

SBF Project Implementation Monitoring Report

Kazakhstan: Kazakhstan COVID-19 Active Response and Expenditure Support (CARES) Program

1. Project Information

Project ID:	000405	Investment Number:	000405A
Member:	Kazakhstan	Region:	Central asia
Sector:	Economic Resilience/PBF	Sub-sector:	N/A
AiIB Financing Type:	Loan: 661.8 EUR million	Co-financier(s):	Asian Development Bank (ADB)
E&S category:	C	Borrower:	Ministry of Finance (MoF)
Red Flags Assigned:	0 (Q1: 0)	Monitoring Regime:	Regular Monitoring
Implementing Agency:	TBC		
Project Team Leader:	Edwin Hin Lung Yuen		
Project Team Members:	Komron Rajabiyon, Investment Associate Bernardita Saez, Senior Counsel, Investment Operations Haiyan Wang, Senior Finance Officer Olga Dyakova, Senior Treasury Officer Yi Geng, Senior Financial Management Specialist Yongxi Liu, Senior Admin Assistant		
Completed Site Visits by AIIB:	None		
Planned Site Visits by AIIB:	Dec, 2021 TBC. There will be joint review missions with ADB to: (i) assess the progress and the emerging challenges on the ground; and (ii) undertake results assessment for the benefit of both ADB and AIIB's program completion reports.		

2. Project Summary and Objectives

The COVID-19 Active Response and Expenditure Support (CARES) Program (Program) is supported by a Loan extended by AIIB under AIIB's COVID-19 Crisis Recovery Facility (Facility) and co-financed with a policy-based loan extended by the Asian Development Bank (ADB) under its Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO). AIIB and ADB respectively are providing EUR 661.8 million and EUR 908.6 million sovereign-backed loans.

The Program includes: (i) cash payments to the unemployed (\$95 per month per person); (ii) mitigations to higher food price impacts through lowering VAT rate, nationwide food supply program to provide free food to 1.1 million people, price caps and procurement of 41.6 thousand tons of essential foods to support vulnerable groups; (iii) Increase of all social payments (pensions, benefits, etc.) by 10%; (iv) New tax incentives such as, zero percent property tax rates (for retail, trade, catering, entertainment and hospitality sectors), land tax (for agricultural producers), income tax for individual entrepreneurs and for SMEs in catering, lodging, transportation, consulting and tourism sectors, six-month exemption from payroll taxes.

The program will provide budget support to the Government of Kazakhstan with the overall objective to mitigate the adverse impacts of COVID-19 on the health of the population, as well as on the country's economy.

3. Key Dates

Approval:	Jun. 30, 2020	Signing:	Aug. 26, 2020
Effective:	Dec. 23, 2020	Restructured (if any):	
Orig. Closing:	Dec. 31, 2021	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	EUR		
a) Committed:	661.8	b) Cancellation (if any):	0
c) Disbursed:	661.8	d) Most recent disbursement: (amount / date)	661.8, Jan. 6, 2021
e) Undisbursed:	0	f) Disbursement Ratio(%) ¹ :	100

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

Government of Kazakhstan has submitted Q1 and Q2 2021 Monitoring Reports in a timely manner. Q3 Report is expected to be received within 2021, upon completion of data collection and analysis by the Government.

Overall resilience of health care system in March 2021 is improved compared to March 2020. Timely launch of additional medical infrastructure capacities such as specialized infectious diseases hospitals, the establishment of a permanent stock of medicines and PPEs, the provision of the necessary medical equipment and transport, enabled to avoid the worst case hospitalization scenarios.

The testing capacities of laboratories have increased significantly, and their average workload indicates that there is no deficit in laboratory examination on COVID-19.

The increase in salaries and bonuses for medical personnel made it possible to retain qualified medical staff and attract additional labor resources, especially for paramedical jobs.

Social assistance measures provided income support for the people and funded employment programs prevented an abrupt increase in unemployment level.

The economic stimulus package, including tax relief and an expanded loan program for SMEs, avoided a drastic reduction in business activity. The implemented economic stimulus package, measures to support the population's income and promote employment helped avoid a drastic reduction in business activity.

