In support of the Millennium Development Goals
Goal 1: Eradicate extreme poverty and hunger

UNDP Kazakhstan

Poverty in Kazakhstan:
Causes and Cures

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EXECUTIVE SUMMARY

Poverty in CIS countries is caused in part by the economic transition they are currently undergoing. Major problems are adverse conditions in the labor market and inequalities in the distribution of national wealth, both of which were triggered by geopolitical and economic turmoil during the initial period of independence and restructuring.

The Government of Kazakhstan has committed itself to address poverty. Kazakhstan has already achieved two of the Millennium Development Goals (MDGs): to provide universal primary education and to provide equal access to education for boys and girls. Two other goals – halving the proportion of people (a) living below the subsistence minimum and (b) without access to safe potable water – will probably be met by 2015. Other MDGs remain major development challenges for the nation including reducing maternal mortality by three-quarters, reducing under-five mortality by two-thirds, reversing the spread of HIV/AIDS, and ensuring environmental sustainability.

Recognizing the poverty problem, the Government of Kazakhstan is formulating mid-term programmes in the field of health care, education and social security, which aim at improving the funding schemes in these areas.

CHAPTER 1. POVERTY AND ITS MEASUREMENT

Poverty is a multidimensional phenomenon that has deep socio-economic, cultural and psychological roots. It is conditioned by time and location. Historical developments within individual countries must be taken into account when measuring poverty.

There are several ways to measure poverty including absolute, relative and subjective measures. In its 1997 Human Development Report, the United Nations Development Programme suggested considering poverty from the perspective of human development. In this perspective, indicators reflecting human development (life expectancy, unemployment, infant mortality, maternal mortality and others) are used to measure human poverty along with traditional measures of income poverty such as income levels, subsistence levels, and purchasing power. In fact human development indicators include the whole range of Millennium Development Goals and targets. Accordingly, the report suggests using a comprehensive set of human poverty indicators for Kazakhstan.

The notion of a subsistence minimum is an important instrument of state social policy in the fight against poverty. It is actually used worldwide as the criterion of absolute poverty and is thus referred to as the "poverty line" because it corresponds to the minimum level of income that is required to satisfy the most basic human needs. In Kazakhstan the subsistence minimum is also used to measure the incidence of absolute poverty. However, poverty is closely related to economic inequality and should be addressed in conjunction with welfare levels in all segments of society. The report therefore suggests that Kazakhstan not only has to focus its anti-poverty measures on those in absolute poverty, but must also take action to prevent people at poverty risk from falling into absolute poverty. A level of twice the subsistence minimum is thus recommended for defining those at poverty risk. Although this level of income is higher than the survival level, it still does not suffice for sustaining people's physical and intellectual capacities needed for a decent standard of living.

CHAPTER 2. POVERTY IN KAZAKHSTAN

Recent years have seen significant economic growth in Kazakhstan, which has been conducive to overall poverty reduction. Nevertheless, 24% of the Kazakhstani population in 2002 lived in absolute poverty with incomes below the subsistence minimum of 4,761 tenge, or 31 US dollars per month. In addition, more than half of the population was at poverty risk as they had low incomes (higher than the survival level but lower than twice the subsistence minimum), which were not sufficient for the decent standard of living. The percentage of the population with incomes below the food basket level was declining slowly, signaling the continuing threat of malnutrition. There were significant variations of poverty incidence from region to region. Rural poverty was twice as high as in the urban areas. Women tend to be poorer than men.

The main causes of poverty are unemployment

and low incomes. Despite increasing employment and average incomes, the situation in the labor market is not conducive to poverty reduction. The report shows that in 2002 over 44% of employees received low wages, which did not provide for an adequate standard of living, neither for the employees nor for their families. Furthermore, despite positive macroeconomic changes, the proportion of low-paid employees has remained more or less constant. The purchasing power of salaries in many sectors of the economy ranges from low to medium. Only in the finance sector and mining industries is the purchasing power of salaries high. The proportion of employed persons who are self-employed has now increased to 40%. This significant increase in the number of self-employed people brings additional development challenges such as the low wages they typically earn and insufficient coverage by social security schemes.

Unemployment remains a serious socio-economic problem. Despite falling unemployment rates, the problems of unemployment among youth and women, unemployment in rural areas, and chronic long-term unemployment for many people persist.

Furthermore, the report indicates disproportionately high growth in gross capital formation, exceeding the growth in expenditures on household consumption both in absolute terms and as a growth rate. This discrepancy needs to be further investigated to ensure a good balance between investments in physical infrastructure and already low individual incomes, primarily salaries and wages.

In the field of education there are two major challenges for the poor: low quality and access to education, particularly in remote rural areas. This is relevant for all levels of education. Kazakhstan has achieved the Millennium Development Goals of providing universal primary education and eliminating gender disparities in primary and secondary education. However, enrolment rates are slipping, and the lack of schools and teachers has become a problem, particularly in remote rural areas. Furthermore, the education system still fails to provide for the development of a wide range of life skills, focusing instead on providing children with theoretical knowledge rather than preparing them for living in the real world, interacting freely with other people and being good citizens.

