a core team led by Chyi-Yun Huang and Thomas Farole and comprises Laura Sagnori Diniz, Salamat Kussainova, Aigerim Nurmakhanova, Giuseppe Rossitti, Nino Lazariia, and Azamat Aldiyarov. The team would like to thank Kanat Kaiyrberli and Yanina Ermakova for their inputs and contribution throughout the process. The report benefited from the guidance and support of Andrei Mikhnev, Jean-Francois Marteau, and Jane Olga Ebinger and was developed under the overall leadership of Christoph Pusch, Tatiana Proskuryakova, and Sameh Naguib Wahba.

The team extends its gratitude to the counterparts in the Ministry of National Economy (MNE) and regional and local governments of Abai, Ulytau, and Zhetisu regions and Semei, Zhezkazgan, Taldykorgan, and Konayev cities for their cooperation, support, and collaboration.

This study was made possible through the generous support of the Europe and Central Asia Cities and Climate Change Program, under the Sustainable Urban and Regional Development (SURGE) Multi-Donor Trust Fund (MDTF).

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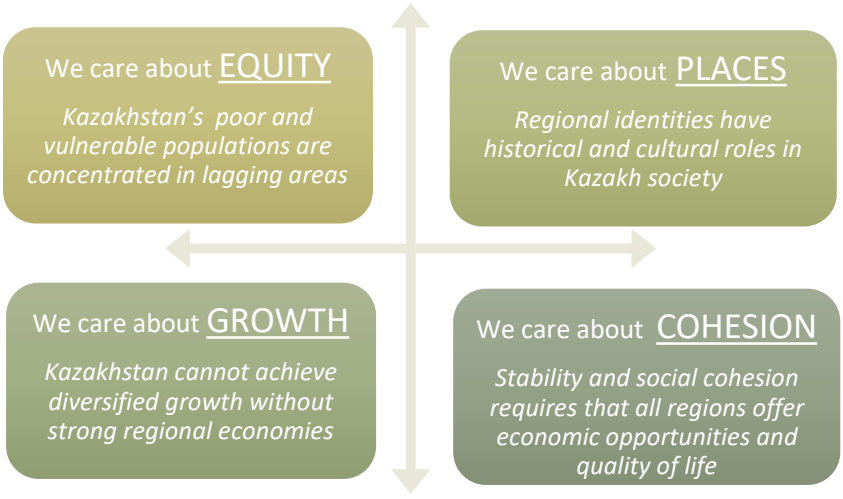
List of Acronyms

AAL	Average Annual Loss
CAREC	Central Asia Regional Economic Cooperation Program
ERI	Economic Research Institute
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GHS	Global Human Settlements
GRP	Gross Regional Product
ICT	Information and Communication Technology
MDTF	Multi-Donor Trust Fund
MNE	Ministry of National Economy
NEET	Not in Employment, Education, or Training
OECD	Organisation for Economic Cooperation and Development
SMEs	Small and Medium Enterprises
SPIID	State Programme of Industrial-Innovative Development
SPRD	State Program for Regional Development
SURGE	Sustainable Urban and Regional Development
WHO	World Health Organization

EXECUTIVE SUMMARY

Regional development is critical for ensuring balanced and sustainable growth across Kazakhstan, a country characterized by significant economic disparities among its regions. While Kazakhstan has experienced remarkable economic growth, particularly driven by its abundant natural resources, regional inequalities persist, hindering the country's overall progress. Addressing these disparities is essential for promoting social cohesion, stability, and economic efficiency.



Despite notable economic growth, Kazakhstan faces challenges related to uneven distribution of wealth and opportunities among its regions. Regional inequality, measured by gross regional product (GRP) per capita, remains high, with some regions experiencing significantly higher incomes than others. This disparity is further exacerbated by an urban-rural divide, with employment opportunities concentrated in urban centers, leading to economic and social disparities. Labor market dynamics, urbanization trends, and private sector development further influence regional disparities.

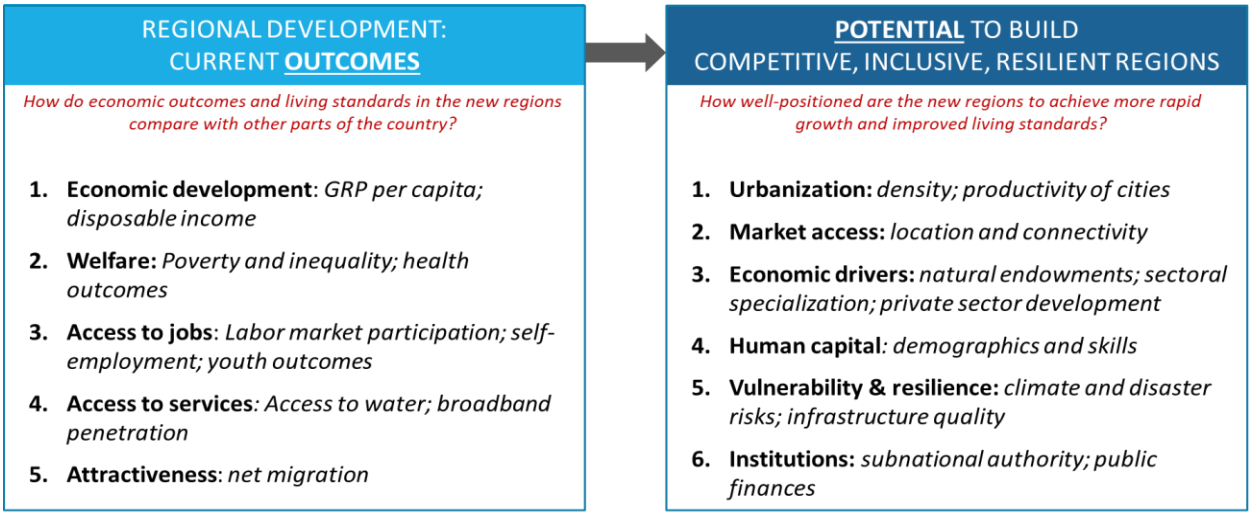
To address these challenges, Kazakhstan has introduced strategic directions and comprehensive reforms aimed at enhancing regional development and reducing disparities. Key guiding documents include the former Forecast Scheme for Territorial Development which has not been phased out and replaced by the State Program for Regional Development (SPRD). The country's vision of regional development is aligned with global good practices and it

- Prioritizes development of growth poles as the drivers of the national economy;
- Focuses on density as an enabling condition for the benefits of economic agglomeration in major cities;
- Sets a goal of access to basic infrastructure and services across the country;
- Introduces the concept of functional urban areas; and
- Identifies four primary and 14 secondary functional urban areas as priorities and acknowledges that monotowns and small towns, as well as remote small villages, have limited development potential and should not be prioritized for investment.

More recently, the adoption of the Law on Urban Agglomerations in January 2023 further facilitates the development of metropolitan areas in the country.

In particular, in May 2022, three new regions—Abai, Ulytau, and Zhetisu—were demarcated, along with the appointment of regional administrative centers (respectively, Semei, Zhezkazgan, and Taldykorgan, and Konayev became the administrative center of the Almaty Region), reflecting a commitment to optimize public administration and promote balanced growth. However, realizing the potential of these regions requires strategic investments and targeted interventions.

This technical note focuses on assessing these three new regions and four regional centers and attempts to describe a comparative overview of the current development outcomes as well as their potential to build competitive, inclusive, and resilient regions and cities. This analysis is developed to support the conceptualization of further investments and financial support for these new regions and regional centers. The analytical framework used is summarized here:



To better understand the current development outcomes of the new regions, comparisons were made on key areas such as economic development, welfare, access to jobs, access to services, and attractiveness. Key observations include the following:

- While some regions like Ulytau boast significant economic potential, they also face stagnation due to lack of strategic planning and investment. Others, such as Abai and Zhetisu, exhibit more diversified economies with opportunities for growth.
- Abai has one of the highest urban poverty rates in the country, while poverty is mainly rural in Ulytau and Zhetisu.
- Labor market outcomes are in line with national averages, although Ulytau has a high level of not in employment, education, or training (NEET) youth. On the other hand, Abai and Zhetisu are reliant on self-employment, likely driven by high agricultural shares in the economy.
- The three new regions have the highest outmigration in Kazakhstan; Ulytau has the highest urban outmigration.

Assessing the new regions' potential for competitiveness, inclusivity, and resilience is essential for guiding future development efforts. Factors such as urbanization, market access, economic drivers, human capital, and vulnerability to climate risks as well as institutions play crucial roles in determining regional outcomes. Key findings include the following:

- Ulytau and Abai are among the least densely populated regions, but Ulytau is highly urbanized.
- Ulytau has one of the country's most productive regional centers, yet it is stagnating, while the regional centers in Abai and Zhetisu are expanding.
- While Almaty and Zhetisu have relatively good market access and enjoy good connectivity with Almaty, Ulytau and Abai are in more remote areas with low access.
- All the new regions are relatively well endowed with natural resources.
- Small and medium enterprises (SMEs) are particularly underdeveloped in Abai and Ulytau.
- Abai and Zhetisu are particularly vulnerable to natural disasters and will face significant risks from climate change.
- Capital investment in Ulytau lags far behind most regions in the country, while it is above average in Abai and Zhetisu.

Further analysis was conducted to assess each of the new regional centers across five dimensions: urban economy, connectivity, livability, resilience, and institutions.

Dimension	Why it matters
Urban Economy	Developing competitive, diverse, and large tradable sectors is critical for generating quality employment and earnings opportunities, to develop markets (suppliers and consumers) for the wider region (hinterland), and can be an important fiscal source (taxes)
Connectivity	Transport and digital links to the hinterland and to key national and regional markets is critical to support development of the city and the hinterland
Liveability	Access to key infrastructure (housing, water, energy) and social services (education, health) and quality of the natural environment (water, air) is critical for quality of life and increasingly for competitiveness
Resilience	Capacity of infrastructure and services to cope with natural disasters and climate change will become increasingly important for sustainability
Institutions	Growing, inclusive, sustainable cities require strong capacity of local government, along with authority to take development decisions and deliver services, and financial resources commensurate with authority

Key findings for the four regional centers are summarized as below:

- ***Semey***, is an important urban hub in the region with a more diverse economy, driven by sectors such as food processing and trade. However, challenges persist with relatively low SME development and a high reliance on self-employment, posing productivity hurdles. Yet, its strategic geographic location presents opportunities for improved connectivity and market access, although managing population growth remains crucial for sustainable urban development.

- ***Taldykorgan*** is a key urban center in the Zhetisu region. Its diverse economic base and relatively high concentration of SMEs signify potential for innovation and economic diversification. Situated along major transportation routes, Taldykorgan enjoys advantages in trade and investment yet faces challenges in infrastructure development, urban planning, and environmental sustainability.
- ***Konaev***, a major urban center in Central Kazakhstan, is a diverse economy that flourishes alongside a growing entrepreneurial ecosystem. While its strategic location as a logistical hub fosters economic growth and regional integration, infrastructure and sustainability issues persist, necessitating coordinated efforts for development.
- ***Zhezkazgan*** stands as a major industrial center in Central Kazakhstan, focusing on mining and metallurgy. Transitioning toward sustainable development practices is under way, presenting opportunities for leadership in environmentally friendly industrial practices and attracting investment. However, challenges in infrastructure, urban planning, and social services must be addressed to fully realize its potential for growth and development.

Overall, the recommended approaches to support regional development include the following:

- **Target critical infrastructure improvement.** Support improvements in municipal service delivery, urban regeneration, heritage preservation, and ancillary infrastructure.
- **Support strategic, high-potential urban centers.** Enable them to play a stronger role as sustainable and diversified urban hubs for the surrounding regions.
- **Develop and promote regional clusters/regional corridors or circuits.** Strengthen the potential in selected regions, subregions, and corridors/circuits and ensure that the economic growth generated by the key economic sectors is distributed at the local level.
- **Improve market access.** This will be key in unlocking economic activity at the regional level.
- **Strengthen the role of institutions and structures at the local level**, provide capacity and institutional support in particular to the new oblasts and oblast centers, and ensure efficient use of public resources.
- **Promote the participation of local population and private sectors** in initiatives and investments, through awareness on the importance of the local population and private sector as the key economic pillar for the country.

To conclude, promoting regional development in Kazakhstan requires a multifaceted approach, combining strategic investments, policy reforms, institutional strengthening, and community engagement. Efforts to boost SMEs, enhance market access, and improve infrastructure are key to fostering economic diversification and job creation. Moreover, addressing vulnerabilities to natural hazards, such as droughts and floods, is vital for ensuring long-term resilience and sustainable development. By unlocking the untapped potential of its diverse regions, Kazakhstan can achieve more balanced and inclusive growth, driving prosperity for all its citizens.

I. BACKGROUND AND CONTEXT

IMPORTANCE OF REGIONAL AND URBAN DEVELOPMENT FOR KAZAKHSTAN

Economic activity is never spread evenly across territories. Most countries are characterized by significant regional disparities in economic performance and living standards, as reflected in income, education, or health outcomes. These disparities raise equity concerns as they contribute to within-country inequality and hinder intergenerational mobility. They also have adverse effects on economic efficiency, as limited opportunities in certain regions lead to underutilization of potential and constrain overall growth. Additionally, regional disparities can fuel social tensions, and political polarization especially when they reinforce existing ethnic, racial, linguistic, or religious divisions.

Subnational regions in both advanced and developing economies experience sharp differences in economic activity and welfare. In advanced economies, rising regional disparities are associated with economic shocks and de-industrialization since the 1980s, while in developing economies, disparities are often linked to unevenly spread economic takeoffs. These persistent disparities are largely influenced by 'economies of agglomeration', which create spatial variations in productivity and living standards, particularly pronounced in developing countries due to variations in public service provision. Arguably, social outcomes, such as health, education, access to quality infrastructure and public services, and community participation, are more important than purely economic outcomes. The poor performance of lagging regions in social indicators, such as human and institutional capital, raises questions about future growth prospects and highlights the mutual relationship between economic and social outcomes. Investments in both raising income levels and improving human and institutional capital are crucial for overall development.

An anchor to support regional development is through urbanization which is associated with economic growth. The world is rapidly urbanizing and for the first time in history, more than half of the world's population lives in cities, and most of the growth will occur in small and medium-size cities. Urbanization is also key to support economic opportunities and well-being for rural Kazakhstan. While the largest cities will drive innovation, exports, and productivity growth for the country, second-tier (regional) cities will play an important role in connecting their periphery to markets and services.

Kazakhstan has established ambitious aspirations to attain robust, environmentally conscious, and all-encompassing development. Its objective is to position itself among the top 30 most developed nations globally by 2050. This transformation involves transitioning from a resource-heavy growth paradigm to a cleaner, more inventive, and diversified one. Achieving these aims demands comprehensive reforms, encompassing enhancements in public administration, the cultivation of a more open and competitive economic environment, fostering greener expansion, ensuring equitable access to education and job opportunities across the country. Over the past years, the country has introduced several important programs and strategies focused on regional development and has initiated strengthening local governments. In efforts to optimize public administration and regional growth, three new regional units were created—Ulytau, Abay, and Zhetysu—along with new regional centers. This study reviews Kazakhstan regional trends and delves into the challenges and pathways ahead for the new regions.

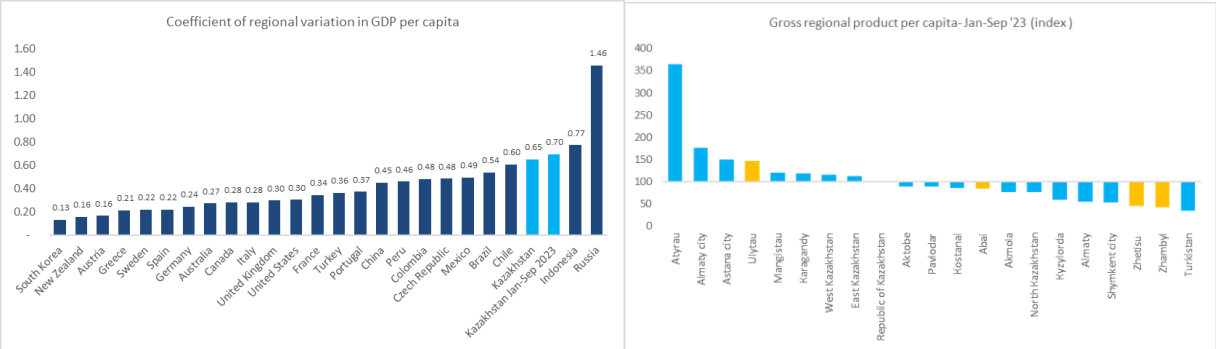
CURRENT REGIONAL DEVELOPMENT SITUATION AND DISPARITIES IN KAZAKHSTAN

Addressing regional inequalities in Kazakhstan is of paramount importance to ensure balanced and sustainable development across the country. It has enormous natural resource wealth, being one of the world's most mineral-

rich nations and among the top 15 in terms of oil reserves. It has been the economic success story of Central Asia, transitioning from a lower-middle-income to an upper-middle-income status in less than two decades. Since 2002, gross domestic product (GDP) per capita has risen sixfold, and Kazakhstan currently accounts for nearly two-thirds of regional GDP while having only one-quarter of the population. Kazakhstan has seen impressive economic growth driven by the first generation of market-oriented reforms, abundant mineral resources extraction, and strong foreign direct investment (FDI). Sustained economic growth has transformed the country into an upper-middle-income economy, raising living standards and reducing poverty.

Despite the country's economic growth since independence, challenges remain, particularly in regional development. For one, the benefits of growth have not always been evenly distributed (Figure 1). Regional inequality, measured as the dispersion of gross regional product (GRP) per capita, is higher in Kazakhstan than most developing countries, including Brazil and Indonesia. In 2022, the highest GRP per capita (in Atyrau) was nearly three times the national average, while the lowest (in Turkistan) was almost only one-third. Kazakhstan has one of the lowest densities in the world with an unevenly distributed population. The low density makes it challenging and costly to provide basic services across the country. Employment opportunities are mostly concentrated in urban areas, resulting in large economic and social disparities between urban and rural communities. Nevertheless, regional disparities are two to three times greater in Kazakhstan than in larger OECD[1] countries with low population density, such as Canada and Australia. Narrowing these gaps could improve the overall living standards and quality of life for citizens in less developed areas, promoting social cohesion and stability. By investing in lagging regions, stimulating local economies, and providing equal access to education and health care, Kazakhstan can unlock the untapped potential of its human capital and natural resources, driving overall economic growth and prosperity.

Figure 1. Disparities in regional economic output are high in Kazakhstan



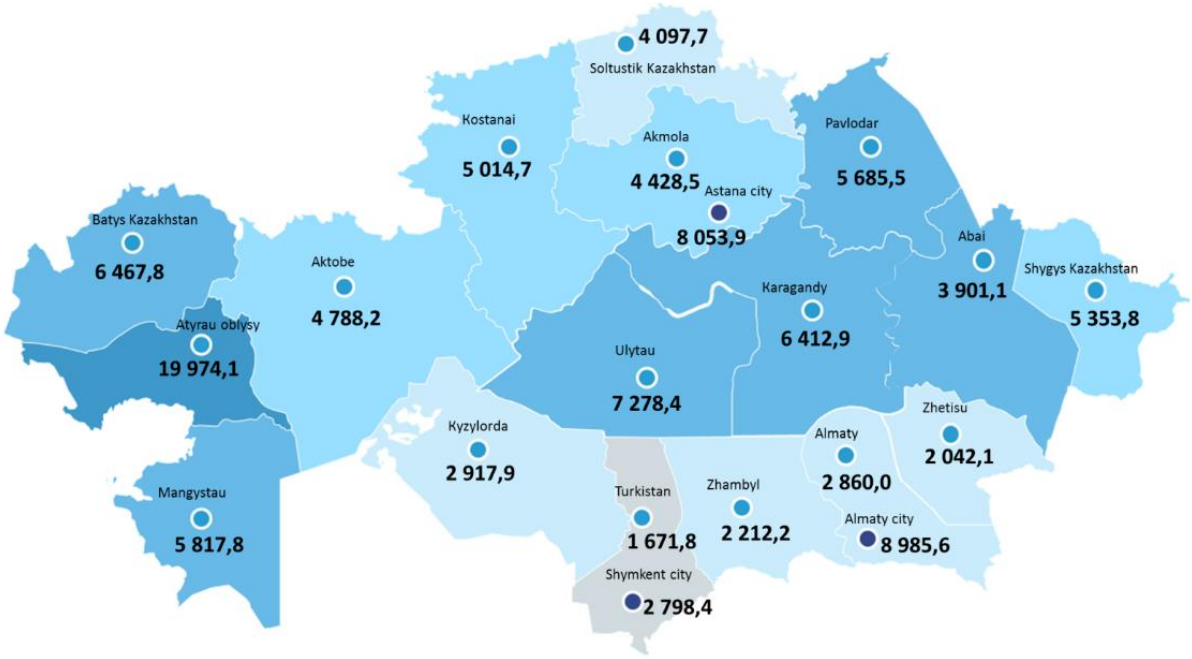
Source: Bureau of National Statistics of Kazakhstan.