Component s	Physical Progress	Environmental & Social Compliance	Procurement
1. Immediate COVID-19 Health Response Implemented	Project progress to be monitored based on the MOF annual budget reports and program progress reports. Annual report to be submitted after the closing of 2021 budget year. Quarterly program progress report to be submitted upon the end of each quarter by MOF with support of ADB. The Project team to submit updates in the next PIMR report.	<p>The Program is categorized as Category C for each of Environment, Involuntary Resettlement, and Indigenous Peoples on the basis of an assessment of the countercyclical expenditures to be supported by the Program. These focus on expanding and strengthening social safety nets for the most vulnerable groups and are not expected to have adverse ES impacts. The Program has also been categorized by ADB as “effective gender mainstreaming” at entry, as it will expand the social assistance programs for the poor and vulnerable with clear linkages to women’s welfare.</p> <p>This Loan is co-financed with the ADB as lead co-financier, and the Program’s environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of ADB’s Safeguard Policy Statement (SPS) applicable to policy-based lending (PBL). AIIB’s Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to PBL operations. Therefore, as permitted by the decision of AIIB’s Board of Directors, set forth in the Decisions to Support the COVID-19 Crisis Recovery Facility, the provisions of the SPS applicable to PBL will apply to this operation in lieu of AIIB’s ESP. This will ensure a harmonized approach to addressing the ES risks and impacts of the Program.</p>	N/A
2. Social Protection and Employment Recovery Measures Implemented	Project progress to be monitored based on the MOF annual budget reports and program progress reports. Annual report to be submitted after the closing of 2021 budget year. Quarterly program progress report to be submitted upon the end of each quarter by MOF with support of ADB. The Project team to submit updates in the next PIMR report.	<p>The Program is categorized as Category C for each of Environment, Involuntary Resettlement, and Indigenous Peoples on the basis of an assessment of the countercyclical expenditures to be supported by the Program. These focus on expanding and strengthening social safety nets for the most vulnerable groups and are not expected to have adverse ES impacts. The Program has also been categorized by ADB as “effective gender mainstreaming” at entry, as it will expand the social assistance programs for the poor and vulnerable with clear linkages to women’s welfare.</p> <p>This Loan is co-financed with the ADB as lead co-financier, and the Program’s environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of ADB’s Safeguard Policy Statement (SPS) applicable to policy-based lending (PBL). AIIB’s Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to PBL operations. Therefore, as permitted by the decision of AIIB’s Board of Directors, set forth in the Decisions to Support the COVID-19 Crisis Recovery Facility, the provisions of the SPS applicable to PBL will apply to this operation in lieu of AIIB’s ESP. This will ensure a harmonized approach to addressing the ES risks and impacts of the Program.</p>	N/A
3. Economic	Project progress to be	The Program is categorized as Category C for each of Environment, Involuntary Resettlement,	N/A

Stimulus Delivered	monitored based on the MOF annual budget reports and program progress reports. Annual report to be submitted after the closing of 2021 budget year. Quarterly program progress report to be submitted upon the end of each quarter by MOF with support of ADB. The Project team to submit updates in the next PIMR report.	and Indigenous Peoples on the basis of an assessment of the countercyclical expenditures to be supported by the Program. These focus on expanding and strengthening social safety nets for the most vulnerable groups and are not expected to have adverse ES impacts. The Program has also been categorized by ADB as “effective gender mainstreaming” at entry, as it will expand the social assistance programs for the poor and vulnerable with clear linkages to women’s welfare. This Loan is co-financed with the ADB as lead co-financier, and the Program’s environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of ADB’s Safeguard Policy Statement (SPS) applicable to policy-based lending (PBL). AIIB’s Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to PBL operations. Therefore, as permitted by the decision of AIIB’s Board of Directors, set forth in the Decisions to Support the COVID-19 Crisis Recovery Facility, the provisions of the SPS applicable to PBL will apply to this operation in lieu of AIIB’s ESP. This will ensure a harmonized approach to addressing the ES risks and impacts of the Program.	
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Financial Management:

The GoK has demonstrated that it can maintain aggregate fiscal discipline in difficult times, and that taxation, financial control, payment, and accounting systems all work efficiently. Medium-term and annual budgeting practices are generally sound and efficiently implemented. Financial reporting has been developed, and responsibilities for internal financial control and internal and external audit redefined in a way consistent with good international practice, which made a positive impact over fiduciary control. Additionally, Kazakhstan has devoted great efforts to the application of information technology to government operations of all kinds, so as to improve the efficiency of service delivery. It is particularly encouraging to note that the GoK is paying close attention to the quality of delivery of a wide range of public services: as evidenced by the ongoing reforms in performance-based budgeting and remuneration systems. The timeline for receiving annual fiduciary reports is Q1 2022, the closing date of the 2021 budget year is December 31.