In recent years, the profiles of graduates from higher and vocational education institutions have progressively failed to meet the demands of the labour market. Large discrepancies persist between the graduates' qualifications and the demands of a developing economy. Basic vocational training fails to supply the economy with qualified workers. In most sectors earnings of employees do not reflect their qualifications and professionalism, thus undermining incentives for better performance. The majority of qualified graduates do not enjoy adequate pay-offs in comparison with personal and government investment in their education. In many cases, financial responsibilities for extended families further aggravate the situation.

Currently, state social benefits and targeted social assistance have failed to provide for decent living standards for their beneficiaries. In order to reduce the poverty risk faced by people the social security system, including the pension system, needs to be improved in terms of targeting and efficiency.

The poor also face serious challenges related to health. The recent deterioration of many health indicators in Kazakhstan was caused by the following factors: reduced public spending on health care, decreasing numbers of qualified physicians, deteriorating health care facilities, insufficient preventive measures, low quality of medical services, environmental degradation, and low cultural commitment to healthy lifestyles. The range of free health care services guaranteed by the state tend to be low quality. Hence the poor who cannot afford to pay for medical services do not receive adequate treatment/prophylactics. Most medical insurance schemes are not affordable for the majority of population.

Poverty is also related to migration and demographic factors. High emigration can lead to a so-called "brain drain." Immigration coupled with internal migration affects the living conditions of migrants, in particular *oralmans* (repatriates) and refugees. Migration from rural to urban areas (high urbanization rates) aggravates urban poverty. Large families with many children further increase the risk of poverty, especially in rural areas. Other vulnerable groups are single-parent families, the elderly and the disabled.

Both women and men were affected by the economic transition. However, women make up a larger proportion of the poor because, first, they constitute a larger proportion of the overall population and, second, they are subject to persistent social and economic inequalities. Gender inequality is reinforced by traditional stereotypes restricting women's roles to reproductive functions coupled with hidden discrimination in employment. Therefore, addressing female poverty should be a top priority when developing any state programme for poverty reduction.

Environmental quality has plummeted in Kazakhstan, affecting people's health and well-being as well as increasing poverty. During the 1990s, two interconnected environmental problems became apparent: environmental degradation undermined people's health and well-

being and, in turn, poverty aggravated environmental problems. High morbidity rates are caused in part by the lack of potable water as well as poor conditions in many water supply systems. Potable water supply is high on the national development agenda.

Finally, there are significant differences in poverty between regions. Gross regional product (GRP) per capita varies from region to region. However, a high level of economic development in a region does not necessarily result in improved living conditions for its residents. In Kazakhstan, both advanced regions (Mangistau and Atyrau) and less developed ones (Almaty, South Kazakhstan, Zhambyl and Kyzylorda oblasts) have among the highest levels of poverty in the country. In the former, the redistribution of revenues from oil and gas extraction to benefit the entire local population, including the poor, should become a key strategy for poverty reduction. In less developed regions with high poverty levels, state interventions should aim at accelerating economic growth. In both cases, productive employment opportunities, enhanced social security systems, improved social infrastructure and solutions to environmental problems are key elements in reducing poverty.

In summary, the impact of the recent economic growth, largely driven by the oil and gas sector, on the living standards of Kazakhstani population could have been stronger. To ensure sustainable impact of economic growth on people's well-being, national revenues should be used more prudently. Given the favourable macroeconomic situation in Kazakhstan, increased public spending on education, health care and social security should become another important component of national social policy.

CHAPTER 3. CHALLENGES OF RURAL AND URBAN POVERTY

As mentioned earlier, there are significant differences in poverty incidence in rural and urban areas in Kazakhstan. In 2002 the rural poverty level was twice as high as urban poverty. However, the profile of urban and rural poverty is similar. Regardless of the place of residence, the poor are children, unemployed and employed people with low salaries and wages as well as the elderly.

Income poverty in urban areas is lower than in rural areas because of the relatively high incomes and educational levels of urban residents. However, income disparities among urban households are more evident than in rural areas. Urban poverty is most deep and persistent in so-called company towns, where it causes destitution and personal degradation.

The transition caused major changes in the life of rural residents and brought about a range of new socio-economic problems. Rural poverty, as is the case generally in the country, is caused primarily by unemployment and low incomes. The number of extended families with many dependents is another factor of rural poverty. The remoteness of most rural settlements from oblast and rayon centers and the poor integration of local economies into national economic and social processes have further aggravated the challenges of rural development.

Employment opportunities are scant in rural areas, in particular for young people. The state still provides most rural jobs, which are in the social sector. Given the scarcity of jobs available for rural residents, job-hunting fails in most cases. In this context, household land plots have become an important means of survival for rural families. In most cases the rural household itself consumes most of the produce from the household land plot and only a small portion is sold. However, self-produced food is still not sufficient for adequate nutrition.