Wealth and income in Kazakhstan are concentrated in a limited number of regions. Richer regions are located along the shores of the Caspian Sea where the largest onshore oil fields and natural gas reserves are found. Two types of geographic division could be observed. First, a line could be drawn between western and northern regions and another between southern and eastern regions. The regions falling above this line are more developed, while those below are less so. This difference may also unfold along the lines of natural resource-rich and natural resource-poor regions, with the former located in the west and the latter in the rest of the country (Figure 2). Second, an urban/rural divide can be seen between the urban centers of Almaty, Astana, and Shymkent and their respective surrounding regions. Three city regions, Astana, Almaty and Shymkent, allow for a comparison between urban centers and adjacent areas. Almaty City's GRP per capita is 280 percent higher than that of Almaty, Astana City's GRP

[1] OECD = Organisation for Economic Development and Cooperation.

per capita is around 126 percent larger than that of Akmola, and Shymkent City's per capita income is almost double that of Turkestan. On average, prime cities enjoy a relative urban advantage of 160 percent when it comes to GRP per capita levels in relation to their neighboring regions.

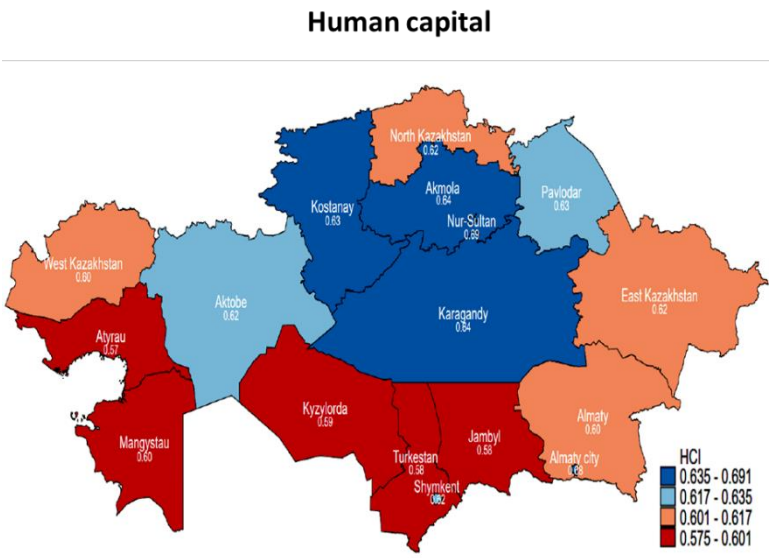
Figure 2. GDP per capita by region for 2022 (GRP per capita) (KZT, thousands)



Source: Bureau of National Statistics of Kazakhstan.

The disparities in regional economic output in Kazakhstan go beyond just differences in income levels; they also extend to social well-being indicators. Although Kazakhstan has a higher Human Capital Index than most countries in Central Asia due to investments in health, education, and broad access to basic services, this high performance is unevenly distributed across the country. While some regions experience significant economic growth and prosperity, others face various social challenges that hinder the overall well-being of their populations. Regions with higher economic output tend to have better access to basic services and amenities, leading to an improved quality of life for their residents (Figure 3). Nevertheless, it appears that high income alone is not enough to ensure positive social outcomes. A region may be wealthy but still lack favorable social indicators, while a poor region is unlikely to have good social outcomes. Atyrau, for example, is the region with the highest GRP per capita but presents one of the lowest Human Capital Indexes in the country. Meanwhile, Akmola and Aktobe with regional per capita income below the national average have relatively high Human Capital Indexes. The strongest performers were the administrative cities of Astana and Almaty. These areas boast better health care facilities, education opportunities, and public infrastructure. In contrast, regions with low Human Capital Index may struggle to provide adequate access to health care, education, and other essential services, negatively affecting the well-being of their citizens.

Figure 3. Inequalities also exist in human development



Source: Bureau of National Statistics of Kazakhstan.

Box 1. International experience

Agglomeration of economic activity, migration of skilled workers, and integration of regional markets are already reshaping Kazakhstan's economic geography. Yet, scope remains to amplify market forces and accelerate economic growth and diversification, especially in the newly formed regions. To develop further, Kazakhstan might want to consider how the world's most advanced countries nurture agglomeration as a driver of innovation and productivity growth.

Regional imbalances are observed in countries at all levels of development, and governments worldwide are working to reduce inequalities. Developed countries are at the forefront of attempts to address regional development issues. Lagging regions and monotowns present the most challenging aspect of persistent territorial disparities. The World Bank framework for lagging regions emphasizes balanced, space-blind structural policies and selective targeted interventions to overcome local constraints (World Bank 2017).[1] Many countries historically have confronted that challenge, including Canada and the United States, and it has been at the center of the European Union (EU) policy agenda for many years. For instance, the EU, characterized by regional disparities which eventually increased as the union block incorporated Eastern European countries at lower levels of development, instituted the Cohesion Fund to support member states with GDP per capita below 90 percent of the EU average. In addition, the European Regional Development Fund aims at consolidating economic, social, and territorial cohesion by correcting imbalances between regions. Emerging and developing countries, such as China and South Africa, are also addressing internal territorial inequalities through government interventions and spatial policies.

URBANIZATION AND INTERNAL MOBILITY

The Kazakhstan-2050 strategy, outlining the national development objectives to 2050, set the target of increasing the proportion of the urban population to 70 percent. At the same time, urbanization must be accompanied by the appropriate development of social facilities, housing and public utilities infrastructure, and urban transportation systems to meet the needs of the growing population.

Currently, urban centers in Kazakhstan exhibit great disparities. A ranking of urban centers produced by the Economic Research Institute (ERI) of Kazakhstan across the country highlights the great differences among territories considering aspects such as state of economy, business environment, social sphere, culture, sports and leisure, urban infrastructure, and quality of the urban environment. For instance, Astana, Almaty City, and Aktau have consistently

displayed significant economic dynamism and performed well under a variety of measurements, including business environment, urban infrastructure, and social activity. In contrast, cities such as Shymkent and Taldykorgan are at the bottom of the distribution and are characterized by a number of bottlenecks when it comes to the economic and social performance of the urban centers. [2] The quality of life in urban centers is even more important given the recent trends in agglomeration, which see cities' populations growing while the lagging and rural regions suffer from outmigration and brain drain.

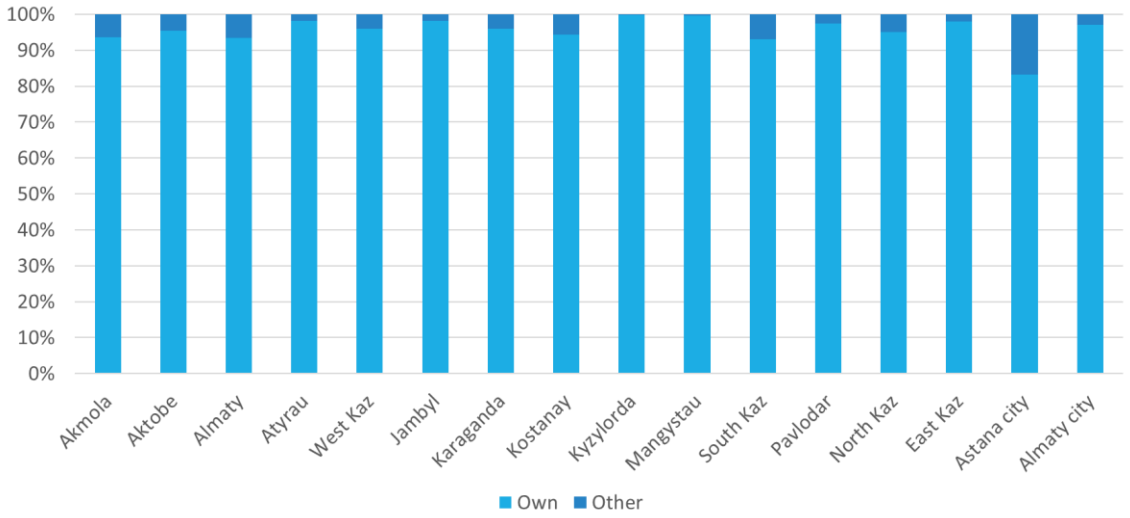
Promoting the ability of workers to migrate within a country or abroad can reduce inequality of opportunity. In turn, low labor mobility limits people's ability to use their productive capacity to access jobs by moving to thriving areas. Workers in Kazakhstan follow the usual trend seen in developing economies, moving from lower-productivity agricultural jobs in the countryside to higher-productivity manufacturing and service jobs in towns and cities. Kazakhstan's internal migration primarily targeted two urban centers—the capital Astana and the city of Almaty, the former capital and a major financial and business hub of the country. These workers will encounter two key constraints in the larger destination centers: the high cost of living in cities and a near absence of a rental housing market.

The cost of living and cost of housing in cities are critical factors affecting internal mobility. The cost of housing consumed (as measured by imputed rents) is 310 percent higher in Almaty City than the national average and about 460 percent higher in Astana. The large differences are due partly to rapid and volatile appreciation of home values in recent years.[3] In Astana, real housing prices were three times higher in 2016 than in 2001, and in Almaty, prices more than quadrupled over the same period.[4] The significantly higher cost of living means that Kazakhstan's cities are unaffordable for many rural residents who wish to relocate to places where job opportunities may be greater. At around 95 percent, Kazakhstan also has one of the highest homeownership rates in the world, but the rental market is small. In the absence of affordable rental housing, most potential internal migrants in Kazakhstan are not able to move to urban areas for work. At the same time, housing subsidies and legacy policies contribute to one of the highest homeownership rates in the world (Figure 4). Especially for rural areas where market demand for housing is low, these features dampen regional mobility, ultimately leading to labor market dysfunction and lower productivity.

Finally, the residency registration system deters many people—particularly low-income people receiving financial support from the State—from relocating within the country, as benefits are tied to where a person is registered. For those who are unregistered, the system can lead to exclusion from many social services and benefits. These kinds of barriers can severely limit population flows to highly productive locations, leading to exclusion of lower-income people and restrain economic and urban growth. In fact, Kazakhstan's urbanization has stalled and has not seen any significant growth in the past 20 years. These barriers need to be addressed if Kazakhstan is to meet its goal of urbanization level of 70 percent by 2050.

[2] Economic Research Institute. 2021. *National Rating of the Quality of Life in Cities*. NurSultan: Economic Research Institute.
[3] Seitz, William. 2021. "Urbanization in Kazakhstan: Desirable Cities, Unaffordable Housing, and the Missing Rental market." *International Journal of Urban Sciences*, *Taylor and Francis Journals* 25 (S1): 135–166.
[4] In nominal terms, prices increased by factors of about 12 and 15, respectively.

Figure 4. Small rental market dampens internal migration flows



Source: Bureau of National Statistics of Kazakhstan.

POLICY AND INSTITUTIONAL CONTEXT

Recognizing the importance of its regions' contributions to national economic objectives, Kazakhstan has increasingly integrated regional development goals and measures in its national strategies and programs. The current approach follows two main axes: the development of designated economic growth centers and development of small and medium enterprises (SMEs) in rural areas. Kazakhstan's national development plan offers a new model of economic growth featuring diversification; reduced dependence on natural resources; and a transition toward productivity growth driven by technology, innovation, and human capital accumulation. Accelerating structural transformation and raising productivity levels will depend on transforming the spatial structure of the economy and taking advantage of agglomeration opportunities in cities. Urbanization will be key to support economic opportunities and well-being for rural Kazakhstan. While the largest cities will drive innovation, exports, and productivity growth for the country, second-tier (regional) cities will play an important role in connecting their periphery to markets and services.

Kazakhstan's regional policy are contained in different national documents and programs, which together provide the detailed picture of the government's priorities and approach. Beyond the strategic directions set in national strategies, four main national programs together form the core of Kazakhstan's policy framework for regional development. In general, these programs and strategies follow international best practices prioritizing development of growth poles as the drivers of the national economy and focusing on density as an enabling condition for the benefits of economic agglomeration in major cities. They also set goals of access to basic infrastructure and services across the country and introduce the concept of functional urban areas.

The Forecast Scheme for Spatial-Territorial Development is a tool for the implementation of regional policy and determines the long-term vision of the country's development in terms of population resettlement, infrastructure placement, and other aspects of the effective use of territories. It lists regional characteristics, economic potential, and challenges and defines priority objectives and measures for their long-term development. This scheme focuses on the development of growth poles in designated places and regional specialization through the development of identified economic sectors in specific locations. The scheme categorizes Kazakhstan's regions into six macro-regions—based on their economic, natural, and socio-demographic characteristics— and defines target sectors of

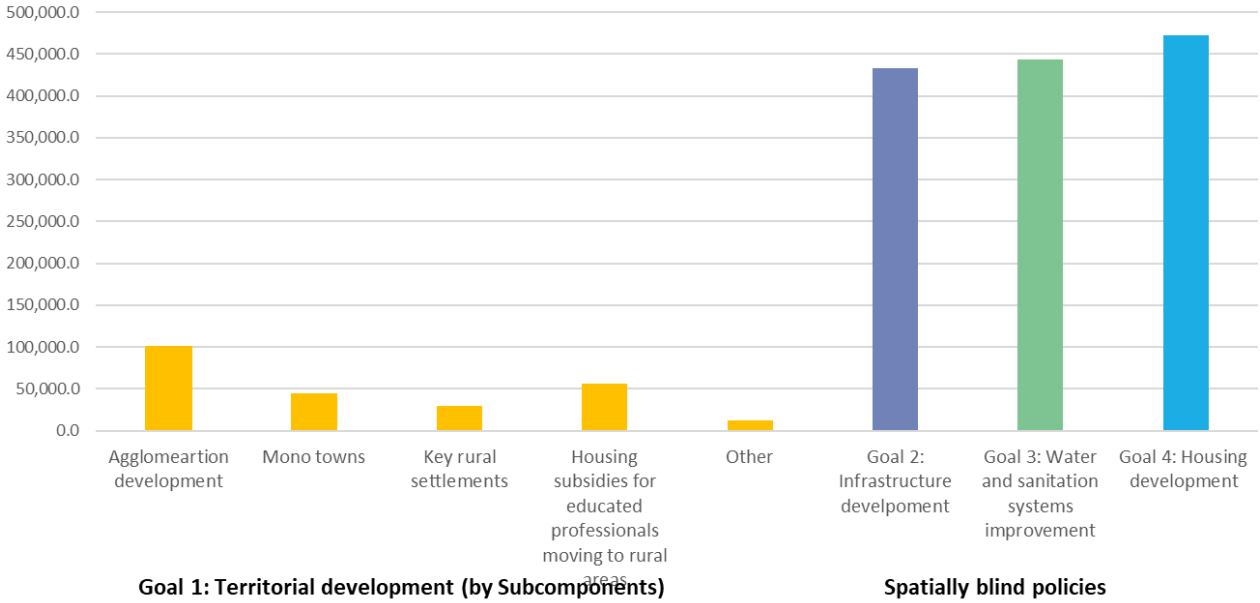
specialization. It also identifies five major urban agglomerations as growth poles: Almaty, Astana, Shymkent, Aktobe, and Ust-Kamenogorsk. Accelerated urbanization and concentration of capital, labor, knowledge, and consumers in the capital cities of all regions is also a key objective while it sets a goal of access to basic infrastructure and services across the country.

The State Program for Regional Development (SPRD) (2020–2025, dated December 27, 2019) aims to increase the economic competitiveness of regions and improve the quality of life of the population through managed urbanization. It was developed to implement the Strategic Development Plan of the Republic of Kazakhstan until 2025 and the Forecast Scheme for Spatial-Territorial Development until 2030. It allocates roles and responsibilities to national and regional institutions and provides detailed metrics for evaluation and monitoring. It also describes the budgetary and financing aspects. The National Project on Territorial Development currently being drafted is expected to replace the SPRD.

In addition, the State Program of Industrial-Innovative Development (SPIID), Kazakhstan's industrial policy document, has important implications for regional development given its reliance on the emergence of activities of critical mass and centers of gravity, referring to the notion of agglomeration economies. In particular, one of its main objectives is to drive regional specialization through the development of pilot regional clusters. The Business Road Map 2025, with a focus on SME and entrepreneurship development aims to stimulate entrepreneurship and SME growth in laggard regions, notably monotowns (single-industry towns) and rural regions.

Looking at the expenditure figures for the SPRD, the program was a combination of existing sectoral programs and aligned with the priorities, operated with a strong focus on infrastructure and delivering the basic services across the board independent of the location (Figure 5). The territorial development component accounts for less than 25 percent of total spending for five years—just a bit more than spending on housing subsidies. However, even within the territorial development component, only a small fraction represents targeted investment in monotowns and agglomerations.

Figure 5. Total spending by segment of the State Program for Regional Development (2015-2019)



Source: Bureau of National Statistics of Kazakhstan.

A more recent State program 'Strong regions – drivers of the country's development' is designed to supply oblasts in need of labor from oblasts where the labor is abundant, which was defined as north and south, respectively. The goal of this program is to create a comfortable living environment for citizens by ensuring equal access of the population to basic services, improving housing and communal conditions and developing housing construction, and ensuring transport connectivity and increasing the transport and transit potential of the country. Upon resettlement, citizens are issued a certificate for the purchase of housing - up to KZT 4 million; subsidy for each family member - about KZT 241,500; payment of rental housing - up to 1 year; free grants -about KZT 1,380,000; and help in finding a permanent job. The targeted results are increase in the level of urbanization from 59.1 percent to 62.6 percent; increase in population in agglomerations and regional centers (as well as in Semey) annually by 1.7 percent; attracting of more than 21,000 specialists in the fields of health, education, social security, culture, sports, and agro-industrial complex in rural settlements, as well as civil servants of the administrations of village akims, towns, and rural districts; improvement of living conditions for 236,700 families from all sources of financing; ensuring of 100 percent access to water supply services in cities and villages; and increase in the level of employment of migrants, including in the field of entrepreneurship from 79 percent to 87 percent. While this program offers great incentives, it creates market distortions; the State funding and financial support should be focused on creating new industrial centers with new jobs for which people would resettle themselves while the State can afford some help covering transportation costs.

Together with these main programs, the adoption of the Law on Urban Agglomerations in January 2023 further facilitated the development of metropolitan areas in the country and introduced a new model for managing agglomerations. In an effort to strengthen subnational governments, local agglomeration councils will be created at the regional level. They will function as a platform for interaction between local executive bodies of the city and the surrounding region to address specific issues for the coordinated development of the agglomeration territory/metropolitan area. The local council will include representatives of the akimats and maslikhats and of the National Chamber of Entrepreneurs of the Republic of Kazakhstan and nongovernmental organizations. In addition, the local executive bodies of the cities' centers coordinate the activities of the entities on the implementation of the

General Plan for the Development of the Suburban Zone; organize the development of the draft General Plan; and also give consent to draft State standards for architectural, urban planning, and construction activities.

Overall, the bill provides for several competencies for the development of the agglomeration. In particular, the powers of the akimats of cities of republican significance and the capital to participate in the development of the architectural and construction policy of suburban areas are expanding. Also, akimats of adjacent regions are empowered to reserve land plots on the territory of the agglomeration for the construction of social, transport, and engineering infrastructure facilities financed by local executive bodies of the capital, cities of republican significance. In addition, the interaction of budgets of the same level is ensured. For the coordinated development of agglomerations, the law developed a mechanism for horizontal transfers between the budgets of the city and the surrounding region to finance joint agglomeration projects with a synergistic effect that will affect both the development of the city center and its suburban area.

II. THE NEW REGIONS - CURRENT ECONOMIC OUTCOMES AND THEIR POTENTIAL TO TRANSFORM INTO COMPETITIVE, INCLUSIVE AND RESILIENT REGIONS

In May 2022, President Kassym-Jomart Tokayev signed a decree to introduce three new regions—Abai, Ulytau, and Zhetisu—and relocated the administrative center of the Almaty Region from Taldykorgan to Konayev, former Kapshagai (Figure 6). The administrative-territorial changes were introduced to optimize public administration, simplify commuting to and from the regional center, and better regulate internal migration. According to President Kassym-Jomart Tokayev, the creation of a separate region has not only economic but also spiritual and cultural significance. The Abai Region was formed by separating eight districts and the cities of Semei and Kurchatov from the East Kazakhstan Region. Semei City was appointed and received the status of an administrative center of the region. The Ulytau Region, being located at the heart of Kazakhstan, includes Zhanaarka, Zhezkazgan, Karazhal, and Satpayev, which were previously part of the Karaganda Region. Zhezkazgan City was denominated as the administrative center of the region. The third, Zhetisu Region, was formed by splitting the Almaty Region. Eight districts and the cities of Taldykorgan and Tekeli will be part of the new Zhetisu Region.