6. Status of the Grievance Redress Mechanism (GRM)

AIIB’s Policy on the Project-affected People’s Mechanism (PPM), which addresses issues raised under AIIB’s ESP as applicable to investment projects, will not apply to this operation. Submissions to the PPM under the Program would, therefore, not be eligible for consideration by the PPM. ADB’s independent accountability mechanism addresses issues raised by persons adversely affected by an ADB-assisted operation and allows them to report alleged noncompliance with ADB’s operational policies and procedures, including the SPS. ADB’s policies does not envisage establishment of GRM under this PBL operation.

7. Results Monitoring

There will be joint review missions with ADB to: (i) assess the progress and the emerging challenges on the ground; and (ii) undertake results assessment for the benefit of both ADB and AIIB’s program completion reports. This will be complemented with regular reports that will be prepared to reflect budget execution and flow of funds related to countercyclical measures.

Reporting data to be provided in as part of the PCN as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the Loan Closing December 31, 2021.

Baseline Year: Jan. 6, 2021 End Target Year: Dec. 31, 2021

Project Objective Indicators #1

1.1 Full availability of properly-sized protective equipment for health workers in the COVID-19 front line during 2020 (70% of health workers are women, and those in the front line are estimated at 55%).

Year	Target	Actual	Others, if any
Dec. 31, 2021	Yes, 70% are women	N/A	In October 2020, in case of the most negative scenario of the spread of the virus, a two-month renewable COVID-19 pharmacy stock, 10 million masks, and 400 thousand sets of PPEs were accumulated. In all regions, stabilization funds have been created for a total amount of about \$40 million, for the additional purchase of medicines, medical equipment, and PPEs, if necessary. Reporting data to be provided in as part of the PCN as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come

after the Loan Closing December 31, 2021.

Project Objective Indicators #2

1.2 55% of the bonuses paid to health professionals in the COVID-19 front line go to women during 2020

Year	Target	Actual	Others, if any
Dec. 31, 2021	55%	N/A	In 2020, premiums were paid for 3 risk groups 3 in the amount of \$273 million. Also, along with allowances, more than 9 thousand infected doctors received social compensations in the amount of \$48 million. Reporting data to be provided in as part of the PCN as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the Loan Closing December 31, 2021.

Project Objective Indicators #3

1.3 Health care for COVID-19-related hospitalization and medication remains free of charge for all citizens during 2020.

Year	Target	Actual	Others, if any
Dec. 31, 2021	Yes	N/A	Reporting data to be provided in as part of the PCN as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the Loan Closing December 31, 2021.

Project Objective Indicators #4

1.4 At least 1,500,000 high-risk people tested for COVID-19 by December 2020

Year	Target	Actual	Others, if any
Dec. 31, 2021	1,500,000	N/A	As of May 2021, 154 laboratories carry out tests, the total testing capacity is 113 thousand tests per day, an increase from 40 thousand at the end of 2020. The number of tests has increased from 38 thousand tests per day in February to 49 thousand tests per day in March. Data from all laboratories, including private ones, integrated into a single database of the results of COVID-19 tests. There is no shortage of testing availability, and the degree of laboratory workload is 43.4%. Reporting data to be provided in as part of the PCN as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the Loan Closing December 31, 2021.

Project Objective Indicators #5

2.1 Income tax incentives provided for workers in service sectors most affected by the lockdown (e.g., tourism, hotels, restaurants), at least 53% of whom to be women.

Year	Target	Actual	Others, if any
Dec. 31, 2021	Yes, 53% of whom to be women.	N/A	Between April 1 to October 1, 2020, there was imposed a "zero" rate on taxes and social payments (employment individual income tax, social tax, compulsory pension contributions, contributions, and deductions for compulsory health insurance and social security contributions) from the wage fund of SMEs in the most affected sectors including trade, catering, hotel industry, transport services, etc. As a result, in 2020, tax preferences were received by 700 thousand entrepreneurs, and benefits were estimated in the amount of \$2.4 billion. Most of the tax relief measures for SMEs, adopted in 2020, were lengthened in 2021. In addition, to support SMEs, a deferral is introduced for the payment of all taxes and payments from the wage fund for SMEs in the affected industries. This measure covers over 500 thousand entrepreneurs. The estimated amount of deferred taxes and payments is \$158 million. The deferral measures will be in effect between April 1 to July 1, 2021.