Other factors negatively affecting the living standards of rural residents are degraded physical and social infrastructure, the lack of safe drinking and irrigation water, and environmental deterioration. The dilapidated state of rural roads inhibits the economic development of many rural settlements. Shrinking social infrastructure (schools, hospitals, cultural and sports facilities) imposes restraints on the access of rural poor to those services, particularly in remote areas. Rural people perceive higher education as an important social goal; still, most of them cannot afford adequate schooling for their children.

The rural population is largely unaware of major national policies, laws and regulatory instruments affecting their lives. Local authorities appear unable to represent their constituencies in addressing rural development issues. Moreover, rural residents do not take active political or social stands and opt instead for a "wait-and-see" position.

CONCLUSION AND RECOMMENDATIONS

The report draws the conclusion that poverty remains a serious problem for Kazakhstan, and poverty reduction should be a priority on the national agenda. The recent economic growth so far has failed to change the lives of the majority of the Kazakhstani people for the better. However, it has created the necessary macroeconomic conditions for further resolution of social problems in Kazakhstan. Indeed, a number of national and sub-national programmes aimed at poverty reduction are being implemented. The 2002 Millennium Development Goals Report concludes that Kazakhstan is well positioned to address its socio-economic problems, though much has to be done to arrive at a sustainable solution.

To ensure sustainable poverty reduction in future, Kazakhstan has to continue its impressive macroeconomic management and focus on broad-based economic growth. The major challenge for the future is to achieve economic growth not only in extractive industries such as oil, gas and minerals, but also in processing industries and other economic sectors producing goods and services for the population. This in turn would lead to expanding productive employment opportunities and higher incomes for the majority of the population.

State policies should focus on the problem of employment with special attention on unemployment among women and youth as well as long-term unemployment. Another issue to address is to increase real wages and salaries of at least half of all employees, particularly in the social sector, civil service and agriculture. Measures aimed at small and medium enterprise development are also crucial within the employment policy.

State social policy is another important element in fighting poverty. The social security system should protect people in case of social risks. The current social security system in Kazakhstan needs to be looked into to make it more effective and targeted. Special attention should be paid to the most vulnerable social groups such as large and single-parent families, especially in rural areas, lonely older people, people with disabilities and immigrants, especially *oralmans*. The means-tested social assistance from the state should be increased to cover at least basic nutrition requirements of the poor. The report suggests, first, to further refine the methodology for calculating the subsistence minimum to reflect the actual ratio between household expenditures for food and non-food goods and services. The recommended ratio is 60:40. Secondly, it suggests that targeted social assistance should be provided by the state to people with incomes less than the food basket level.

Compulsory social insurance should become the major form of social protection of the population. Social policy should target gender equality vis-a-vis socio-labour relations. The system of social institutions and social workers applied in many countries can be introduced in Kazakhstan. To ensure a more effective social security system in future, there is a need for diversification of sources of funding.

The educational system in Kazakhstan should match the country's changing needs and be integrated into a global educational framework. Access to quality education at all levels is both intrinsic and instrumental for improving the population's well-being and ultimately human development. The quality of education requires urgent attention focusing on curricula, textbooks, teacher qualifications and learning achievements. Linked to the quality of education, there is a need to improve the system that monitors school performance. Problems in education sector will not be overcome unless public spending on education, including teachers' salaries, is increased significantly. One of the keys to achieve sustained employment is to provide a developing economy with suitably qualified labour. This could be done through analysis of the labour market to balance demand with supply as well as fostering closer links between educational establishments and the private sector. Educational standards, choice of specializations and the curricula of higher and vocational education have to be revised to overcome the current lag behind the needs of the economy. At present a significant proportion of higher education graduates do not gain adequate economic returns for their own and the state's investments in education.

Improved public health, longer life expectancies, and decreased mortality rates should become priorities in state policy. The state should ensure good quality health care services for the entire population, including the poor, especially in remote rural areas. More attention should be paid to preventive measures and the promotion of a healthy lifestyle culture. It is critical that awareness of the general populations of good reproductive health practices is increased. The above issues cannot be solved without substantial revision of the funding system in the health sector. Increased public spending on healthcare from 2% to 5-6% of GDP would match the spending in developed countries. Private medical insurances can provide an additional source of funding for the health sector.

A concerted effort by the government and a clear-cut distribution of roles are prerequisites for effective poverty reduction. The Government has to formulate pro-poor policies addressing poverty from the human development standpoint. State taxation policy has to become an effective instrument for national wealth redistribution. Civil society organizations should take an active stance along with the Government in addressing poverty reduction issues. These include research institutes and non-governmental organizations as well as religious organizations. An important role should be given to developing civil dialogue and promoting trade unions. Donor assistance in terms of loans and technical assistance will enlarge the funding base and build on civil society capacities by referring to international experience in poverty reduction. People's social involvement, local community mobilization and the promotion of initiative and self-help groups are prerequisites for inclusive decision-making, which would ultimately enhance people's living standards.

FOREWORD BY GULZHANA KARAGUSSOVA

MINISTER OF LABOUR AND SOCIAL PROTECTION OF KAZAKHSTAN

Poverty reduction stands high on the development agenda of Kazakhstan. Despite economic recession, severe budget deficit and hyperinflation at the initial period of transition, the Government has been making every effort to improve population's living standards, increase effectiveness of the social security system and help people of Kazakhstan adapt to emerging realities of life.