Figure 6. Newly created regions and regional centers of Kazakhstan

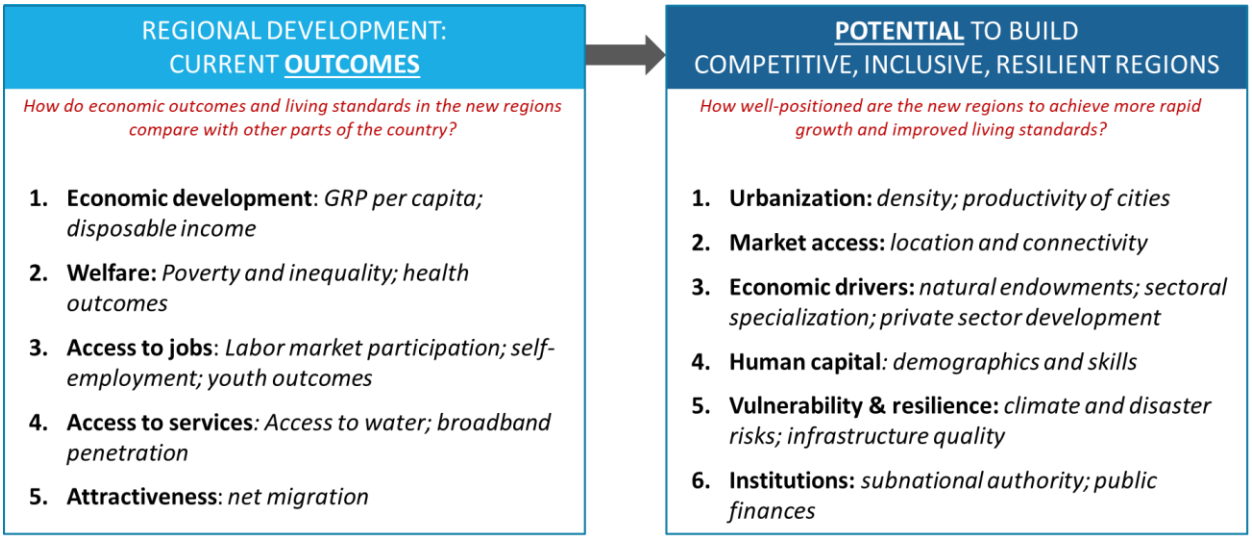
Source: The Astana Times.

ASSESSING THE NEW REGIONS AND REGIONAL CENTERS

Looking ahead as these regions and their centers start developing further, it is important to assess their potential to build competitive, inclusive, and resilient economies. In assessing the new regions and regional centers, some of the stylized facts and current outcome of the regions were analyzed. Several indexes are used to evaluate the potential of the new regions, including urbanization, market access, economic drivers, human capital, vulnerability and resilience, and institutions. For instance, the density and productivity of cities can provide insights into the

potential for urbanization and economic growth. The location and connectivity of the new regions can also determine their potential for market access and private sector development. The demographics and skills of the population in the new regions can determine their potential for human capital development. Lastly, the vulnerability and resilience of the new regions to climate and disaster risks, as well as the quality of their infrastructure, will set the stage for resilience and sustainable development. The analytical framework used is summarized in Figure 7.

Figure 7. Analytical framework

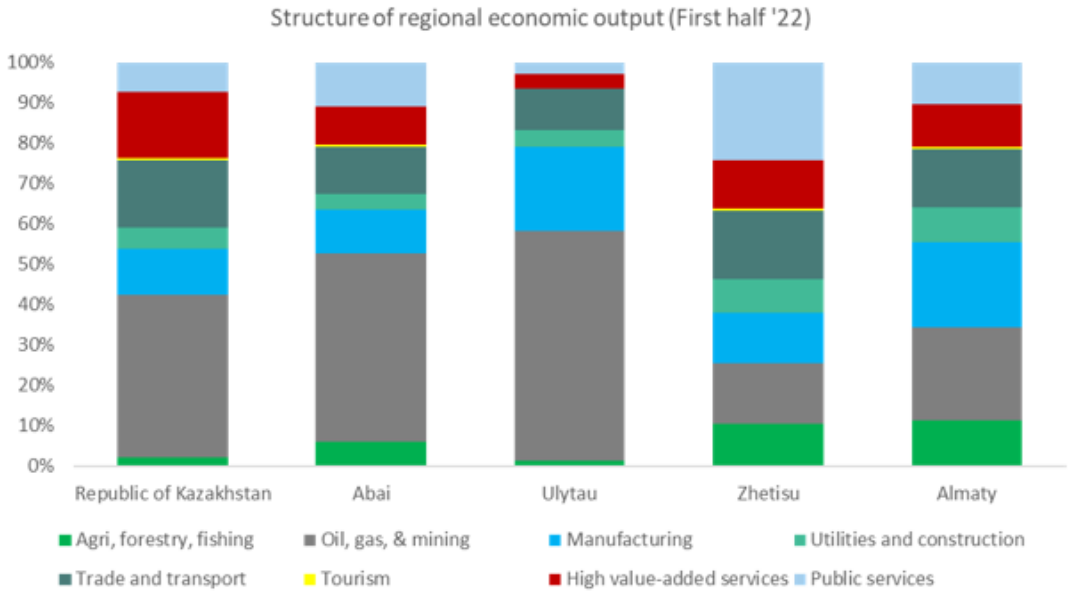


Source: World Bank.

ECONOMIC DRIVERS

Ulytau is among the richest regions in the country while Zhetisu is among the poorest, and Abai also lags. Ulytau, and to a certain extent, Abai, are specialized in mining and some manufacturing while Zhetisu's economy is more diversified with higher reliance on agriculture and the public sector (Figure 8).

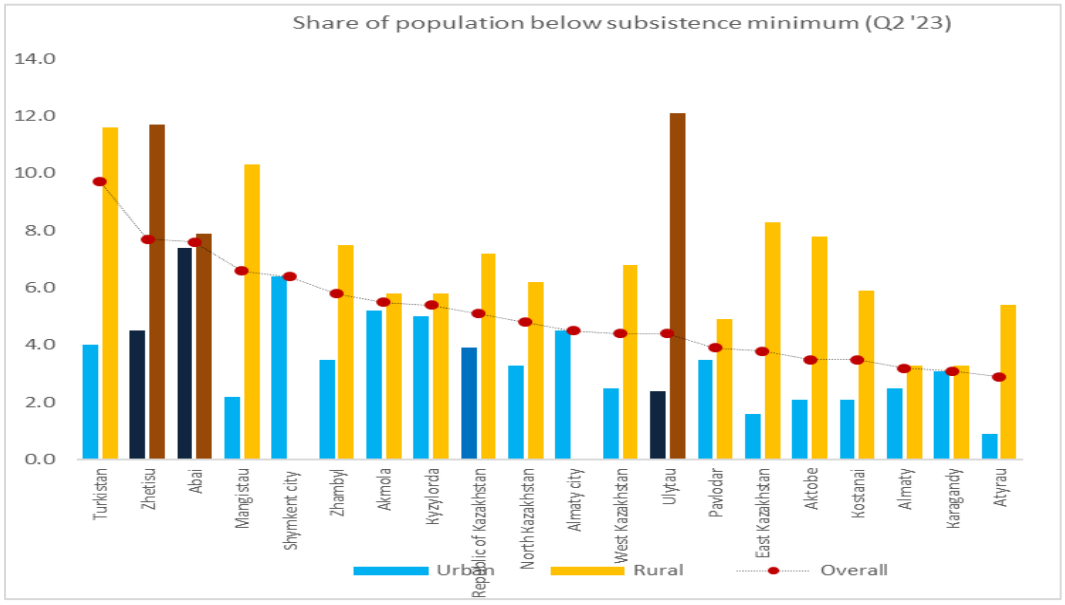
Figure 8. Ulytau and Abai Regions have a strong focus on heavy industry while Zhetisu has a more diversified economy



Source: Bureau of National Statistics of Kazakhstan.

In terms of living standards, according to the Bureau of National Statistics of Kazakhstan, the percentage of people with income below the subsistence level in the second quarter of 2022 was 5.3 percent. However, the official poverty level is lower in urban (4 percent) compared to rural areas (7.3 percent). Overall, poverty rates are lower in Astana (2.2 percent), Ulytau (2 percent), and Atyrau (3.5 percent) Regions compared to southern regions such as Turkestan (9.1 percent) and Shymkent (7.2 percent). Zooming in on living standards in the new regions, Abai has one of the highest urban poverty rates in the country, while poverty rates are higher mainly in rural areas of Ulytau and Zhetisu (Figure 9). In fact, Zhetisu has one of the highest rural poverty rates in the country. Ulytau, on the other hand, likely because of the strong presence of monotowns in the region, has one of the lowest urban poverty rates.

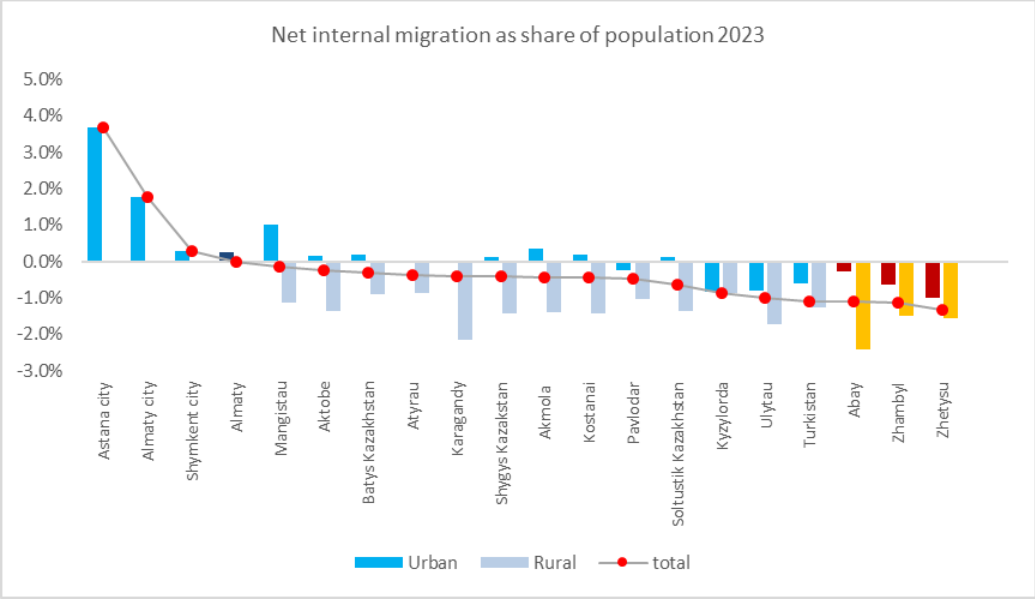
Figure 9. Abai has one of the highest urban poverty rates in the country, while poverty is mainly rural in Ulytau and Zhetisu



Source: Bureau of National Statistics of Kazakhstan.

In addition, all the three new regions (Zhetisu, Abai, and Ulytau) have the highest outmigration compared to other regions in the country (for January–September 2022) (Figure 10). As the regions start planning for growth, efforts focusing on boosting the regions' and cities' comparative advantage, capitalizing on their assets, in addition to economic diversification and improving livability will help close gaps on living standards as well as provide new economic and job opportunities, which in turn would attract and retain residents and talent.

Figure 10. The three new regions have the highest outmigration in Kazakhstan while Zhetysu has the highest urban outmigration

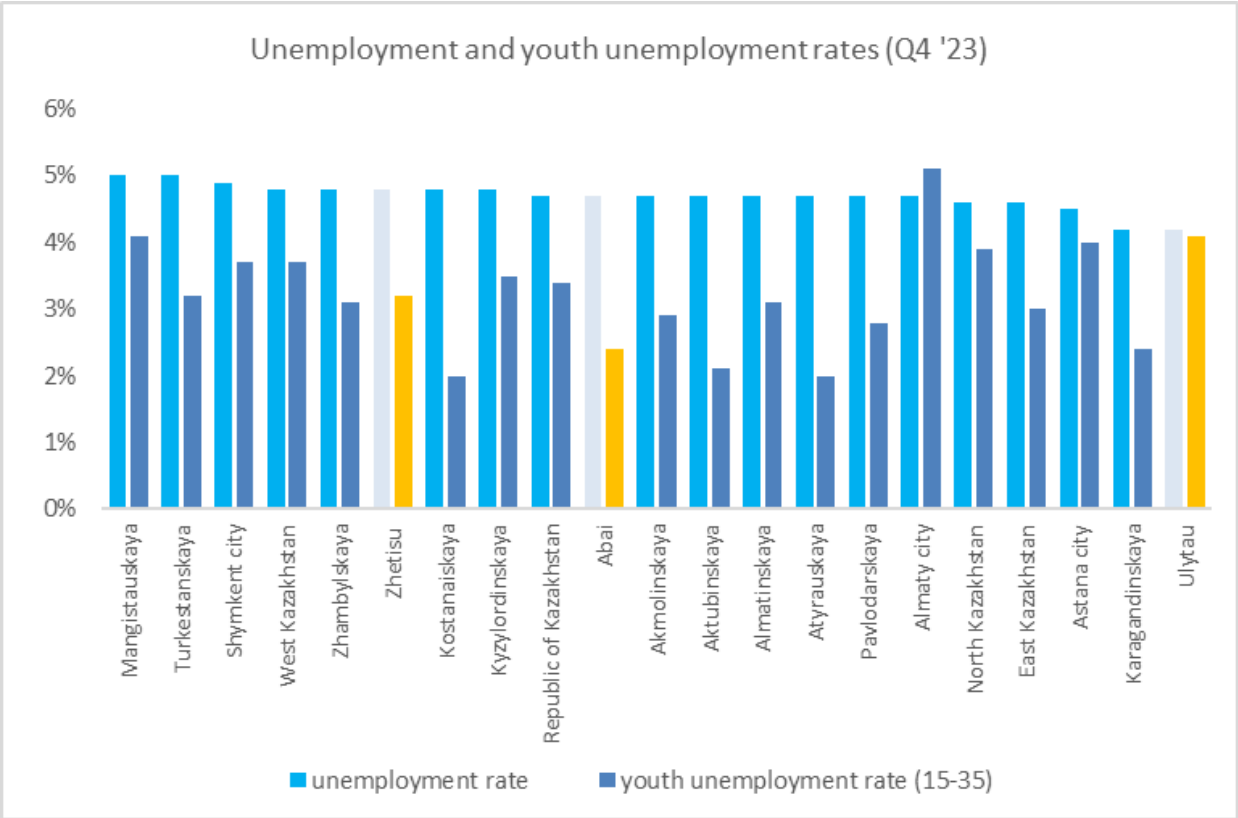


Source: Bureau of National Statistics of Kazakhstan.

LABOR MARKET

In the first quarter of 2023, the unemployment rate in Kazakhstan was 4.8 percent. Overall, 9.0 million people were employed in various sectors of the economy, of whom 6.9 million were wage earners (76.7 percent of all workers in the economy) and 2.1 million were self-employed (23.3 percent of all workers in the economy). The employment rate of the population ages 15 and over was 65 percent. The proportion of not in employment, education, or training (NEET) youth who do not work and are not engaged in education or vocational training was 7.9 percent (422,000 people). The new regions' corresponding rates are mostly in line with the national average, with Ulytau having the lowest rate in the country at 4.2 percent. Ulytau also has the highest youth unemployment rate (Figure 11), together with a NEET of nearly 14 percent. Zhetsu, with a more diversified economy, has the lowest youth unemployment rate and one of the lowest NEET rates in the country.

Figure 11. Labor market outcomes are in line with national averages, although Ulytau has a higher level of youth unemployment



Source: Bureau of National Statistics of Kazakhstan.

Approximately 25 percent of the working population in Kazakhstan is self-employed (Figure 12). These tend to be low-productivity work with a high level of informality. In the new regions, Almaty and Zhetsu present even higher-than-average levels of informality and self-employment, likely driven by agricultural shares in the economy. Abai, however, with a majority urban population, has one of highest rates of self-employment and urban poverty.

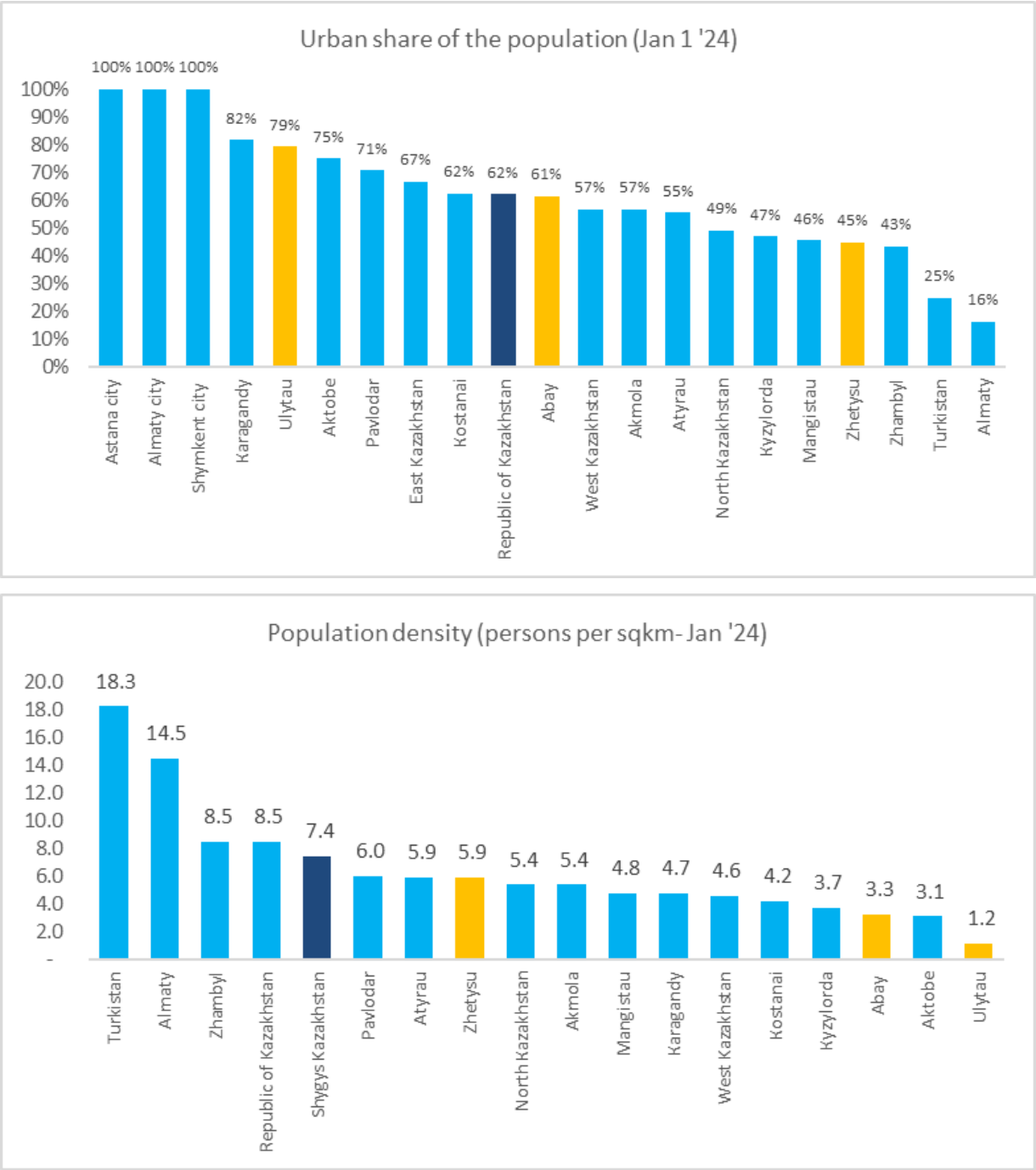
Figure 12. Abai and Zhetisu are reliant on self-employment

Source: Bureau of National Statistics of Kazakhstan.

URBANIZATION

In terms of urbanization trends, Ulytau and Abai have one of the lowest population densities in the country (Figure 13). However, Ulytau is highly urbanized, with nearly 80 percent of its population living in cities rather than in rural areas. The direct opposite is observed in Almaty and, to a lesser extent, in Zhetisu. Almaty Region has a density of over 14 people per km^2 but only 16 percent of the population is located in the urban centers. These trends reflect the economic activities and geography of the regions. Ulytau is situated in the semi-desert area of Central Kazakhstan and hosts five districts, mostly industrial towns: Zhezkazgan, Karazhal, Satpaev, Zhanaarka, and Ulytau districts with population of 227,200 people in a vast area of 188,937 km^2. Similarly, Abai has the majority of its population living in urban areas, aligned with the country average. On the other hand, Zhetysu's residents are mostly in rural areas because of a more diversified economy and larger reliance on agriculture.