Project Objective Indicators #6

2.2 Tax incentives or support provided to reestablish SMEs, at least 42% of which are owned or managed by women.

Year	Target	Actual	Others, if any
Dec. 31, 2021	Yes, 42% of which are owned or managed by women.	N/A	Exemption from corporate income tax of income aimed at reinvesting in new fixed assets was provided, a 70% reduction in VAT for newly established manufacturing companies, and an extension of the retail tax regime for the catering sector at a rate of 6%. Large trade facilities, cinemas, theaters, catering, hotel, and tourist activities were exempted from property tax till the end of 2020. Individual entrepreneurs were exempted from income tax and agricultural producers - from land tax on agricultural land. For the sale and import of socially significant food products, VAT rates have been reduced from 12% to 8%. In addition, to support SMEs, a deferral is introduced for the payment of all taxes and payments from the wage fund for SMEs in the affected industries. This measure covers over 500 thousand entrepreneurs. The estimated amount of deferred taxes and payments is \$158 million. The deferral measures will be in effect between April 1 to July 1, 2021.

Project Objective Indicators #7

2.3 Food package distribution to socially vulnerable citizens reaches 1.1 million citizens by December 2020.

Year	Target	Actual	Others, if any
Dec. 31, 2021	1,100,000 citizens	N/A	During the period of emergency and restrictive measures, socially vulnerable groups received payments for the purchase of food and household sets in the amount of at least 2 MCI (Monthly Calculation Index); by the end of 2020, these payments covered more than 1.1 million citizens. Reporting data to be provided in as part of the PCN as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the Loan Closing December 31, 2021.

Project Objective Indicators #8

2.4 Monthly financial assistance of close to \$100 to all those that lost income because of the state of emergency reaches 4.5 million people in 2020 (including individuals that were in the informal labor market), 50% of whom are women.

Year	Target	Actual	Others, if any
Dec. 31, 2021	4,500,000 (50% women)	N/A	The government promptly developed and launched a mechanism for providing monthly payments in the amount of the minimum wage (\$100) to persons who have lost their income, at the expense of the State Social Insurance Fund. In total, during the period of the state of emergency and quarantine restrictive measures, 4.6 million people received such payments for a total of \$1.1 billion. Reporting data to be provided in as part of the PCN as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the Loan Closing December 31, 2021.

Project Objective Indicators #9

2.5 Increased social payments and social assistance to 160,000 vulnerable households, benefiting at least 50% female members in 2020.

Year	Target	Actual	Others, if any
Dec. 31, 2021	160,000 (50% female members)	N/A	Targeted social support (TSS) was assigned to 936.2 thousand people from 184.7 thousand households, including 600 thousand children (64%), 73.5 thousand large families. In 2020, for these purposes, \$177.2 million was allocated from the budget. As of March 1, 2021, 649 thousand people

			from 128.8 thousand families received TSS. For these purposes, \$289 million was allocated from the budget for 2021. Reporting data to be provided in as part of the PCN as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the Loan Closing December 31, 2021.
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Project Objective Indicators #10

3.1 Full implementation of planned volume of fiscal and quasi-fiscal measures in 2020 (8.9% of GDP).

Year	Target	Actual	Others, if any
Dec. 31, 2021	Yes, 8.9% of GDP	N/A	At the end of 2020, inflation was 7.5%. The National Bank ensured stability in the foreign exchange market by maintaining the supply of foreign currency at a sufficient level. In March 2020, to eliminate the imbalance in the domestic foreign exchange market, the mandatory sale by quasi-state enterprises of at least 50% of foreign exchange earnings was introduced. As monetary conditions softened and due to SMEs support lending programs, the cost of loan supplies to the real sector of the economy decreased to 11.4% in December 2020, compared to 12.1% in December 2019. The National Bank financed anti-crisis measures for \$5.4 billion (out of \$15 billion of total anti-crisis package). Reporting data to be provided in Q1 2022 as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the end of budget year in December 31, 2021.

Project Objective Indicators #11

3.2 At least 80% of individual entrepreneurs (of whom 52% are women) benefited from the program-supported tax and credit initiatives in 2020.

Year	Target	Actual	Others, if any
Dec. 31, 2021	80% of individual entrepreneurs (52% women)	N/A	Reporting data to be provided in Q1 2022 as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the end of budget year in December 31, 2021.

Project Objective Indicators #12

3.3 Housing finance program covers 120,000 borrowers (of whom at least 60% are women) in 2020.

Year	Target	Actual	Others, if any
Dec. 31, 2021	120,000 (60% women)	N/A	Reporting data to be provided in Q1 2022 as the reporting for 2021 proceeds (the loan was disbursed in Q1 2021) will come after the end of budget year in December 31, 2021.

Intermediate Result Indicators #1

N/A

Year	Target	Actual	Others, if any
Oct. 20, 2021	N/A	N/A	

Remarks: Monitoring reports: ADB will provide technical assistance to the Government of Kazakhstan in preparing program progress reports.