Impressive economic growth since late 1990s has created favourable conditions for reducing poverty and for the Government action towards that end. The long-term development strategy "Kazakhstan-2030" adopted in 1997 highlighted poverty reduction as one of the main priorities for the Government work in the social development field. Important social legislation and social programmes in the areas of education, health care, social security and environment protection were formulated and approved. The Programme on Combating Poverty and Unemployment for 2000-2002 has made poverty reduction initiatives of the Government more systemic and targeted. Implementation of this Programme allowed to unite poverty reduction efforts of the state institutions and civil society organizations and helped substantially reduce the level of poverty.

The second Programme on Poverty Reduction for 2003-2005, which was formulated with support from UNDP and ADB, considers poverty as a complex issue and deals with this problem through creating conditions for sustainable economic growth, productive employment and higher incomes, increased access to healthcare and educational services, improved social security system and enhancing effectiveness of public administration. The Programme also envisages active participation of non-state institutions in poverty reduction, including the private sector, non-governmental organizations, international agencies and the mass media.

Independent assessments of the status of national poverty reduction initiatives and international commitments of Kazakhstan play an important role. Particularly important are studies, which analyse poverty causes and consequences as well as cures to localize and reduce poverty in Kazakhstan.

This Report, which was prepared under the auspices and with support from UNDP considers precisely these issues, and hence is a timely and valuable reading. Some issues raised in the Report could be argued, however this stimulates further discussions and facilitates development of new solutions to poverty reduction. Simple and reader-friendly style of the Report makes it useful and interesting not only for experts and professionals, but also for wider audience involved in eradication of poverty in Kazakhstan.

Gulzhana Karagussova

FOREWORD BY FIKRET AKCURA

UN RESIDENT COORDINATOR/UNDP RESIDENT REPRESENTATIVE IN KAZAKHSTAN

After decades of neglect characterized by growing public disaffection and disinterest in the plight of the world's poor and a widespread sense of disillusionment in many quarters with the whole idea of development, the issue of how to help poor countries become richer, more stable and more democratic is firmly back on the global agenda.

In this light, the Millennium Development Goals, built around time-bound targets that have universal political support, can serve as both a mobilizing tool and an accountability tool for both developing and donor countries. They are a set of goals that the world has committed to, and we must now use our national political processes to agitate and lobby for the momentum we hope to give them.

Here in Kazakhstan, that commitment has already found tangible form in the national vision embodied in Kazakhstan 2030 and President Nazarbayev's speeches emphasizing poverty reduction, rural development, and elimination of disparities among oblasts. Moreover, the Parliament and the Government have been trying to channel the national agenda and resources towards the improvement of the country's socio-economic situation.

This report has been prepared in support of the first Kazakhstan MDG Report 2002 with a particular focus on Goal 1, eradicating poverty. The report shows that about one citizen in four is poor. Also, the distribution of national wealth is quite distorted: in 2001, the wealthiest 10 percent of the population received 26 percent of the national income, while the poorest 10 percent of population only 2.3 percent. Unemployment stood at 10.4%. There are great variations among the oblasts in poverty, unemployment, heath care, access to education, availability of good quality water and in pollution levels. Particularly problematic is the fact that the poorest oblasts are the ones around the Caspian where most of the national wealth originates.

Another point worth noting is the growing disparity between the urban and rural communities. This creates high urbanization rates as people flock to cities, trying to escape the poverty of the rural areas. A likely outcome is pockets of poverty and crime surrounding urban centres.

These differences between oblasts, rural-urban communities, and between rich-poor citizens somewhat undermine 'consolidation of society', the second priority of Kazakhstan 2030. It is most encouraging that Rural Development Programme and Strategy for Poverty Reduction were launched to handle these issues.

This report has been prepared by a group of national and international experts, researchers and representatives of government agencies. I would like to take this opportunity to thank the authors' group who made this report possible. Special thanks go to the Russian Living Standards Centre, Kazakhstan Institute of Strategic Research, Kazakhstan Statistics Agency and all the consultants for their assistance in preparing this report.

It is our hope that this report will promote a better understanding of the poverty situation and its causes in Kazakhstan. Given its impressive oil, gas, mineral resources and the highly literate citizens, Kazakhstan has every chance to assume its rightful place among the community of developed nations. With the right policies and judicious use of resources, I am confident that much of the achievements will emerge by 2015, the target date for the Millennium Development Goals.