Figure 13. Ulytau and Abai are among the least densely populated regions, but Ulytau is highly urbanized

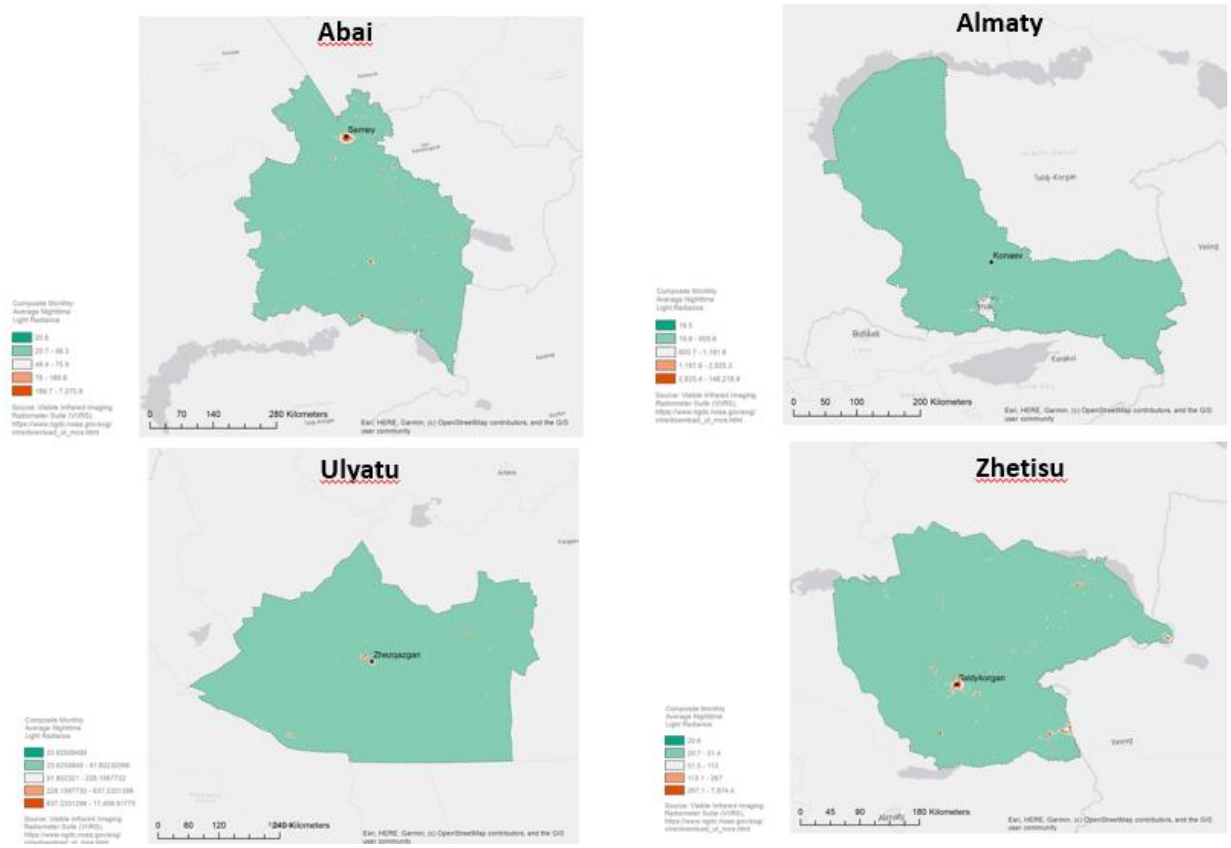


Source: Bureau of National Statistics of Kazakhstan.

The night lights of these regions, as captured by satellite imagery and other remote sensing technologies, provide further insights into the distribution of human settlement, infrastructure, and economic operations. Areas with higher levels of night lights often correspond to regions where economic and social activities are more prevalent. Looking at the new regions, economic activity is highly concentrated in the regional centers. In fact, only Abai and

Zhetisu have any significant economic activity outside the regional center, with a prevalence for small towns located mainly along the regional border as well as the Chinese border (Figure 14).

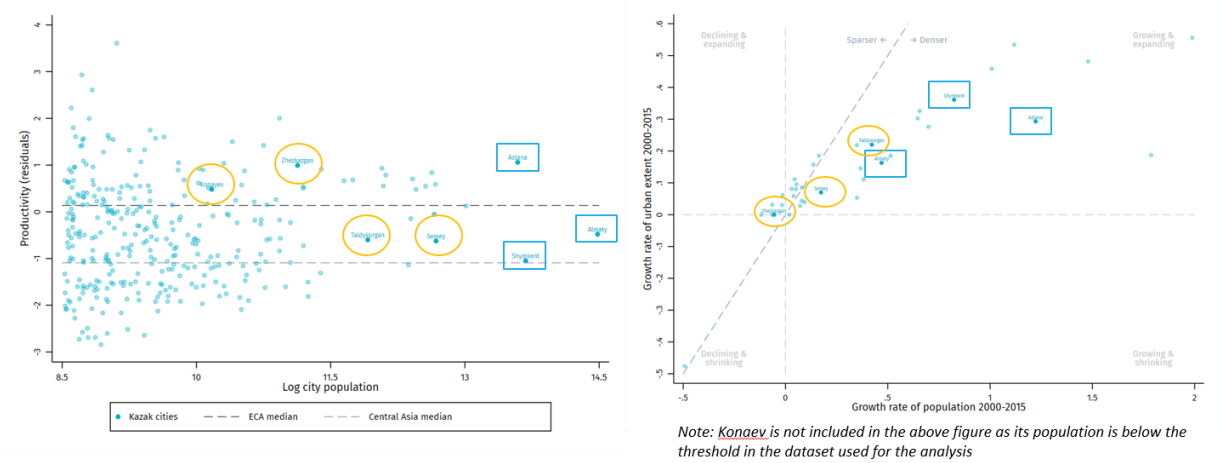
Figure 14. Economic activity is highly concentrated in the regional centers in each region



Source: Original figure based on data from the Global Human Settlements (GHS) dataset.

Despite Ulytau boasting one of the country's most productive regional centers, it finds itself in a state of stagnation (Figure 15). In Ulytau, the paradox of productivity and stagnation is mostly attributed to a lack of strategic planning and investment in infrastructure and economic diversification, which are common in monotowns such as Zhezkazgan, and crucial for sustaining growth over the long term. As in other regions with a prevalence of monotowns, the region also faces challenges related to attracting businesses and industries that could further stimulate economic activity. On the other hand, Abai and Zhetisu's regional centers have more diverse economies and although their productivity levels are lower, their population has expanded in the last years.

Figure 15. Ulytau has one of the country's most productive regional centers, yet it is stagnating, while the regional centers in Abai and Zhetisu are expanding



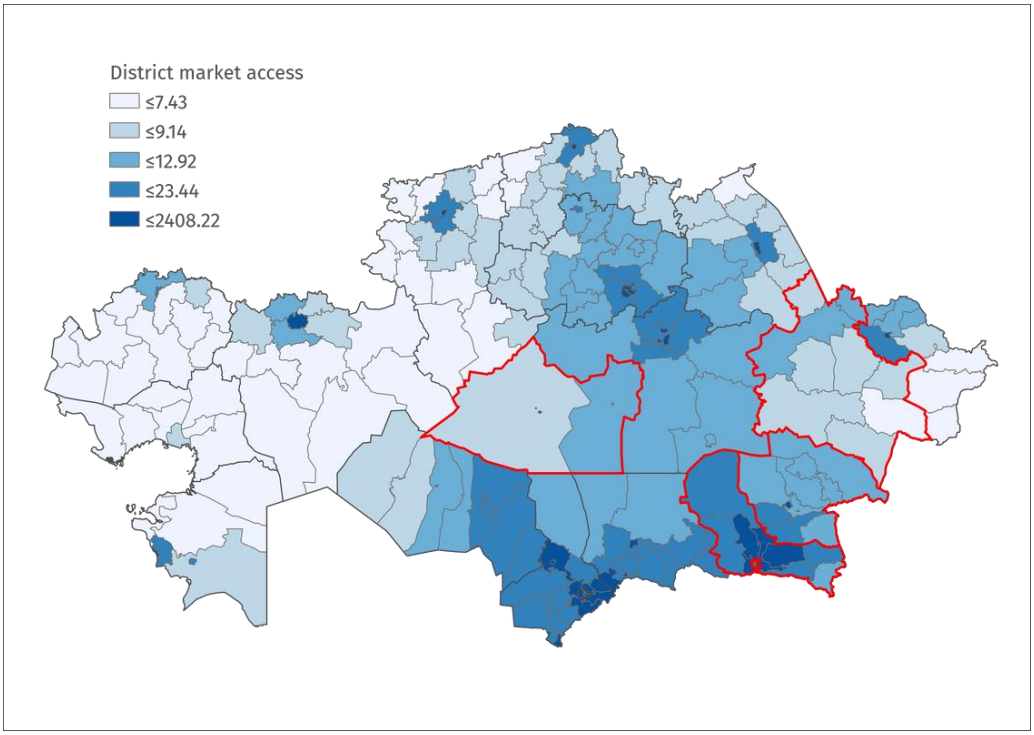
Note: Konaev is not included in the above figure as its population is below the threshold in the dataset used for the analysis

Source: Original figure based on data from the GHS dataset. Market Access

Analyzing district market access will give an idea of the outreach and connectivity of the new regions. While Almaty and Zhetisu have relatively good market access and enjoy good connectivity with Almaty, Ulytau and Abai are in more remote areas with low access (Figure 16). Nevertheless, Zhezkazgan is situated at the geographic center of Kazakhstan and could strategically become a transportation hub. It currently has a rail line to the regional capital city Karaganda.

Improving market access will be key in unlocking economic activity at the regional level. Improved access will stimulate local competition and increase demand as it becomes more accessible for people and businesses, prompting businesses to bolster production and invest in quality improvements to cater to discerning markets. This dynamic ecosystem encourages innovation and diversification, spurring job creation and bolstering income levels, thus revitalizing the regional economy. Market access also facilitates the exchange of knowledge and expertise. Exposure to evolving business practices, technological advancements, and industry trends prevalent in larger markets empowers the local workforce with enhanced skills.

Figure 16. Almaty and Zhetisu have relatively good market access, contrary to Ulytau and Abai



Source: Original figure based on data from the GHS dataset.

PRIVATE SECTOR DEVELOPMENT

According to the National Bureau of Statistics, in the second quarter of 2023, SMEs employed more than 4.1 million people in Kazakhstan, which corresponded to nearly 40 percent of the country's economically active population.[5] SMEs produced a total output of KZT 37.6 trillion in 2022 and contributed 36 percent to the country's GDP. These businesses operate in a myriad of sectors and are more prevalent in retail, services, food manufacturing, agriculture, real estate, construction, and information and communication technology (ICT).

Not surprisingly, as the largest centers, Almaty and Astana have the largest share of SMEs. In fact, more than one-third of the country's SMEs are located between these two cities. They are also the main source of employment in these locations: 75 percent of the population in these cities work in an SME (Figure 17). SME employment in Atyrau and Manhystau is also above the national average despite being regions where oil and gas is mostly prevalent; they are also among the richest regions in the country.

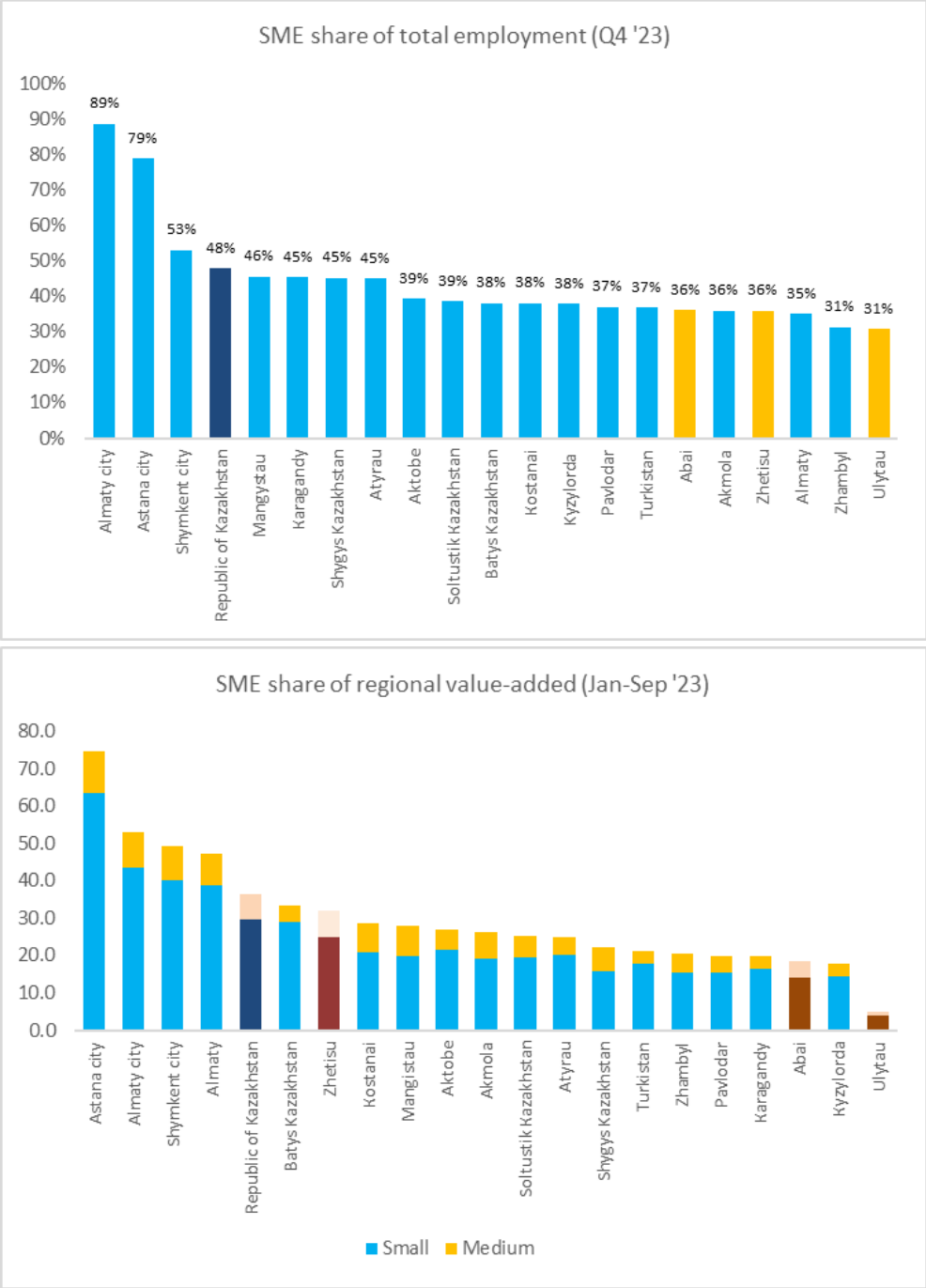
Of the newly formed regions, Ulytau lags in SME employment and value added, confirming the importance of the metallurgy industry in the region. Similarly, in Abai, SMEs contribute less than 30 percent of the regional GDP and have among the lowest rates of employment. Zhetisu, with a more diversified economy, has one of the lowest SME rates per 10,000, but SMEs contribute more than 40 percent to the regional GDP.

Great focus should be placed in fostering a welcoming environment for SMEs in the new regions as they become more stablished with increasing market access. They are important and key sources of opportunities for

[5] https://stat.gov.kz/en/industries/labor-and-income/stat-empt-unempl/publications/79535/.

entrepreneurship and innovation, can help diversify the economy, and are important drivers of economic growth and job creation.

Figure 17. SMEs are particularly underdeveloped in Abai and Ulytau



Source: Bureau of National Statistics of Kazakhstan.

VULNERABILITY AND RESILIENCE

Kazakhstan remains extremely exposed to natural hazards with high economic impact and fatality annually. Main risks stem from exposure to geophysical phenomena such as earthquakes and landslides. In addition, climate change exacerbates the risks to floods, storms, and droughts, which are increasingly frequent. Among the natural hazards that pose the highest threat to Kazakhstan are droughts (eight major events between 1985 and 2013), floods (six major occurrences in the same period), and pests and diseases (six major occurrences).[6] Droughts in the country can decimate crop yields, cause death of livestock, threaten drinking water supplies, stifle power generation via hydroelectricity, and hasten the process of soil degradation.[7] The deadliest flood occurred in 2010, killing more than 40 people, while the more economically damaging floods of 1993, 2008, and 2011 caused US$60–100 million worth of damage each. Flooding is more prevalent in the southern and eastern parts of Kazakhstan where there is significant economic vulnerability to its impacts. Locust infestations occur periodically in Kazakhstan, affecting northern wheat-growing areas more severely. Disasters of this kind wiped out 220,000 hectares of wheat in 1999 (out of a total of 8.7 million hectares under cultivation) and a further 200,000 hectares in 2008 (out of a total of 12.9 million hectares).[8]

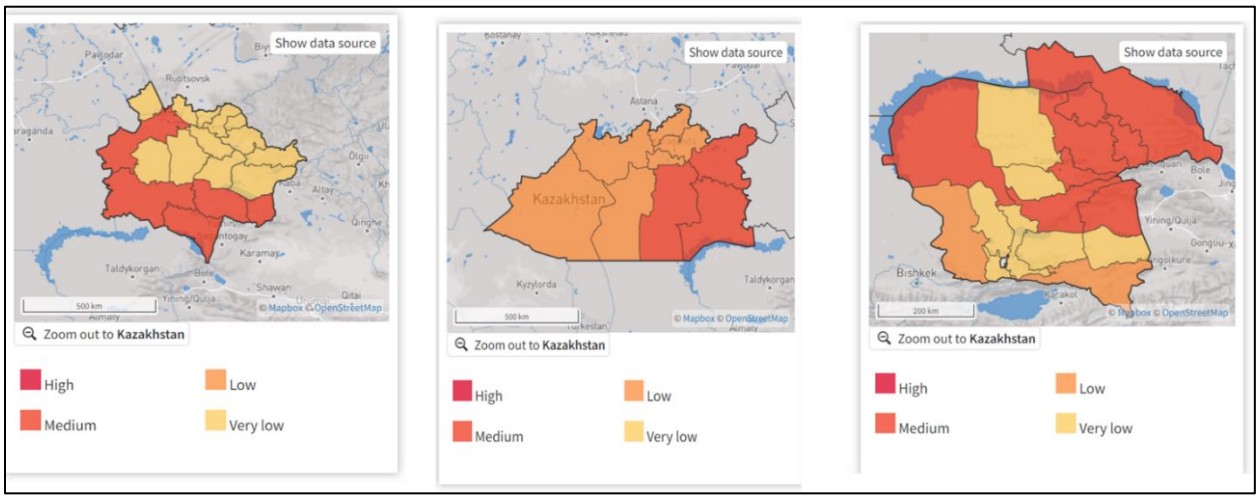
To address these major challenges, Kazakhstan has positioned itself as a regional leader in terms of implementing climate change mitigation. The country has set ambitious goals to transform into a green economy by 2050, and to help meet these targets, Kazakhstan adopted national energy efficiency requirements in 2012 and launched a greenhouse gas (GHG) emissions trading system in 2013. In 2016, Kazakhstan ratified the Paris Agreement and pledged to reduce GHG emissions by 15–25 percent by 2030 compared to 1990 levels (United Nations Framework Committee on Climate Change, 2016).

The establishment of the new regions will trigger and attract investments and bring opportunities to build new infrastructure and upgrade existing ones. To address climate risks, adaptation considerations must be integrated into development planning and decision-making while moving to more sustainable water and land management practices over time. This approach will be critical if planned increases in agricultural production are to be achieved along with climate targets. In urban areas, new investment should focus on building resilient, reliable, and comprehensive infrastructure and power grid, as current infrastructure ages and power demand grows.

Among the new regions, water scarcity is a pressing concern especially in Zhetisu and Abai (Figure 18), which grapple with the challenge of balancing water resources in the face of increasing demands, climate variability, and environmental degradation. As agriculture remains a significant contributor to these regions' economies, the strain on available water resources poses a serious threat to food production and rural livelihoods.

[6] Climate Risk Country Profile: Kazakhstan (2021): The World Bank Group and the Asian Development Bank.
[7] Climate Risk Country Profile: Kazakhstan (2021): The World Bank Group and the Asian Development Bank.
[8] Climate Risk Country Profile: Kazakhstan (2021): The World Bank Group and the Asian Development Bank.

Figure 18. Water scarcity risk in the new regions

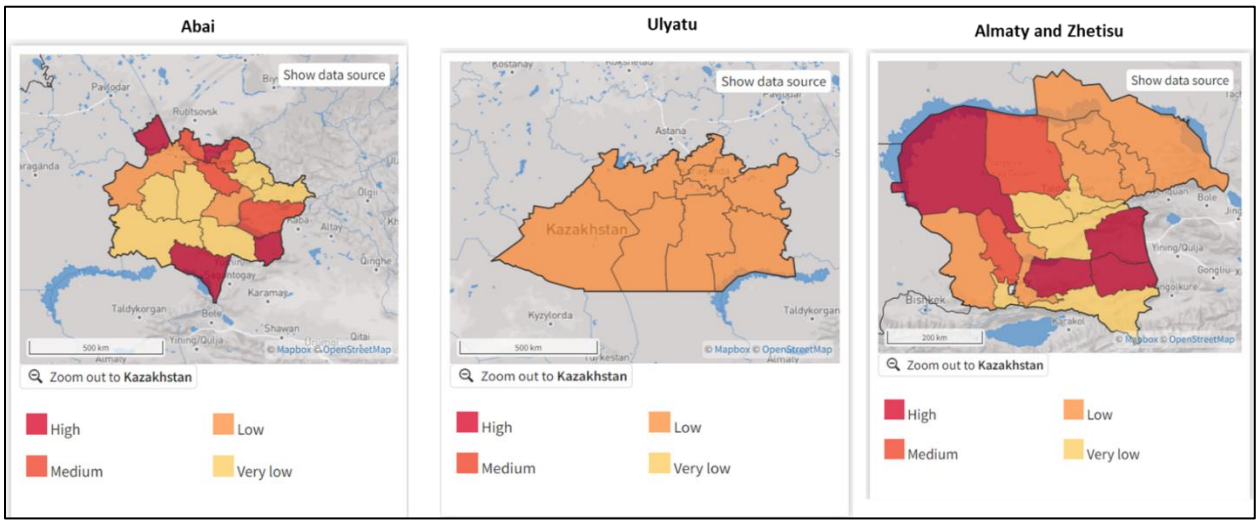


Source: Country Risk Profile Kazakhstan, 2022. Central Asia Regional Economic Cooperation Program (CAREC).

Similarly, all new regions but Ulytau face significant risks of river flooding (Figure 19). This shared vulnerability to flooding is a matter of national concern, as at the national level, the average annual loss (AAL) from flooding is estimated at US$419 million. Over the 100-year return period, flood loss is modeled at US$1.8 billion, approximately 1 percent of GDP.[9] Kazakhstan's critical infrastructure is vulnerable to more frequent and intense natural disasters resulting from climate change, with potentially large impacts on traded sectors and the overall economy.[10] Road and rail networks are prone to high winds and snowfall, but more critically to flooding, which is exacerbated by poor sizing and maintenance of drainage structures. Analysis suggests that about 10 percent of Kazakhstan's transport infrastructure is exposed to natural hazards, particularly from flooding. Interruptions to transport links can disrupt connectivity between cities and regions, inhibit personal mobility, and affect global value chains and trade patterns. These disruptions, as well as impacts on other connectivity infrastructure such as electricity and gas supply and telecommunications, cause significant economic losses. In 2019, for example, the additional cost to firms in Kazakhstan from lower utilization of transport infrastructure due to natural hazards was US$1.1 billion, or 0.51 percent of GDP; this cost can be expected to increase as natural disasters become more frequent. [11]

[9] Country Risk Profile Kazakhstan, 2022. CAREC.
[10] World Bank Group. 2022. *Kazakhstan Country Climate and Development Report*. CCDR Series.
[11] Hallegatte, Stephane, Jun Rentschler, and Julie Rozenberg. 2019. *Lifelines: The Resilient Infrastructure Opportunity. Sustainable Infrastructure*. Washington, DC: World Bank.

Figure 19. Except for Ulytau, the new regions face significant risks of river flooding



Source: Country Risk Profile Kazakhstan, 2022. CAREC.

III. DEEP DIVE ON THE NEW REGIONAL CENTERS

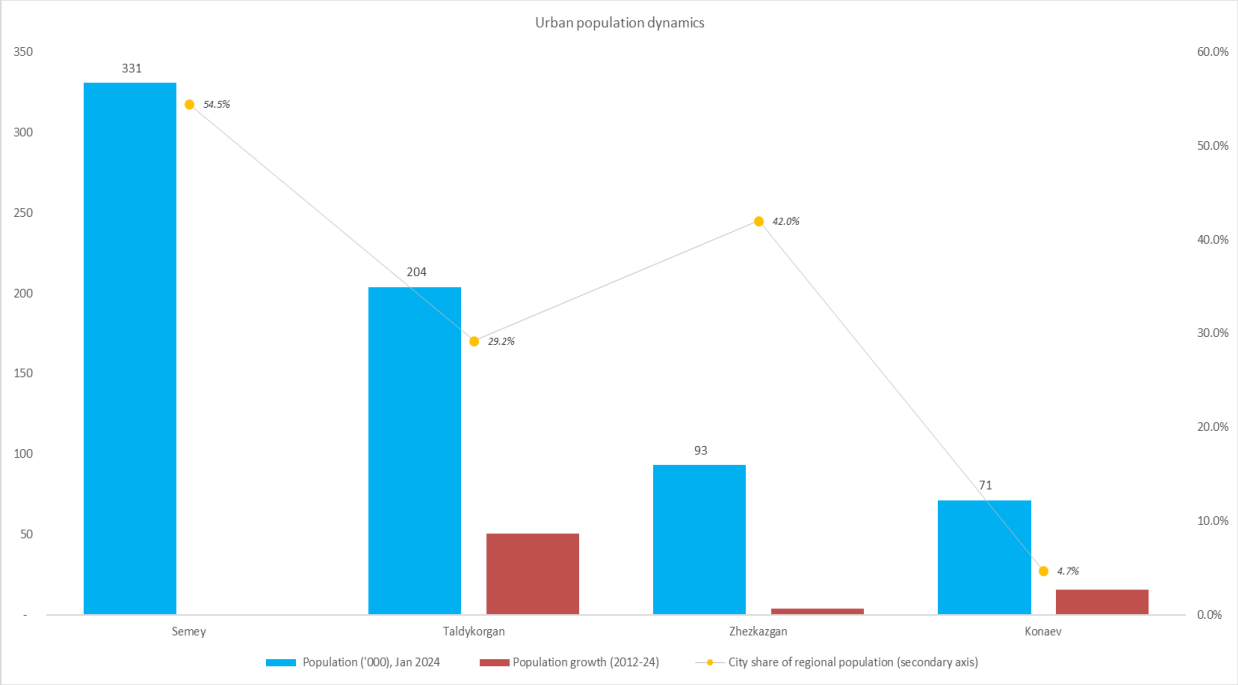
Looking closely at each regional economic center, each city will be assessed across four dimensions: urban economy, connectivity, livability, and resilience. Urban economy will reflect the importance of developing competitive, diverse, and large tradable sectors which are critical for generating quality employment and earnings opportunities, to develop markets for the wider region, and can be an important fiscal source. Connectivity looks at the means of transport available and digital links to the hinterland and to key national and regional markets as they are critical to support development of the city and region. Livability analyzes the access to key infrastructure (housing, water, and energy) and social services (education and health) and quality of the natural environment (water and air), all critical aspects for quality of life and increasingly for competitiveness. Lastly, resilience will reflect on the capacity of infrastructure and services to cope with natural disasters and climate change.

SEMEY

URBAN ECONOMY

Of the regional economic centers in the area, Semey City is the largest and a prominent urban hub with a relatively large population (Figure 20). With 331,000 residents, it houses more than half of the region's population, making it a significant demographic and economic force within the region. The city has also experienced relatively strong and steady population growth in the past decades which bode well for its overall growth potential.

Figure 20. More than half of Abai's population resides in Semey

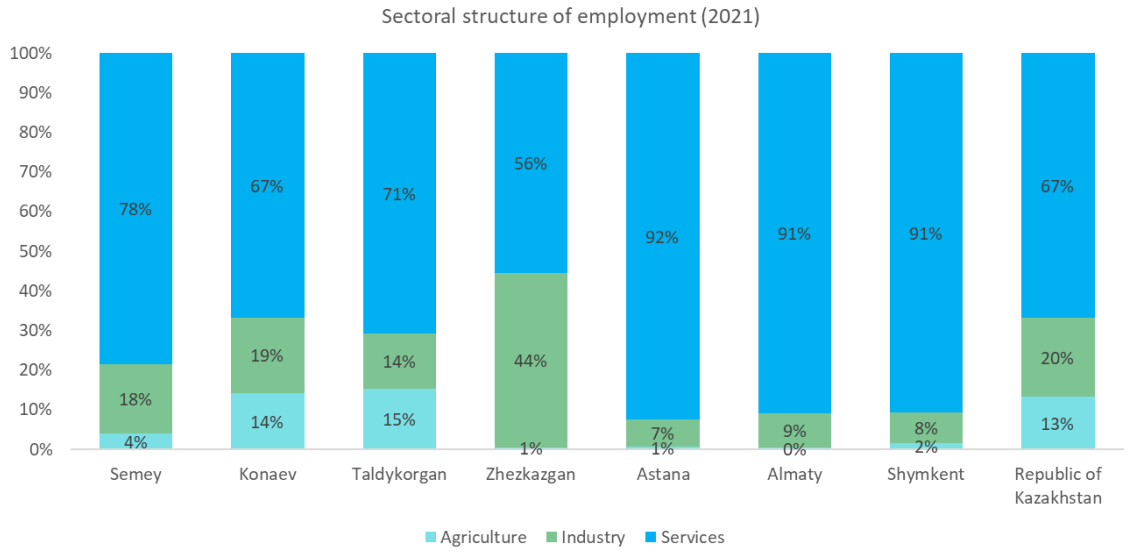


Source: Bureau of National Statistics of Kazakhstan.

Semey serves as a key center for commerce, trade, and cultural activities, attracting people from various backgrounds and fostering a vibrant and diverse community. Economically, Semey has a relatively diversified economy and is a large market that dominates the Abai Region (Figure 21). One of its key economic pillars is the

food processing sector, which plays a pivotal role in both the local and regional markets. About 78 percent of its employment is in services, in addition to a significant industry sector (17 percent of employment), with strong presence in cement, food processing, light manufacturing, and a growing medical and associated health/science sector. Moreover, Semey's role in regional trade and transport is poised to be critical for the city's economic advancement, as it connects various regions and serves as a logistical center, opening doors to increased trade opportunities and economic prosperity.

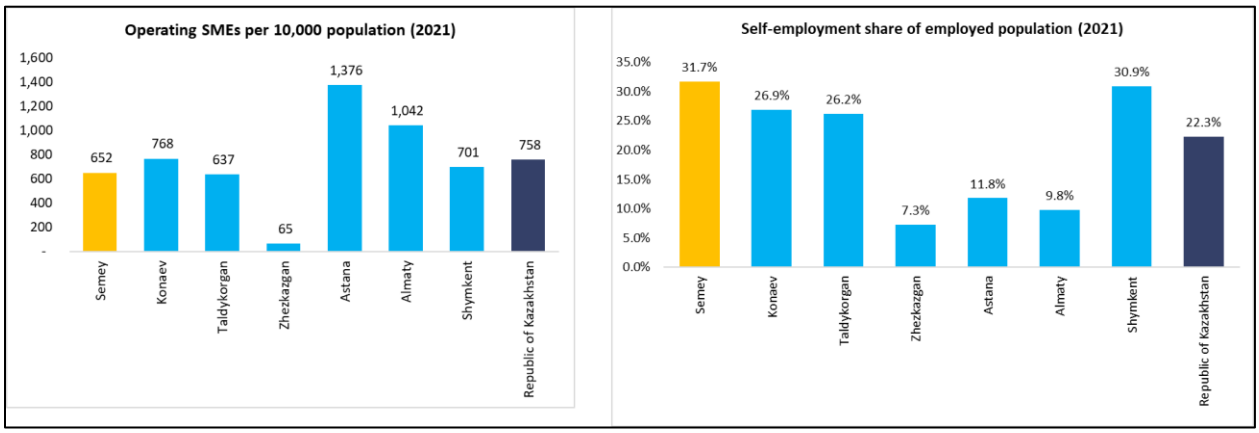
Figure 21. Service sector is prominent in Semey



Source: Bureau of National Statistics of Kazakhstan.

Semey's economic landscape presents a relatively low SME development (with around 652 operating SMEs per 10,000 population in 2021) and a high reliance on self-employment, at more than 31 percent of employed population (Figure 22). This dynamic suggests that the urban economy may face challenges related to productivity. The limited presence of SMEs, which are often engines of innovation and economic growth, can hinder job creation and technological advancements. Furthermore, a high reliance on self-employment can reflect a lack of formal job opportunities, indicating that individuals are engaging in subsistence-level activities rather than contributing to higher-value sectors of the economy. To foster sustainable economic development and enhance productivity, Semey may need to implement policies and initiatives aimed at promoting SME growth, entrepreneurship, and skills development within its workforce.

Figure 22. Semey's SME presence is below the national average, while self-employment rates are high



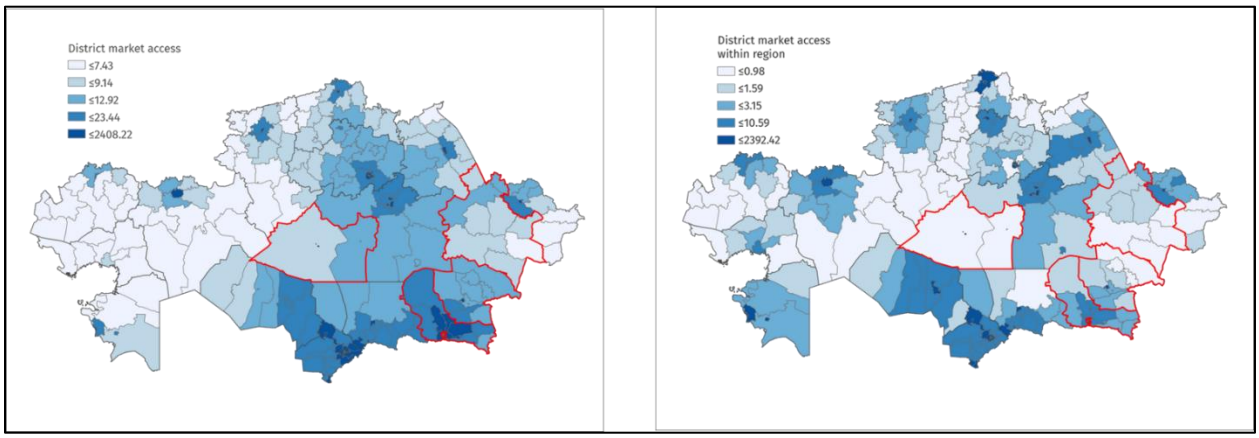
Source: Bureau of National Statistics of Kazakhstan.

In the 2021–2025 Development Plan for Abai Region (completed in 2022), the key development directions include the growth of the region's economy (with goals on building a diversified and innovative economy, development of small and medium-size businesses, development of the tourism industry, balanced territorial development, and centralized water supply and sanitation for the population with. Associated indicators include GRP per capita, share of medium-size businesses in the economy, increase in the number of domestic and in-bound tourists, growth in tourism investment, level of urbanization, access of the population to water supply services, and level of wastewater treatment in cities).

CONNECTIVITY

Semey's geographic positioning presents a unique challenge in terms of market access. Semey has a strategic location and is at an important railway junction connecting the Russian Federation with Eastern and Southern Kazakhstan. While the city enjoys moderate access to key national markets within Kazakhstan, its access to regional markets of interest in its immediate vicinity are lagging (Figure 23). This situation implies that Semey's economic outreach primarily extends to the larger, national market, potentially limiting opportunities to more localized trade and commerce. Moreover, the fact that large portions of the surrounding region have limited access to Semey, despite its status as a regional center, underscores the importance of improving transportation infrastructure and connectivity to bridge these geographical gaps. Enhancing regional connectivity can not only stimulate economic growth within Semey but also promote economic development in the neighboring areas, thus fostering a more balanced and integrated regional economy.

Figure 23. Semey has moderate access to key national markets while there are few regional markets of interest

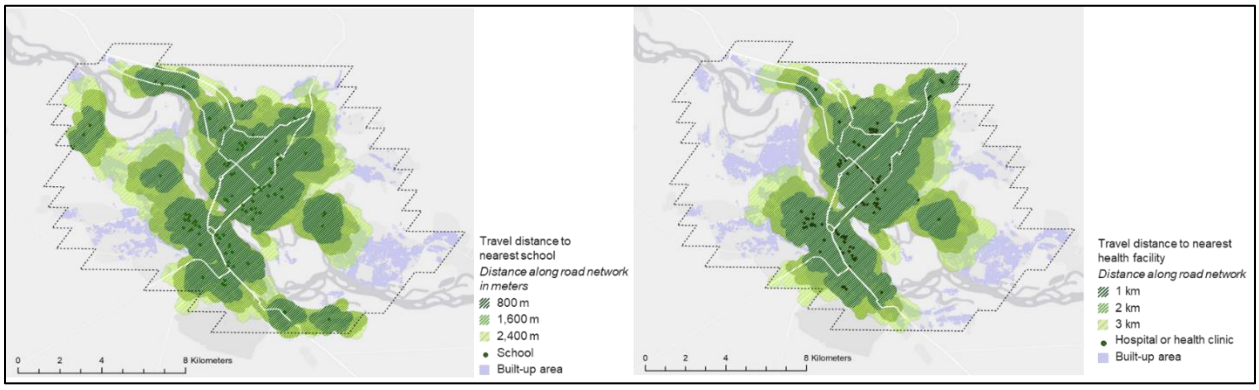


Source: Original figure based on data from the GHS dataset.

LIVABILITY

Semey's population enjoys convenient access to schools and health facilities (Figure 24). The majority of Semey's inhabitants reside within a short distance, typically within 1,600 meters and often as close as 800 meters, to a school, ensuring that education is readily accessible. In terms of health care, the city's denser areas are strategically located within a 2-kilometer journey to a hospital or health clinic, guaranteeing prompt medical attention when needed. However, it is crucial to address disparities in access, particularly in the city's western and southeastern built-up areas, where residents are situated beyond a 2,400-meter journey to a school. Similarly, in the northwest, west, and southeast regions, some individuals fall outside a 3-kilometer catchment area from any hospital or health clinic, which may pose challenges in emergency situations. Enhancing infrastructure and services in these less-accessible areas should be a priority to ensure that all residents of Semey can enjoy equitable access to education and health care.

Figure 24. Most residents of Semey have nearby access to schools and health facilities



Source: City Scans produced by the City Resilience Program.

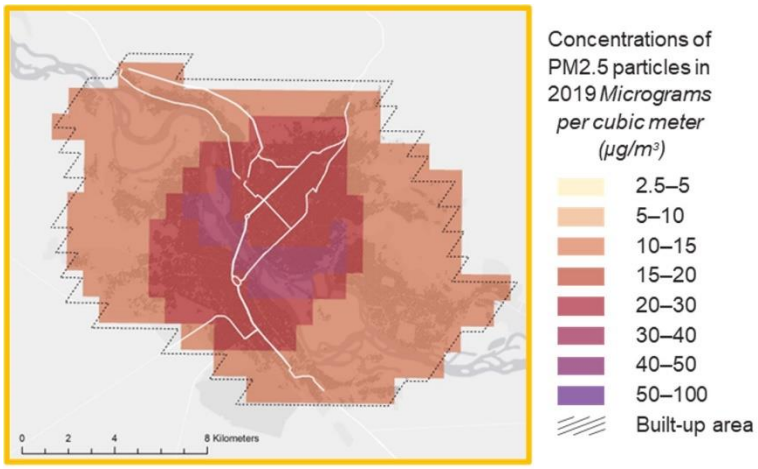
Semey is well-known for its rich culture and historic heritage, and it is the home of several accomplished figures including Abay Qunanbayuli, the father of modern Kazakh poetry. The city already holds many historical and cultural assets, landmarks, and monuments, and it boasts a beautiful waterfront with iconic bridges and scenic island, all of which can be further capitalized to enhance the local tourism industry. The current downtown area to the right bank could be further programmed and complemented with regeneration of key sites to form an attractive tourist

destination. Future developments currently planned for the left bank of the river hold great potential to enhance touristic services and amenities. SMEs related to the tourism and service industry could also be further supported. Semey could also act as the gateway to regional natural areas and destinations such as the Lake Alakol district. The larger tourism circuits for the Abai Region could be strengthened and supporting infrastructure and services enhanced.

RESILIENCE

Semey faces a prevalent issue of high air pollution levels across its area, with the dense center of the city experiencing the most severe air quality degradation (Figure 25). The concentration of $PM_{2.5}$, a critical air pollutant associated with adverse health effects, reaches its peak levels along the river in the heart of Semey, measuring between 30 to 40 micrograms per cubic meter ($\mu g/m^3$). Even in the remaining areas of the city's core, $PM_{2.5}$ levels remain distressingly elevated, ranging from 20 to 30 $\mu g/m^3$. This alarming scenario highlights the need for comprehensive air quality management strategies and pollution control measures in Semey to safeguard the health and well-being of its residents and mitigate the environmental impact of air pollution on the urban environment.

Figure 25. All parts of Semey have high levels of air pollution, with the worst air quality in the dense center of the city

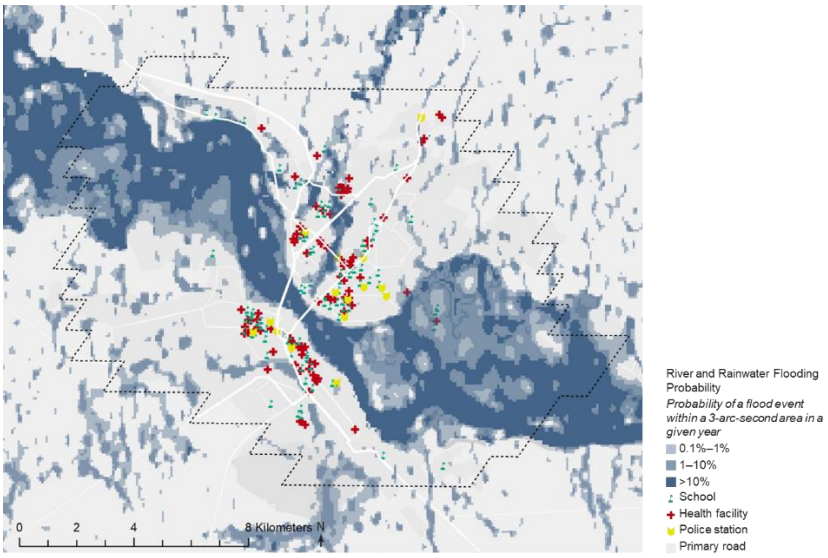


Source: City Scans produced by the City Resilience Program.
Note: The WHO safety threshold is 5 $\mu g/m^3$.

The city of Semey faces a mounting and substantial threat from flooding, with risks extending to both its critical infrastructure assets and its resident population. A concerning statistic reveals that approximately 16 percent of the city's major roadways, 8 out of 87 schools, a significant 86 out of 91 health facilities, and 1 out of 15 police stations are situated within flood-prone areas, whether from fluvial or pluvial sources (Figure 26). This vulnerability extends beyond buildings and institutions, with 37 percent of Semey's entire built-up area exposed to flooding risks as of 2015. Furthermore, 28 percent of the populated areas in the city fall within flood risk zones, underscoring the pressing need for comprehensive flood mitigation and disaster preparedness measures to protect both Semey's infrastructure and the safety of its inhabitants.

Figure 26. Semey faces a mounting and substantial threat from flooding

Infrastructure assets exposed to combined river and rainwater flooding



Source: City Scans produced by the City Resilience Program.