Fikret Akcura

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ACRONYMS

ADB	–	Asian Development Bank
CIS	–	Commonwealth of Independent States
GDP	–	Gross Domestic Product
GRP	–	Gross Regional Product
GPW	–	Great Patriotic War
HIV/AIDS	–	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HDI	–	Human Development Index
HIB	–	High Income Budget
HPI	–	Human Poverty Index
ILO	–	International Labour Organization
IOM	–	International Organization for Migration
MDG	–	Millennium Development Goals
MCB	–	Minimum Consumer Budget
MUR	–	Monthly Unit Rate
NGO	–	Non-governmental Organization
PPP	–	Purchasing Power Parities
SM	–	Subsistence Minimum
SME	–	Small and Medium Enterprises
TSA	–	Targeted Social Assistance
UN	–	United Nations
UNDP	–	United Nations Development Programme
UNAIDS	–	United Nations Joint Programme on AIDS
UNICEF	–	United Nations Children Fund
USD	–	United States dollar
USSR	–	Union of Soviet Socialist Republics
WB	–	World Bank
WHO	–	World Health Organization

TABLE OF CONTENTS

Boxes

Figures

Tables

CHAPTER 1. POVERTY AND ITS MEASUREMENT

1.1 DEFINING POVERTY

The social progress of any nation, irrespective of the pursued model of economic development, is measured by the standard of living enjoyed by its citizens. In any society though there are always people, which due to certain economic, demographic, physical, psychological factors have found themselves on the 'fringe' of society. They cannot satisfy even their basic needs in nutrition, clothing, housing and education, and are regarded as 'poor'.

There are traditional approaches to poverty and its measurement, absolute and relative, which are associated exclusively with income or consumption. **Absolute poverty** refers to some absolute standard of minimum requirement, while **relative poverty** refers to falling behind most others in the society (table 1.1.1). Also, poverty can be determined based on people's opinion on the required level of income/consumption that gives them a sense of not being the poor. It is called **subjective** poverty.

The UNDP Human Development Report of 1997 suggested considering **poverty in the human development perspective.** It means that a poor person lacks opportunities and choices most basic to human development: to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-respect

Table 1.1.1.
Absolute poverty in some countries, 2001

Country	Proportion of population living in absolute poverty, %
Germany	11.5
France	12.0
United Kingdom	13.1
USA	14.1
Russia	27.3*
Kazakhstan	***28.4*** **
Kyrgyzstan	84.0

Source: Human Development Report 2003 Millennium Development Goals: A Compact Among Nations to End Human Poverty. UNDP, 2003.
** Socio-economic situation in Russia. State Statistics Committee of Russian Federation, 2002.*
*** Poverty Monitoring Indicators in Kazakhstan. January 2002. Statistics Agency of Kazakhstan, 2003.*

Box 1.1.1. Poverty: the global picture[1]

- Globally, 1.2 million people live on less than $1 a day, with a further 2.8 million living on less than $2 a day.
- Approximately 790 million people suffer from malnutrition.
- 880 million people do not have access to healthcare; living conditions of another 2.6 million do not meet sanitary standards. According to current trends, one third of the world's low-income population (900 million people) will not have access to adequate sanitation by 2015.
- 46 million children in South Asia do not have access to schooling. An estimated, 250 million children across the world are forced to work. About 340 million women are not expected to reach the age of 40. One in four adults worldwide is illiterate, with two-thirds being women.
- In 1998 over 47 million people, most of whom were poor, were also HIV infected. In countries most affected by HIV/AIDS infant mortality rates may rise by 75 percent by 2010 and the under-five mortality rate by 100 percent.
- The number of abandoned children living with AIDS will rise from 8.2 million in 1998 to 40 million in 2010. The nine countries most affected by HIV/AIDS may see a decline in average life expectancy by 16 years in 2010-2015.

[1] Halving Extreme Poverty. An Action Strategy for the United Nations, 2000 (www.undg.org).

and respect of others. Thus, human poverty is a multi-faceted phenomenon beyond income.

1.2 MEASURING INCOME POVERTY AND INEQUALITY

Measuring poverty and inequality has major implications for the development of a country's economic and social policies.

Most commonly used income poverty indicators are poverty headcount ratio and poverty depth and severity indices. **The incidence of poverty**, expressed as a headcount ratio, is simply an estimate of the percentage of people with income below a certain threshold (poverty line), which is normally equal to subsistence minimum (see below). Using subsistence minimum to measure poverty has two advantages. Firstly, it is based on consumption of goods and services, which reflect national food and cloth habits appropriate for traditions and climatic conditions of a country. Secondly, the subsistence minimum allows comparing the number of people living below this absolute level by time and geographic regions.[2] In Kazakhstan the poverty headcount ratio corresponds to 'the percentage of people with incomes below the subsistence minimum'. In addition, the incidence of 'food poverty' can be measured, which in Kazakhstan refers to the proportion of population with incomes below the food basket cost (see Section 2.1.1). The incidence of poverty though does not capture any worsening of the conditions of those already in poverty. For in-depth analysis **poverty depth and severity indices** are used.

Poverty depth shows how 'poor' the poor are. It measures average consumption/income shortfall of the poor expressed as a proportion of poverty line (subsistence minimum in Kazakhstan). The ratio of income shortfall of the poor to the poverty line is called the poverty depth index. Poverty severity shows 'how poor are the poorest of the poor', i.e. describes income inequality among the poor. The poverty severity index is calculated on the basis of the poverty depth index. An increase in the values of the poverty depth and severity indices points to a worsening of the poverty situation. The indicators help determine the amount of funds required to overcome the income shortfall of the poor and can be used to estimate financial resources needed for state's means-tested assistance to the needy.

Poverty has to be considered in relation to the well-being of a country's population, or to income inequality. In an unequal society relative poverty exists, however there may be no people in absolute poverty. Income inequality is conditioned by the following:

- income disparities, including property ownership and uneven accumulation of wealth;
- education levels, including quality of education and differences in personal achievements;
- age and physiological differences, as well as access to resources.

The above factors determine the formation of social strata that differ by the levels of well-being and consumer behaviors. **A system of population's consumer budgets** was developed to assess the well-being of the population based on their income/consumption level.[3] The purpose of the system is to support formulation of national social and economic policies as well as their monitoring and evaluation. It introduces three criteria to define the standard of living: subsistence minimum (SM), minimum consumer budget (MCB), and high-income budget (HIB).

The subsistence minimum (SM) determines a certain level of income needed to maintain a person's health and vital activity. In Kazakhstan the subsistence minimum, as defined in the Law on "Subsistence Minimum"[4], translates into the cost of a *minimum consumer basket*. The latter consists of the *food basket* (70 percent) and non-food items and services (30 percent). The food basket is a selection of food items calculated on a monthly basis by multiplying the dietary intake norms by the average mid-month prices. The dietary intake norms[5] are based on the basic physical needs of an individual in terms of energy values and essential nutrients (equal to 2172 kcal as recommended by World Health Organization). Thus, the value of subsistence minimum depends mainly on the prices as the food intake norms and the ratio of food and non-food costs are fixed for a relatively long period of time.

The minimum consumer budget (MCB) refers to a higher level of income compared to the subsistence minimum and provides for better living conditions. Estimated as twice the subsistence minimum (2SM), it allows people to sustain their physical and intellectual capacities, social and physical development of children as well as adequate living standards of the elderly. In other words, the minimum consumer budget provides for a comfortable level of consumption.

The high-income budget (HIB) defines the cost of a rational set of goods and services fully

[2] Final Report of Joint UNDP/ILO project on Decent Work: Integrated Approach to Social Sphere in Kazakhstan. Astana, 2003.

[3] Bobkov V.N. The system of consumer budgets and the possibility of using it in social policy. Living Standards of Population in the Regions/Russian Living Standards Centre. Moscow, 2000. Issue 7-8.

[4] Law on 'Subsistence minimum' was adopted on 16 November 1999 and became effective since 1 January 2000.

[5] The dietary intake norms are fixed by the Kazakh Academy of Nutrition.

addressing a person's physiological and social needs, including savings and tax payments. It corresponds to the advanced level of consumption that enables human development[6], defined as the process of enlarging people's choices, including leading a long and healthy life, be educated and enjoy decent standard of living.[7]

The system of population's consumer budgets allows grouping the total population of a country into four social strata based on their welfare level (table 1.2.1).

Table 1.2.1
Defining Social Strata

Social strata	Criteria
Poor	Income lower than the subsistence minimum (SM)
Low income (at poverty risk)	Income higher than the subsistence minimum but lower than the minimum consumer budget (2SM)
Middle income (provides for comfortable level of consumption)	Income higher than the minimum consumer budget but lower than the high-income budget (7SM)
High income (provides for advanced level of consumption)	Income higher than the high-income budget (7SM)

Income inequality is measured by income differentiation and concentration indices. The **assets coefficient** (income differentiation index) measures the income gap between the richest and the poorest population groups. It is calculated as correlation between total incomes of the poorest and richest 10 percent (or 20 percent) of population (table 1.2.2). The **Gini coefficient** (income concentration index) measures the inequalities in the distribution of national income (or consumption) among individuals or households. More equal distribution of the national wealth corresponds to a lower value of the Gini coefficient (closer to 0). Conversely, higher value of the Gini coefficient (closer to 1) testifies to the higher degree of income inequality with the poor holding less proportion of the national wealth (table 1.2.3).

Table 1.2.2
Assets coefficient in some countries, 2001

Country	Assets coefficient
Kyrgyzstan	6.0
Croatia	7.3
Bulgaria	9.9
Kazakhstan	***11.3****
Russia	14.0**

Source: Human Development Report 2003 Millennium Development Goals: A Compact Among Nations to End Human Poverty. UNDP, 2003.
** Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.*
*** Socio-economic situation in Russia. December 2002. State Statistics Committee of Russian Federation, 2002.*

Table 1.2.3
Gini coefficient in some countries, 2001

Country	Gini coefficient
Czech Republic	0.273
Kazakhstan	***0.348****
Romania	0.388
Moldova	0.391
Russia	0.398**
Ukraine	0.452
Kyrgyzstan	0.512

Source: Social Monitor 2003, The Monee Project, UNICEF 2003.
** Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.*
*** Socio-economic situation in Russia. December 2002. State Statistics Committee of Russian Federation, 2002.*

The system of population's consumer budgets introduces the **income purchasing power index**. It is calculated as the ratio between a person's income and the subsistence minimum, indicating how many sets of goods and services of the subsistence minimum could be purchased. This coefficient, hence, can also be used to measure income inequality.