Semey also needs urgent support to improve and enhance its key infrastructures and services. City officials have highlighted the low population coverage for water supply and sewerage—the water supply network has a 58.9 percent population coverage with 66 percent of the system considered dilapidated while the sewerage treatment network covers 35.9 percent population with 72.7 percent being dilapidated. It is reported that two out of the three main bridges need repair works, and over 20 percent of the roads are in poor condition.

Historically, Semey is known for being located near a Soviet nuclear testing facility. Over several decades, the extensive testing conducted there has had profound impacts on the health indicators of the population in the nearby Semey City and the surrounding region. Exposure to radiation from the tests has been linked to a significant increase in cancer rates, birth defects, and other chronic health conditions. The environmental contamination has also led to long-term ecological damage, further exacerbating health risks for local communities. The legacy of the Semey nuclear testing site continues to influence public health efforts and policies aimed at mitigating the effects of radiation exposure in the affected areas. In 2020, in East Kazakhstan, the rate of cancer patients per 100,000 of inhabitants was 255.8 in comparison with the national average of 172.1.

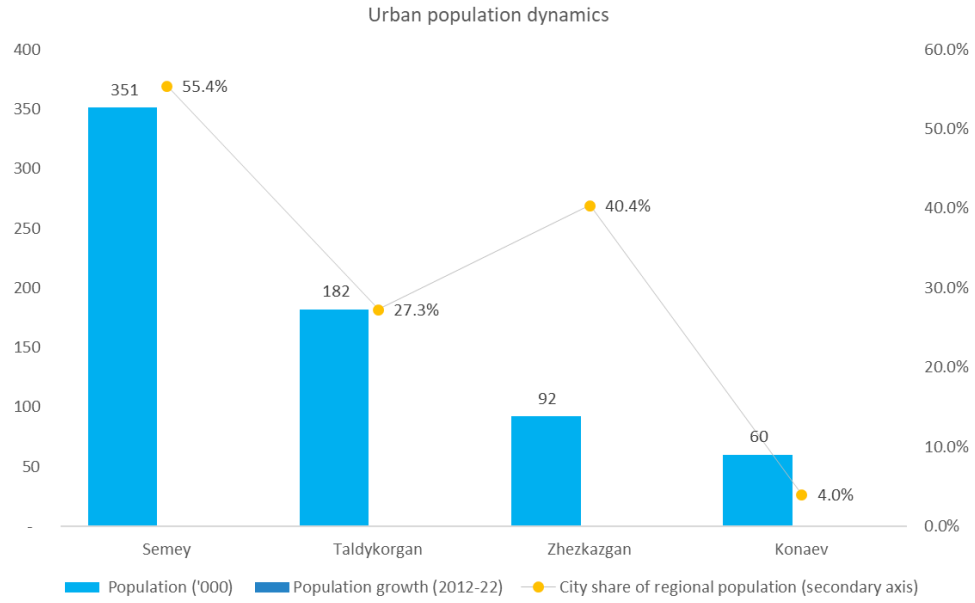
TALDYKORGAN

URBAN ECONOMY

Taldykorgan is now the economic regional center of the newly formed Jetisu Region. It previously served as the capital city of Taldykorgan Region from 1944 to 1997 and Almaty Region from 1997 to 2022. The city has enjoyed stable population growth of nearly 30 percent over the past two decades. This demographic expansion has led to a significant increase in the city's size and potential. Taldykorgan, as a medium-size city, enjoys a strategic advantage in that it can tap into a relatively extensive market within its region (Figure 27). This geographical position places Taldykorgan as an economic and commercial hub, serving not only its urban population but also catering to the needs of the broader region. This hinterland market offers opportunities for trade, commerce, and the distribution of goods and services, which can be crucial for the city's economic growth and sustainability. Additionally,

Taldykorgan's accessibility to a large market hinterland can encourage investment and business development, fostering a dynamic and diverse local economy.

Figure 27. Taldykorgan is a medium-size city that can draw on a relatively large regional market

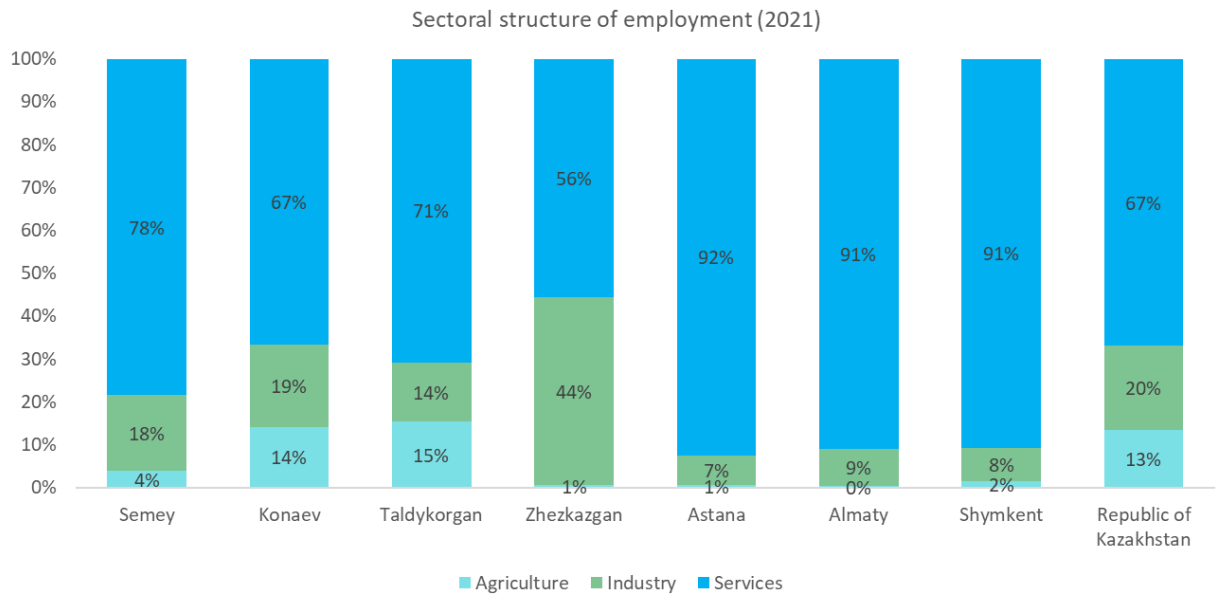


Source: Bureau of National Statistics of Kazakhstan.

Taldykorgan boasts a relatively diversified economy with several key sectors contributing to its growth and development (Figure 28). The area surrounding Taldykorgan is known for its fertile land and favorable climate. Agriculture, including the cultivation of grains, fruits, and vegetables, has been a significant economic activity in the region with spillover opportunities to the regional center in agribusinesses, food processing, and export-oriented agricultural ventures. The region is rich in mineral resources, including coal, lead, zinc, and copper. Mining and mineral exploration have been prominent sectors, offering opportunities for mining companies, exploration firms, and associated services. The city has a strong presence in the food processing sector, harnessing its agricultural resources and processing capabilities to produce a variety of food products for both local consumption and export.

Additionally, Taldykorgan plays a significant role in the light manufacturing industry, particularly in textiles and leather goods, which adds to the economic dynamism of the region. Furthermore, the city counts with cement manufacturing, providing essential construction materials for infrastructure development and contributing to the construction industry's growth. Taldykorgan's economic strength is further enhanced by its medical university and associated health and science sector, fostering innovation, research, and medical services that not only benefit the local population but also attract students and professionals from neighboring areas.

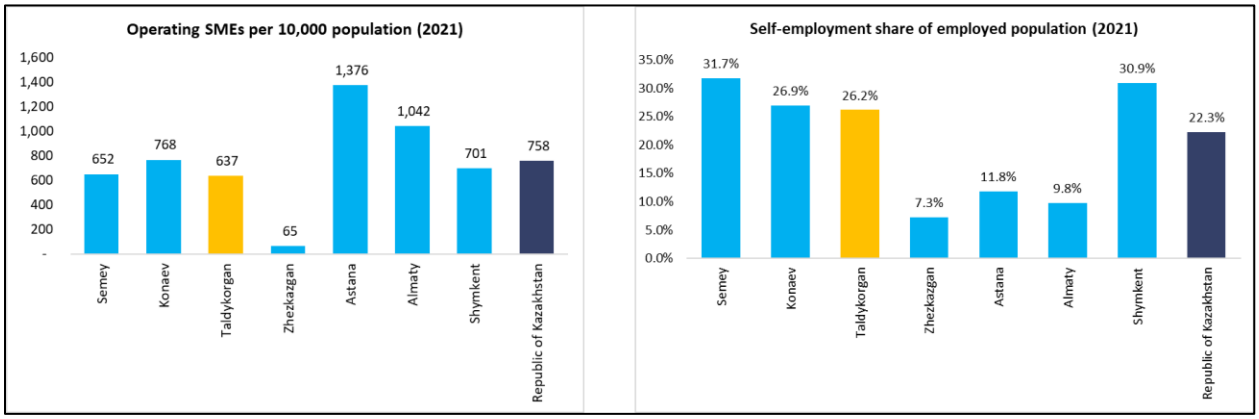
Figure 28. Taldykorgan's economy is relatively diversified



Source: Bureau of National Statistics of Kazakhstan.

Nevertheless, there remains room for improvement in the city's private sector (Figure 29). Taldykorgan's economic landscape presents a relatively low SME development (with around 637 operating SMEs per 10,000 population in 2021) and a higher-than-average reliance on self-employment, at more than 36 percent of the employed population.

Figure 29. Taldykorgan's SME development is relatively low and its reliance on self-employment is relatively high

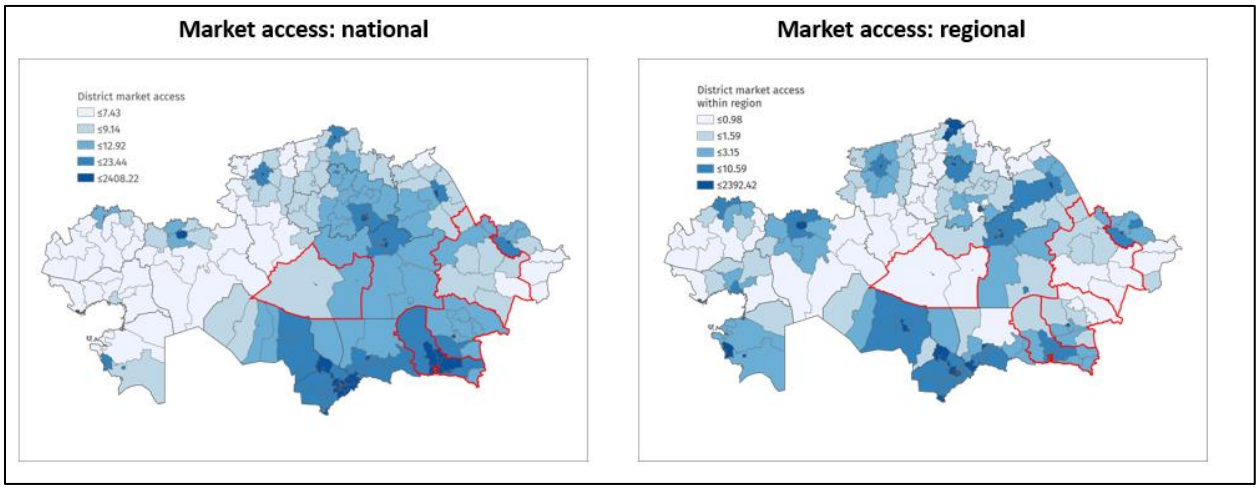


Source: Bureau of National Statistics of Kazakhstan.

CONNECTIVITY

Taldykorgan benefits from relatively favorable access to both national and regional markets, positioning it as a key player in the economic landscape of the region (Figure 30). The city has a modern railway and airport. This accessibility is pivotal in facilitating trade, commerce, and economic growth, as the city can readily connect with markets both within Kazakhstan and its neighboring regions. However, certain eastern districts within Zhetisu experience challenges in terms of access to Taldykorgan. These areas with poor connectivity to the city may face barriers to taking full advantage of the economic opportunities Taldykorgan offers. Addressing transportation and infrastructure disparities in these eastern districts could help foster more balanced regional development and ensure that all residents have equitable access to the benefits of Taldykorgan's economic activities.

Figure 30. Taldykorgan has relatively good access to national and regional markets

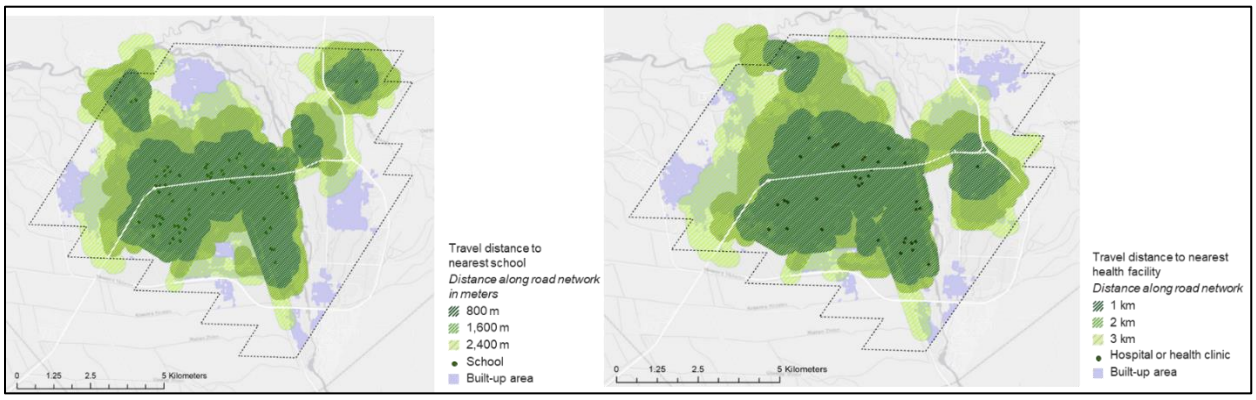


Source: Original figure based on data from the GHS dataset.

LIVABILITY

Taldykorgan provides its residents with generally good access to essential services such as schools and health facilities. The city's schools are predominantly concentrated along the central highway P-123 and along the river, ensuring convenient access to education for many residents. However, certain areas on the outskirts of the city fall outside a 2,400-meter journey to a school, highlighting a need for expanded educational infrastructure in these regions. In terms of health care, the majority of Taldykorgan's built-up area is within a 3-kilometer journey to a health facility, ensuring that medical services are easily accessible for most residents. Nevertheless, residents in the far west, northeast, and south of the city face distances beyond 3 kilometers to reach health care facilities, indicating a potential area for improvement in health care accessibility (Figure 31). Addressing these disparities in access to essential services is crucial to ensure that all residents can enjoy equitable access to education and health care, fostering a more inclusive and well-rounded urban environment.

Figure 31. Most residents of Taldykorgan have relatively good access to schools and health facilities

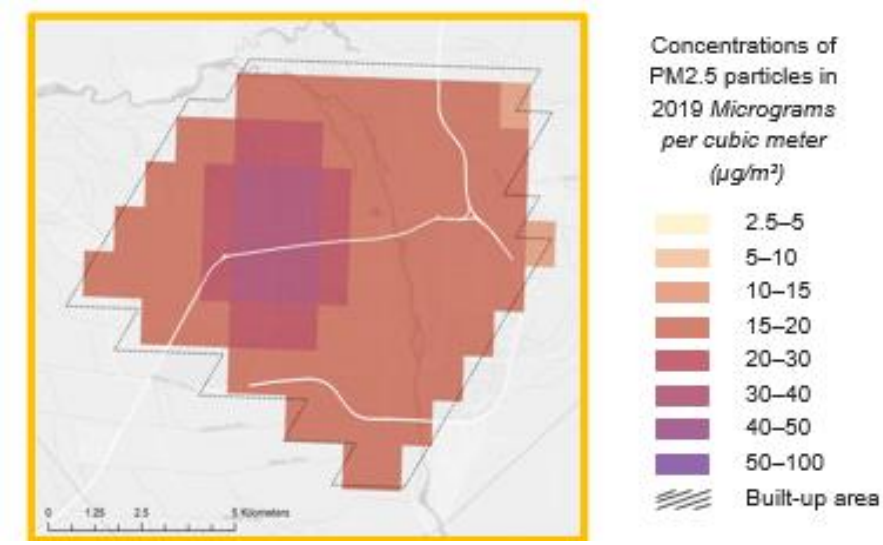


Source: City Scans produced by the City Resilience Program.

RESILIENCE

Taldykorgan faces a significant challenge in terms of air quality, particularly in its densely populated regions. The concentration of $PM_{2.5}$, a critical air pollutant, ranges between 15 and 40 µg/m^3 throughout the city, indicating elevated levels of air pollution. Alarmingly, the areas with the highest levels of air pollution coincide with the city's most densely populated areas (Figure 32). This concerning correlation between population density and poor air quality underscores the urgent need for comprehensive air quality management and pollution control measures in Taldykorgan. Addressing these environmental challenges is crucial to safeguard the health and well-being of the city's residents and mitigate the adverse effects of air pollution on both public health and the urban environment.

Figure 32. Taldykorgan has poor levels of air quality, particularly in its most densely populated areas



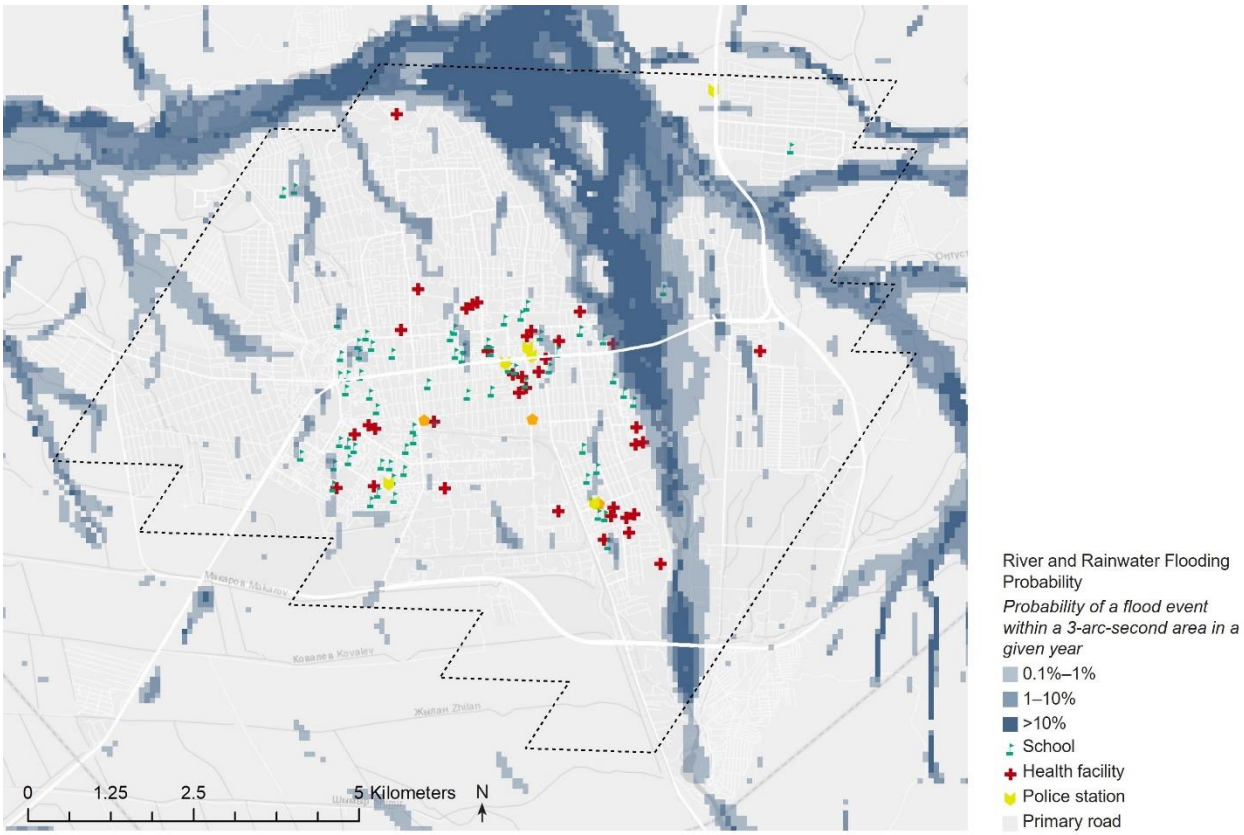
Source: City Scans produced by the City Resilience Program.
Note: The WHO safety threshold is 5 µg/m^3.

Taldykorgan faces significant challenges related to flood risks, with notable implications for its infrastructure and population. Approximately 16 percent of the city's major roads and 8 out of its 64 schools are situated within areas at risk from combined river and rainwater flooding, highlighting potential disruptions to transportation and education services during flood events. Additionally, as of 2015, 10 percent of the city's built-up area was exposed

to flood risks, emphasizing the importance of implementing effective flood mitigation measures and urban planning strategies. Moreover, the fact that 16 percent of the populated area falls within flood risk zones underscores the need for proactive disaster preparedness and risk reduction efforts to protect residents from the potential consequences of flooding (Figure 33). Addressing these flood risks through infrastructure improvements, zoning regulations, and community education initiatives will be vital in ensuring the safety and resilience of Taldykorgan in the face of such environmental challenges.

Figure 33. A significant share of Taldykorgan's infrastructure assets and population are at growing risk from floods

Infrastructure assets exposed to combined river and rainwater flooding



Source: City Scans produced by the City Resilience Program.

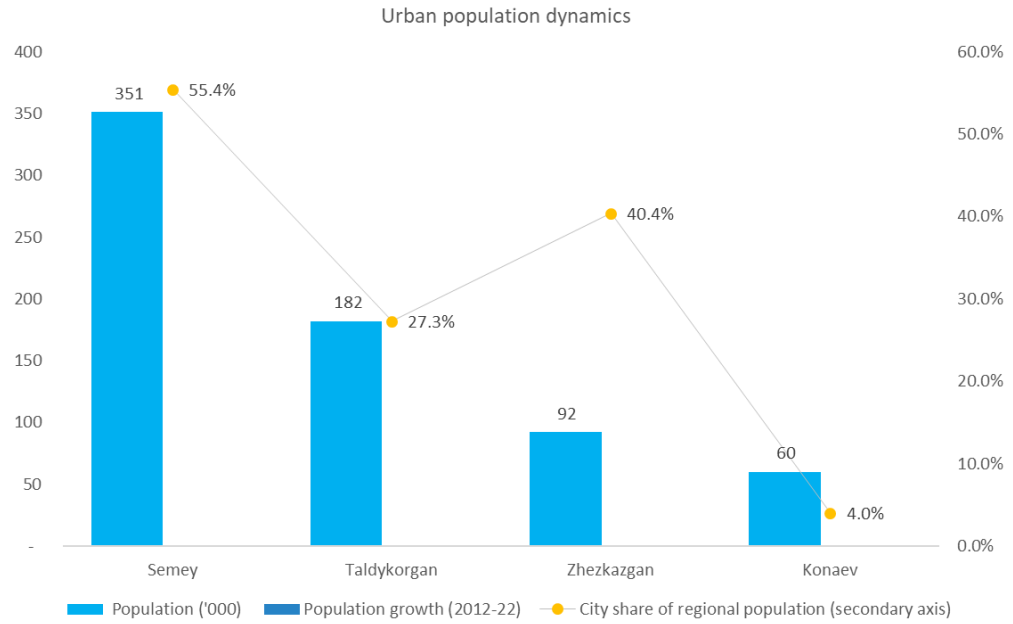
KONAEV

URBAN ECONOMY

Konaev serves as a notable contrast to the other regional economic centers, being the smallest in terms of population. With only around 4 percent of the total regional population residing in Konaev, the city's population has remained relatively static over recent decades. It has an advantageous geographical location and is well connected to Almaty City (approximately 70 km away). Konaev, while geographically positioned to tap into a substantial surrounding market, faces a limitation in terms of its own scale. The city's inherent potential to access a large market in its vicinity provides opportunities for trade, commerce, and economic growth.

However, despite this advantage, Konaev's population has not sustained population growth in the recent decades (Figure 34). This static demographic trend may affect the city's capacity for internal growth and could pose challenges in terms of sustaining local businesses and services. To maximize its economic potential, Konaev may need to explore strategies for attracting investment, fostering entrepreneurship, and promoting population growth while continuing to leverage its access to the broader regional market.

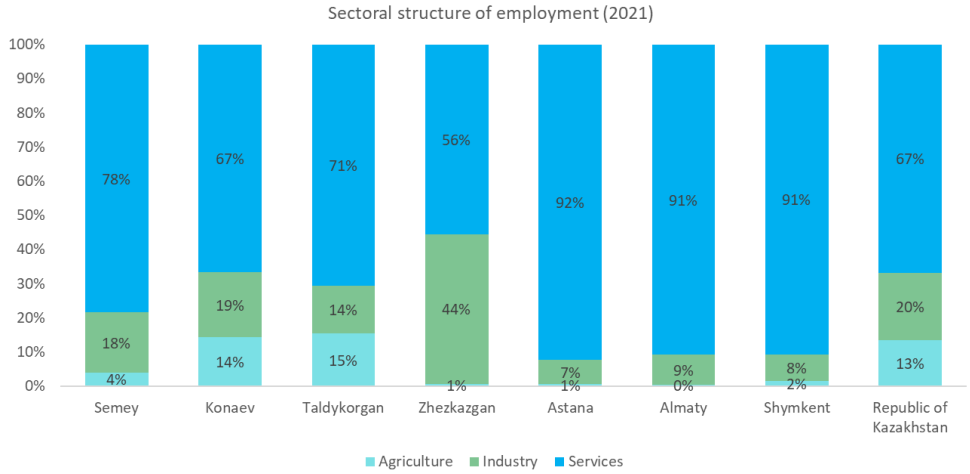
Figure 34. Konaev can benefit from a large surrounding market but has limited scale in its own right



Source: Bureau of National Statistics of Kazakhstan.

Konaev's economy is mostly focused on industries (such as building materials production), services, and tourism (especially gambling business) (Figure 35). It is known as a resort town, and it is one of the two areas in Kazakhstan where casinos and gambling are permitted. Most of its residents work in the services sector. While Konayev's economy benefits from its tourism-centric approach, there is also a need to strike a balance between sustainable tourism practices and preserving the city's natural and cultural assets for long-term economic prosperity.

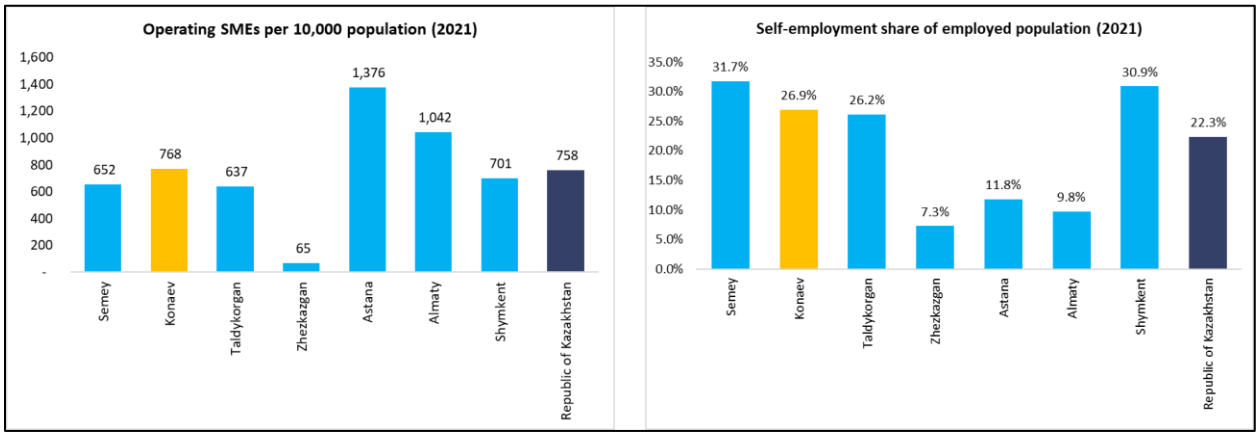
Figure 35. Konayev's economic is relatively diversified



Source: Bureau of National Statistics of Kazakhstan.

SMEs' development is moderate in Konaev (with around 768 operating SMEs per 10,000 population in 2021) but there remains a high reliance on self-employment (at almost 27 percent of employed population). However, the reliance on self-employment, with a significant portion of the city's workforce engaging in independent or informal economic activities, potentially lacks the benefits and stability associated with formal employment (Figure 36). To promote sustained economic growth and job creation, Konaev may benefit from policies and initiatives that encourage the growth of SMEs, as these enterprises often contribute to innovation, productivity, and employment opportunities. Reducing the reliance on self-employment can enhance economic stability and provide a pathway to formal job opportunities for residents, ultimately strengthening the city's economic resilience and development prospects.

Figure 36. SME development is moderate in Konaev but there remains high reliance on self-employment



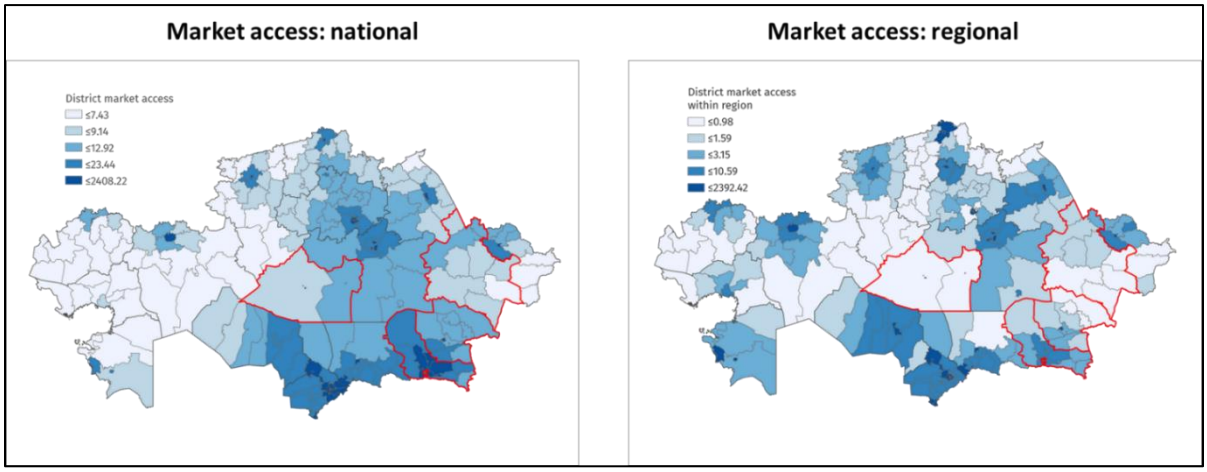
Source: Bureau of National Statistics of Kazakhstan.

CONNECTIVITY

Konaev enjoys a favorable position with relatively good access to both national and regional markets. This strategic advantage allows the city to engage in trade and commerce not only within Kazakhstan but also with neighboring regions. Such accessibility to national and regional markets can stimulate economic growth, attract

investments, and enhance the overall economic prospects of the city. Furthermore, the accessibility of Konaev is complemented by the fact that most parts of the Almaty Region, where Konaev is located, also have relatively good access to the city (Figure 37). This reciprocal access strengthens economic ties between Konaev and its surrounding regions, contributing to the economic development and integration of the broader area.

Figure 37. Konayev has relatively good access both national and regional markets

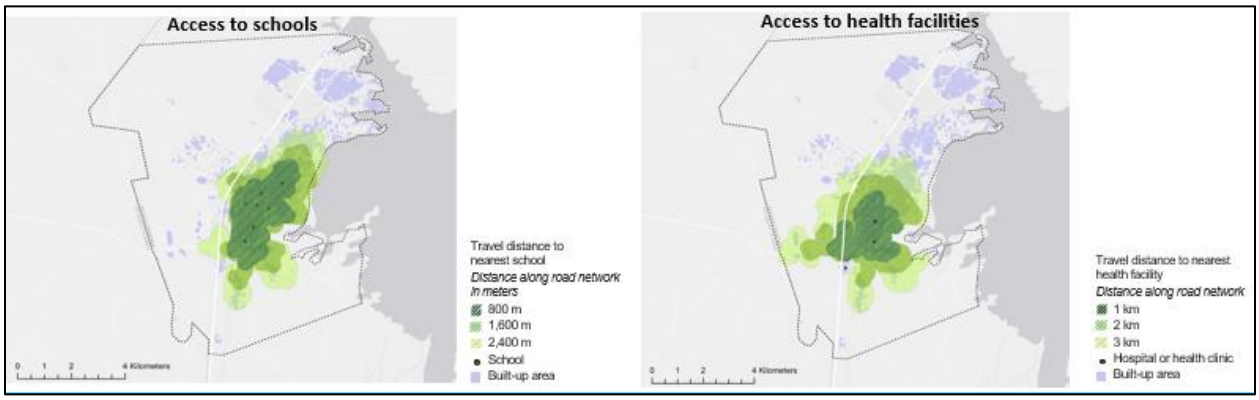


Source: Original figure based on data from the GHS dataset.

LIVABILITY

Konaev faces challenges in terms of providing access to essential services, particularly in its newer built-up areas, where residents contend with relatively long distances to reach schools and health facilities (Figure 38). The city's schools are predominantly clustered in the southern region, leaving those in the newer northern built-up areas at a disadvantage, as they are entirely outside a 2,400-meter journey to a school. This situation may pose difficulties for families residing in these areas, affecting students' access to education. Similarly, Konaev's health facilities are concentrated in the southern part of the city, leaving the northern half of the built-up area beyond a 3-kilometer journey to reach a health facility. This disparity in health care accessibility is a crucial concern, as timely access to medical services is vital for the well-being of residents. Addressing these infrastructure and service gaps in the northern parts of Konaev is essential to ensure that all residents can access education and health care services conveniently and equitably.

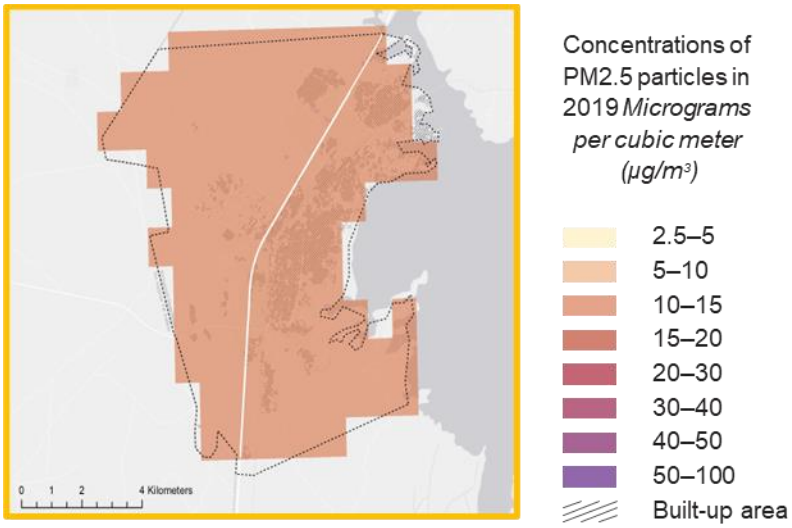
Figure 38. Residents in the newer built-up areas of Konaev have relatively long distances to access to schools and health facilities



Source: City Scans produced by the City Resilience Program.

Konaev, in comparison to some other areas, experiences relatively less severe air pollution, although it is important to note that $PM_{2.5}$ concentrations in the city exceed the safety levels recommended by the World Health Organization (WHO). The air quality throughout Konaev generally falls within the range of 10 to 15 µg/m^3, indicating a lower level of pollution compared to more heavily affected urban areas (Figure 39). Nonetheless, it is crucial to acknowledge that even these lower concentrations of $PM_{2.5}$ can have adverse health effects, underscoring the need for ongoing efforts to improve air quality and reduce pollution in the city. Monitoring, regulation, and public awareness campaigns can play vital roles in maintaining and further enhancing the relatively better air quality in Konaev to safeguard the health of its residents.

Figure 39. Air pollution is relatively less of a problem in Konaev, although $PM_{2.5}$ concentrations exceed WHO safety levels



Source: City Scans produced by the City Resilience Program.
Note: The WHO safety threshold is 5 µg/m^3.

In the latest Development Plan for Almaty Region for 2021–2025 (completed in late November 2022), the key development directions include a comfortable and safe region for living (with goals on comprehensive infrastructure development, which includes indicators on level of urbanization, access of population to water supply services, and level of wastewater treatment) and a strong economy (with goals on building a diversified and innovative economy

and creation of favorable conditions for the development of tourism, which includes indicators on GRP per capita, increase in the number of domestic and in-bound tourists, and growth in tourism investment).

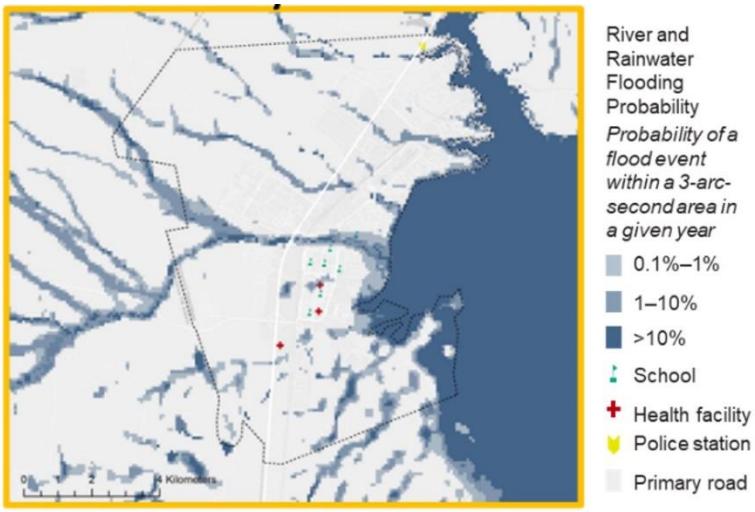
The current master plan of Konaev was approved in 2010 with an implementation period until 2025. It is currently developing a new master plan which is under consideration by the central authorities. The current city's expansion is planned toward the north with a new district planned. There are new development plans also for Alatau City (or formerly known as 'G4City' which consists of four areas of mixed-use development with varying focus [Gate City, Golden City, Growing City, and Green City]), located along the Almaty-Kapchagay Highway. The Alatau City is estimated to be able to accommodate around 300,000 inhabitants within a total land area of 8,000 hectares.

RESILIENCE

Konaev faces a notable and growing risk from floods, which has implications for both its critical infrastructure assets and its population. A significant portion of the city's key infrastructure is located in fluvial or pluvial flood risk zones, including 9 percent of major roads, 1 out of 7 schools, 1 out of 3 health facilities, and no police stations. This poses a potential threat to transportation, education, and health care services during flood events. Furthermore, as of 2014, approximately 13 percent of Konaev's built-up area was exposed to flood risks, indicating the vulnerability of a significant portion of the city's urban landscape. Additionally, 15 percent of the populated area falls within flood risk zones, highlighting the potential risks to the city's residents (Figure 40). Addressing these flood risks through effective urban planning, flood mitigation measures, and disaster preparedness efforts is crucial to ensure the safety and resilience of Konaev in the face of increasing flood threats.

Figure 40. A significant share of Konaev's infrastructure assets and population are at growing risk from floods

Infrastructure assets exposed to combined river and rainwater flooding



Source: City Scans produced by the City Resilience Program.

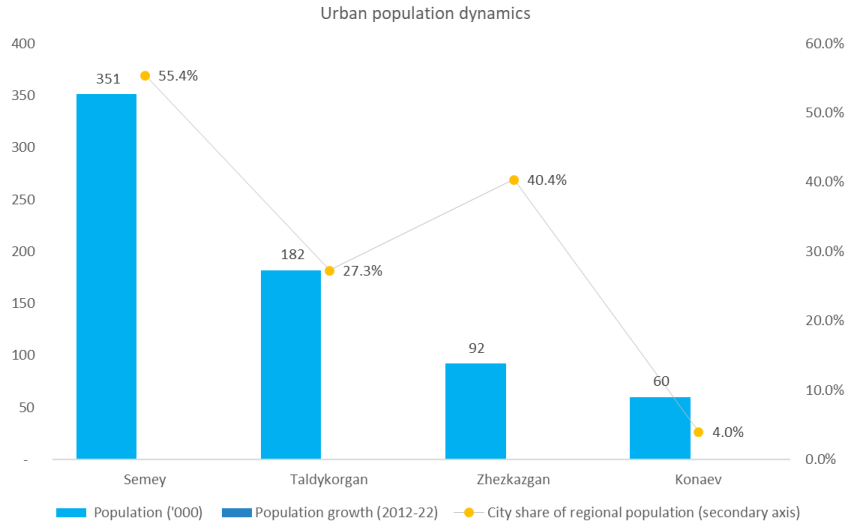
ZHEZKAZGAN

URBAN ECONOMY

Zhezkazgan is a relatively small city (population of around 92,000) experiencing population stagnation and decline in the recent decades, although over 40 percent of the Ulytau Region's population reside in the city. It is situated in

the heart of the Kazakh upland and near the geographic center of the country. Zhezkazgan, although historically characterized by rapid growth in the decades leading up to its independence, now stands as a relatively small city with a constrained hinterland market (Figure 41). This shift from growth to stagnation and decline in recent decades reflects the challenges and changes faced by the city. The limited hinterland makes it difficult for Zhezkazgan to leverage opportunities for economic expansion within its immediate vicinity.