1.3 MEASURING HUMAN POVERTY

To measure poverty in the human development perspective, UNDP in its Human Development Report of 1997 proposed the **human poverty index for developing countries (HPI-1).** This index refers to three dimensions of human life, also included in the human development index:[8]

[6] Social Policy, Living Standards and Quality of Life. V.N. Bobkov and A.P. Pochinok, eds. Moscow, 2001.
[7] Human Development Report 1997. UNDP 1997.
[8] Human Development Index was developed by UNDP in the early 1990s. It is a composite index measuring average achievement in three basic dimensions of human development – a long and healthy life (life expectancy at birth rate), knowledge (adult literacy rate and the combined primary, secondary and tertiary gross enrolment rate) and decent standards of living (GDP per capita measured in US$ by purchasing power parities).

longevity, literacy and adequate living standards. Longevity is measured by the proportion of population not surviving the age of 40. Literacy is determined by the proportion of illiterate adults in the total population. Living standards are defined by three indicators, including the proportion of people without access to safe drinking water and healthcare services and the proportion of underweight children among under-fives.

Taking into consideration the different social and economic environment of developed countries, the UNDP Human Development Report of 1999 proposed the **human poverty index for developed countries (HPI-2)** using a different formula. The longevity is measured by the share of people not surviving the age of 60. Literacy level is measured by the proportion of 'functionally' illiterate adults in the total population (people's ability to understand instructions and complete forms). The level of welfare is measured by share of population with incomes below 50 percent of average per capita income and proportion of the long-term (more than 12 months) unemployed people.

HPI-1 and HPI-2 measuring poverty in developing and developed countries are not directly applicable to Kazakhstan. Therefore, the Human Development Report 2000 for Kazakhstan introduced a **human poverty index (HPI-3).** In calculating HPI-3, the percentage of population not surviving the age of 60 is used to measure longevity. To measure the education level the percentage of 16-year-olds dropping out of school is used. This indicator was selected because in Kazakhstan children begin schooling at the age of six or seven and are expected to be in school at the age of 16 (with compulsory 11-year secondary education). However, 16-year-olds often leave secondary school after finishing just the ninth grade. Then, the percentage of population with consumption levels below the subsistence minimum is used as at present it is hard obtain reliable data on people's incomes levels. The unemployment rate is the last but not least indicator used to calculate the HPI-3 (box 1.3.1).

To assess and monitor poverty in the human development perspective, a comprehensive set of indicators (see Annex 1. Key Poverty Monitoring Indicators) can be used to analyse the many dimensions of poverty and inequality in society. In fact, those indicators include the whole range of the Millennium Development Goals and Targets (see section 1.5).

1.4 POVERTY IN TRANSITION: THE CASE OF COMMONWEALTH OF INDEPENDENT STATES (CIS)

The independent states that emerged after the collapse of the Soviet Union in 1991 face major challenges for human development. In the recent years per capita GDP in those countries has been either low medium or low[10].

At the initial stage of independent statehood previously established macroeconomic and other

Box 1.3.1 Human poverty index in Kazakhstan

Human poverty index for Kazakhstan (HPI-3) was calculated for the first time in 1998. This indicator was developed based on UNDP propounded human poverty indices HPI-1 and HPI-2 for developing and developed countries respectively, taking into account the specifics of poverty in Kazakhstan. This index is composed of four indicators:

- proportion of population with consumption below the subsistence minimum;
- proportion of population not surviving the age of 60;
- proportion of 16-year-olds dropping out of schools;
- proportion of unemployed population.

There is a clearly positive dynamic of the HPI-3, i.e. during 1998-2002 period there was a decrease from 31.0 to 22.4 percent, which testifies to an improvement in the overall poverty situation over recent years. Analysis of individual components of the HPI-3 in 2002 shows that 24.2 percent of the Kazakhstan population had incomes/consumption below the subsistence minimum; the life expectancy of 31.1 percent of Kazakhstan residents was under 60 years; 3.1 percent of 16-year-olds did not receive decent education and 9.3 percent of the labour force were unemployed.[9] In 1998 and 1999 the HPI-3 was calculated separately for women and men with these values showing different situations for women and men in Kazakhstan. In 2001 for the first time the HPI-3 was calculated separately for rural and urban areas and pointed to the existence of disparities between urban and rural poverty.

[9] Calculated by Statistics Agency of Kazakhstan at request from UNDP Kazakhstan.

[10] The World Bank ranks GDP per capita, in USD by exchange rate, as follows: over 9,000 as high, between 3,000 and 9,000 as high medium, between 800 and 3,000 as low medium, less than 800 as low GDP. See The World and Russia. V.S. Avtonomov and T.P. Subbotina, eds. Saint Petersburg, Economic School Publishing Agency, 1999, p. 13.

economic links were broken. Development of new market relations was accompanied by destruction of the centrally planned system and ineffective management decisions, which led to profound economic and transformational crisis. The social costs of the transition included rapid growth in absolute poverty incidence and rising income inequalities, as well as lack of resources to halt or reduce those.