Figure 41. Zhezkazgan is a relatively small city with a limited hinterland market

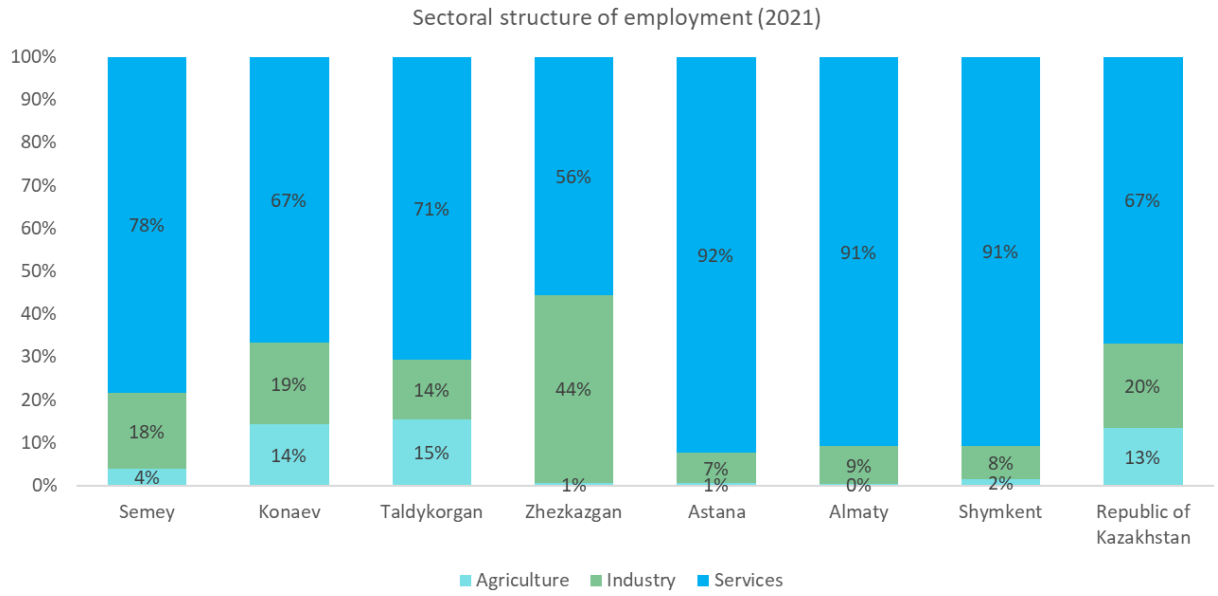


Source: Bureau of National Statistics of Kazakhstan.

Zhezkazgan, in contrast to the other cities, is a former monotown and its main activity remains highly concentrated in the metals processing sector, specifically built around copper mining and processing. Around 44 percent of its employment is in industry, while 56 percent is in services (Figure 42). The city houses the headquarters of the copper conglomerate Kazakhmys, which is also the city's main employer. The city's economy relies heavily on the extraction and refining of copper, making it a mono-industrial center in the region. While a strong presence in metals processing can bring economic benefits, such as job opportunities and export potential, it also poses risks associated with overreliance on a single industry. To revitalize and reinvigorate its economic prospects, Zhezkazgan may need to explore strategies that promote diversification, encourage investments, and leverage its unique resources and attributes.

Economic diversification will be a key consideration for the city's long-term sustainability, as it can mitigate vulnerability to fluctuations in global metal prices and market demand. Exploring opportunities for diversifying the local economy while leveraging the expertise and infrastructure developed in metals processing could be a strategic approach to enhance Zhezkazgan's economic resilience. Adapting to changing economic circumstances and fostering sustainable growth could be essential for ensuring the city's long-term vitality and resilience in a dynamic, global, and regional landscape.

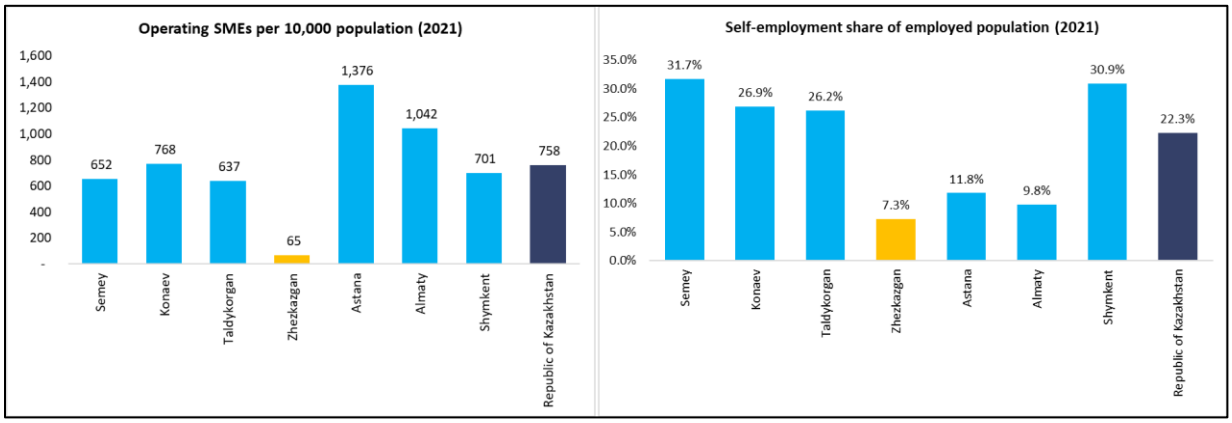
Figure 42. Zhezkazgan's economy is highly concentrated in metals processing



Source: Bureau of National Statistics of Kazakhstan.

Zhezkazgan's historical concentration in the metals processing industry has had a dual impact on the city's economic landscape. On one hand, this concentration has contributed to a relatively low level of informality within the local economy. The presence of a dominant industrial sector with established formal businesses often leads to a structured and regulated labor market, hence the low rates of self-employment. However, on the flip side, the heavy concentration in this industry has also resulted in dramatically low SME dynamism (Figure 43). The city has low SME dynamism (with around only 65 operating SMEs per 10,000 population in 2021) and a low reliance on self-employment (at around 7 percent of employed population). This economic specialization can provide Zhezkazgan with a competitive advantage in the global metals market, but it also exposes the city to potential fluctuations in metal prices and demand.

Figure 43. Zhezkazgan's historical concentration contributes to low informality but also dramatically low SME dynamism



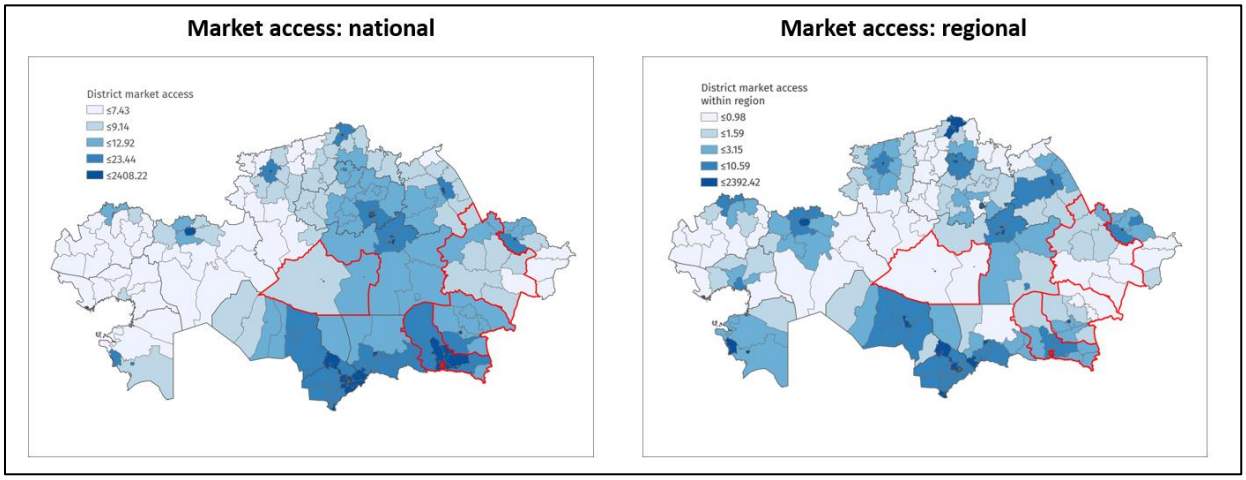
Source: Bureau of National Statistics of Kazakhstan.

The dominance of a single industry can limit entrepreneurial opportunities and innovation in other sectors, stifling the development of a diverse business ecosystem. Encouraging the growth of SMEs and diversifying the local economy would be crucial for Zhezkazgan to unlock new avenues of economic growth and create a more resilient economic foundation. Balancing the benefits of a concentrated industry with the need for economic diversification and entrepreneurship could be a significant challenge for the city's economic planners. In fact, the 2021–2025 Development Plan for Ulytau Region (completed in December 2022), cites that "the main goal of the development of the region will be diversification of the economy with the creation of conditions for sustainable economic growth, contributing to the realization of the competitive advantages of the region and improving the quality of life of the population."

CONNECTIVITY

Zhezkazgan faces significant challenges when it comes to access to both national and regional markets (Figure 44). Zhezkazgan is situated in the heart of the Kazakh upland and near the geographic center of the country. It is relatively remote—more than 500 km from Karaganda and around 550 km to Astana. However, it is connected by rail to Karaganda and accessible by air via its airport. The city's relatively poor connectivity to these markets can hinder economic growth and development. Limited access to national markets can restrict the ability of Zhezkazgan's businesses to reach customers and partners across Kazakhstan, potentially limiting their growth potential. Similarly, constrained access to regional markets can impede trade and commerce with neighboring areas, limiting the city's ability to tap into opportunities beyond its immediate vicinity. Improving transportation infrastructure and exploring strategies to enhance market access could be essential for unlocking the economic potential of Zhezkazgan and fostering greater economic resilience in the face of market fluctuations and economic challenges.

Figure 44. Zhezkazgan's historical concentration contributes to low informality but also dramatically low SME dynamism



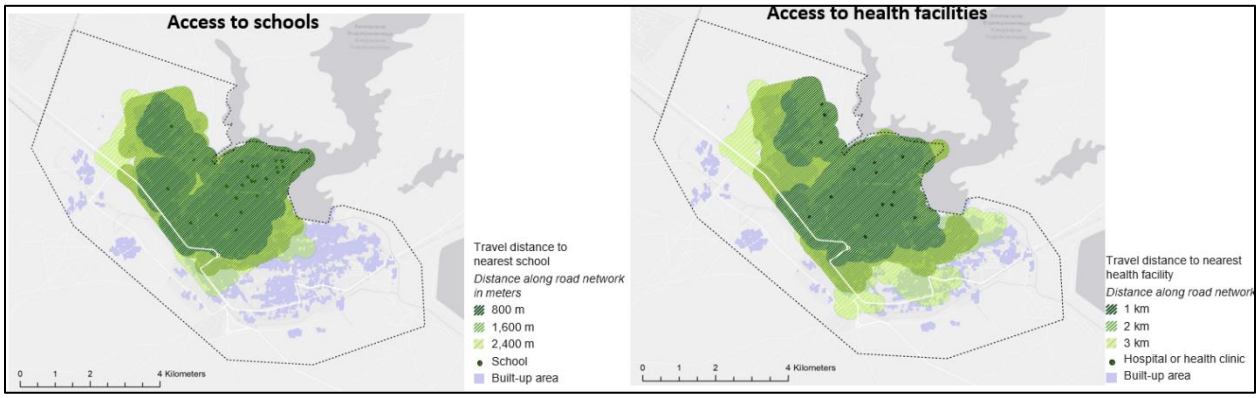
Source: Original figure based on data from the GHS dataset.

LIVABILITY

Zhezkazgan faces disparities in access to essential services, with residents in the southern and western parts of the city experiencing longer travel times to reach schools and health facilities. The clustering of schools in the relatively wealthier north and center of Zhezkazgan leaves the less affluent but densely populated southern areas with limited access, as much of this region falls outside a 2,400-meter journey to a school. Similarly, the concentration of health facilities in the city's center and north can result in longer travel times for residents in the southern and western areas. While most of the city's built-up area is within a 3-kilometer journey to a health facility, some of the most

southern built-up areas and clusters west of the A16 highway are outside this 3-kilometer radius (Figure 45). Addressing these disparities in access to education and health care services is essential to ensure that all residents have equitable opportunities to access these vital amenities, promoting social and economic inclusivity within the city.

Figure 45. Residents in the southern and western parts of Zhezkazgan have relatively longer travel times to access schools and health facilities



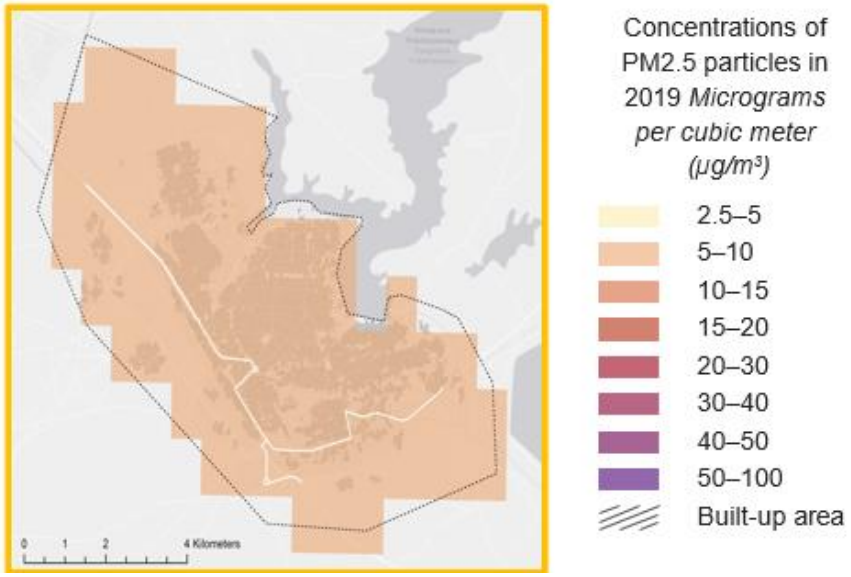
Source: City Scans produced by the City Resilience Program.

RESILIENCE

Zhezkazgan has relatively low air pollution. Its relatively low $PM_{2.5}$ levels, ranging between 5 and 10 micrograms per cubic meter ($\mu g/m^3$) across the entire city, may seem surprising given its hosting of industrial metallurgic processing facilities (Figure 46). These facilities, known for their potential to emit pollutants into the air and water, typically have the potential to contribute to air quality issues. However, it is important to note that the reported $PM_{2.5}$ levels may vary depending on factors such as the effectiveness of pollution control measures, prevailing weather conditions, and dispersion patterns.

While the measured $PM_{2.5}$ levels may not currently indicate a severe air quality problem, it remains essential for authorities and industrial stakeholders in Zhezkazgan to continue monitoring and managing emissions from these metallurgic processing facilities to protect the health and well-being of the city's residents and prevent potential long-term environmental degradation. With the key metallurgy industries located within the city, environmental issues are likely going to persist unless strong monitoring and remediation measures are taken. Additionally, measures to mitigate water pollution from these facilities are equally crucial to safeguard the local ecosystem and water resources.

Figure 46. Despite pollution from metal processing facilities, $PM_{2.5}$ levels are not especially high across Zhezkagan



Source: City Scans produced by the City Resilience Program.
Note: The WHO safety threshold is 5 µg/m^3.

In addition to focusing on economic diversification, the 2021–2025 Development Plan for Ulytau Region aims to provide comprehensive infrastructure development and improvement of ecological state and conservation of ecosystems of water bodies and fish resources, which includes indicators on level of urbanization, access of population to water supply services and level of wastewater treatment, reduction of emissions of pollutants into the atmosphere, and increase in areas of specially protected natural territories and areas covered with forest. The current master plan of Zhezkazgan was approved in 2015 and with an implementation period until 2030. The city is currently developing a new master plan which is targeted to be approved by end of 2023.

Box 2. Monotown development

Monotowns represent a lasting legacy of Soviet urban planning and continue to pose significant challenges for former Soviet republics. These towns were originally structured around a single industrial facility, rendering them highly susceptible to market-driven shifts and industry-specific shocks as nations transitioned to free-market economies. The concept of monotowns emerged during the industrial expansion of the Soviet Union, particularly in the latter half of the twentieth century. The primary motivation behind their establishment was the strategic proximity to key natural resources, leading to their placement in remote regions with unfavorable climate and often limited transportation connectivity, far from major urban centers. The experience of Russia in attempting to develop monotowns over the years has demonstrated the inherent limitations of its economic potential, highlighting the indispensable role of local governments in any potential success. Despite diverse approaches to their development and sporadic successes, Russia has struggled to substantially alter the fortunes of most monotowns.

Kazakhstan is focused on monotown development through SPRD 2025, which focuses predominantly on infrastructure and service investments in monotowns with the goal of diversifying the economy. Facing similar challenges, Russia has also attempted to boost growth and economic diversification. In 2016, the Russian government initiated the Priority Program for Integrated Development of Monotowns in response to the challenges faced by these single-industry towns. This program aimed to revitalize monotowns by focusing on infrastructure improvement and support for the private sector. Simultaneously, the Foundation for the Development of Monotowns, a nongovernmental entity, was established to complement these efforts. The foundation's initiatives included investments in infrastructure, measures to enhance the business environment, and support for private ventures. Notably, there was a newfound emphasis on strengthening the capacity of local monotown governments, leading to the formation of development teams in all monotowns by 2017. These teams received training and capacity-building support as part of the program.

The Monotown Development Foundation reported significant positive impacts by 2019, with the signing of agreements for co-financing infrastructure projects that generated thousands of jobs and attracted substantial investments. However, challenges persisted, such as ongoing depopulation and limited influence on private sector growth despite state-funded infrastructure investments. The program's contribution to local economic development metrics remained modest, with many of the jobs created being temporary. While a few monotowns improved their economic situation, none managed to diversify their economies enough to graduate from being monotowns.

Nevertheless, the Russian experience in monotown development offers some hopeful perspectives. Government capacity-building efforts proved crucial in some monotowns, leading to improved strategic policies. The most significant successes occurred when new local competitive advantages were identified, such as the development of local ski resorts in some regions. Special economic zones, however, proved ineffective in monotowns, with most investment and job creation concentrated in zones located in already prosperous areas.[1]

The revitalization of monotowns faces substantial challenges, given the persistent population outflow to larger cities. Therefore, the policy should prioritize human development by improving health care, education, and overall quality of life, even if residents eventually relocate to areas with better economic opportunities. However, in cases where dominant industries are thriving, investments to promote economic diversification should be made promptly. For Kazakhstan, the main lesson is that ambitions to turn monotowns into growth centers should be reserved for exceptional cases of locations where competitive advantages are maintained or new comparative advantages (such as tourism) are discovered. Priority should be given to investing in human capital and quality of life. Another critical lesson is that the rare success stories are usually associated with proactive and well-organized local governments and that incentives (for instance, competitions) tend to contribute to stronger outcomes, even for policies related to enhancing the quality of life. For instance, as business environment becomes more favorable, more taxes from businesses will be collected to the oblast budgets to be used for social purposes. Although adding a capacity-building component to monotown development initiatives did not solve the economic challenges, it resulted in more efficient use of support funding and better social outcomes of support programs.

IV. WAY FORWARD

For Kazakhstan, a sound regional policy can help unlock growth potential in all regions and contribute to fostering sound local business environments, based on local specificities. Regional development policy usually focuses on the alignment and coordination at the regional level of policies concerned with such diverse topics as entrepreneurship and SME development, human capital, innovation, and the business environment. Efforts focusing on boosting the region and cities' comparative advantage, capitalizing on their assets, in addition to economic diversification and improving livability will help close gaps on living standards as well as provide new economic and job opportunities which in turn would attract and retain residents and talent. These may include initiatives to promote SME growth, improve infrastructure and service provision, enhance environmental management practices, diversify economic activities, and strengthen connectivity to national and regional markets. By prioritizing these areas of intervention and leveraging their unique strengths, these regional economic centers can unlock their full potential and contribute to the overall prosperity and resilience of their respective regions.

As examined in this technical note, the new regions and their economic centers have distinct economic and social profiles. Nevertheless, some common themes emerge. Despite their GRP levels, these regions are lagging in terms of economic development. This is reflected in the outmigration rates; Zhetisu, Abai and Ulytau have the highest outmigration compared to other regions in the country (for the January–September 2022). A deep dive into the regional economic centers of Semey, Taldykorgan, Konaev, and Zhezkazgan reveals distinct characteristics and challenges that shape their urban economies, connectivity, livability, and resilience. Semey emerges as an urban hub with a more diversified economy and critical role in regional trade, yet it faces challenges such as limited SME development and air pollution. Taldykorgan, while enjoying favorable access to markets, grapples with disparities in access to essential services and air quality issues. Konaev, known for its tourism and service industries, struggles with a static population and the need for economic diversification, alongside challenges in service accessibility and flood risks. Zhezkazgan, primarily reliant on the metals processing sector, faces obstacles in market access and disparities in service access, although it boasts relatively low air pollution levels despite its industrial activities.

To address these challenges and foster sustainable development, tailored strategies must be implemented in each region and city. The recommended approaches to support regional development include the following:

- **Target critical infrastructure improvement.** Support improvements in municipal service delivery, urban regeneration, heritage preservation, and ancillary infrastructure.
- **Support strategic, high-potential urban centers.** Enable them to play a stronger role as sustainable and diversified urban hubs for the surrounding regions.
- **Develop and promote regional clusters/regional corridors or circuits.** Strengthen the potential in selected regions, subregions, and corridors/circuits and ensure that the economic growth generated by the key economic sectors is distributed at the local level.
- **Improving market access** will be key in unlocking economic activity at the regional level.
- **Strengthen the role of institutions and structures at the local level**, provide capacity and institutional support in particular to the new oblasts and oblasts centers, and ensure efficient use of public resources.
- **Promote the participation of local population and private sectors** in initiatives and investments, through awareness on the importance of the local population and private sector as the key economic pillar for the country.

Regional policy can support the diversification of regional economies relying on natural resources, reveal growth potential in regions that are less well endowed, and help maximize the effects of agglomeration economies, notably urban areas. The most effective policies for diversification do not necessarily focus on specific sectors but rather on developing and diversifying regions' endowments—the stock of local natural, human, physical, and financial capital, which, in the case of Kazakhstan, varies significantly from region to region. The right mix of national and regional policies to identify and leverage this capital is essential. At the regional level, an integrated policy framework can help articulate the different components into a clear vision on the path toward diversification and better productivity and in the long term, contribute to the country's overarching objective to build a more diversified, sustainable economy.

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