The market changes brought about several economic recessions, which led to deterioration of the situation on the labour market (rising unemployment and low salaries) and consequently to the growth of poverty (table 1.4.1). Inter-country labour migration and over-concentration of workforces in a limited number of industries further aggravated the situation. Another factor contributing to poverty is highly unequal (re-) distribution of national wealth.

Table 1.4.1
Unemployment rate in some countries, 2002

Country	Unemployment rate, %
Norway	3.9
Poland	5.1
Japan	5.4
United States	5.8
Canada	7.1
Russia	8.0
Kazakhstan	***9.3***
Ukraine	10.2
Germany	10.9

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Poverty in the CIS region is also affected by the specifics of the *Soviet* social security system. The young nations inherited a system of social security that covered almost the entire population and ensured a high level of social guarantees. As a result, at the beginning of the transition period, the CIS countries did not experience poverty problems typical to developing countries, such as lack of access to basic health care and mass epidemics, lack of food supply and lack of population with basic professional skills.

Due to emerging poverty the CIS countries did not reform their social security systems immediately after independence. This to some extent explains why poverty did not grow to disastrous levels. However, as the private and state-private forms of ownership developed and economic roles of the state changed, it became problematic for the state to maintain the *Soviet* system of social security. High business tax rates and dependency attitudes of recipients of social benefits hindered productive employment. Therefore, in the 1990s the CIS countries moved towards new systems of social security compliant with the emerging market economy. Most CIS states developed new social and medical insurance schemes, as well as reformed their pension systems. Means-tested social assistance was introduced. New social protection institutions emerged to deliver social services to the most vulnerable groups of population.

Now the 'old' and 'new' systems of social security co-exist in almost all CIS countries. This transitional state, in which old systems have not been fully dismantled while new ones have not been put in place, reduces the efficiency of social security. Many 'old' guarantees and benefits remain but are not backed up by adequate financial resources from the state. The newly introduced targeted benefits are not sufficient to alleviate poverty either. The size of many insurance transfers fails to compensate for lost employment incomes. The pension schemes do not cater for the financial needs of the pensioners.

Other challenges are falling quality of health care and education services, demographic and migration processes as well as gender, regional and environmental concerns.

Table 1.4.2
Public expenditures on health and education in some countries, 2000

Country	Public expenditures on health, as % of GDP	Public expenditures on education, as % of GDP
Germany	8.0	4.6
Canada	6.5	5.5
Sweden	6.2	7.8
Japan	5.9	3.5
United States	5.8	4.8
Hungary	5.1	5.0
Russia	3.7	4.4
Kyrgyzstan	3.5	5.4
Kazakhstan	***2.1****	***3.3****
United Arab Emirates	1.9	2.5
Ecuador	1,6	1,2

Source: Human Development Report 2003 Millennium Development Goals: A Compact Among Nations to End Human Poverty. UNDP, 2003.
** Source: Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.*

Reflecting the specifics of the transition period, the relative poverty has not been measured in the CIS countries as it puts more responsibility on the governments. The CIS countries tend to combat absolute poverty primarily by increasing minimum levels of income (consumption) to a fixed level. Absolute poverty incidence is measured based on subsistence minimum equal to the value of the minimum consumer basket. Its value more or less corresponds to the poverty line of 4 US dollars (1990 PPP$) per day as recommended by the World Bank for Central and Eastern Europe and CIS. At the same time, the governments introduce so called 'administrative poverty lines', which are used as criteria for state targeted social assistance to the poor. This is necessitated by the lack of financial resources to help the poor reach the subsistence minimum level.

Most CIS countries use a set of poverty and inequality indicators (box 1.4.1), as recommended by the CIS Statistics Committee. Armenia and Georgia apply the relative and subjective poverty concepts. Belarus determines poverty duration and considers socio-demographic factors of poverty. Russia uses disposable household income, the number of the extremely poor with incomes lower than half of the subsistence minimum and the population's purchasing power index. Kyrgyzstan uses the extreme poverty line. In Ukraine there are combined indicators taking into account income/consumption levels.[11]

To conclude, the CIS countries have to achieve sustainable pro-poor economic growth leading to substantially increased salaries and wages, as well as expanded productive employment opportunities. The social security systems need to be improved to effectively mitigate poverty. Other challenges to address are falling quality of health care and education services, demographic and migration processes as well as gender, regional and environmental concerns.

1.5 STATUS OF THE MILLENNIUM DEVELOPMENT GOALS IN KAZAKHSTAN

Summarizing all Kazakhstan's strategies and programmes pertaining to poverty alleviation and improvement of living standards of people, the following priority national human development goals can be marked out:

- Active employment policies conducive to productive labour and strengthening country's human resources; preserving and creating new jobs; enhancing professional training and re-training of the unemployed to meet the requirements of the labour market; expanding public works; legalizing labour relations; developing social partnerships to ensure social stability and public accord; resolving labour conflict; ensuring labour rights of people and their social security.
- Forming a 'middle class' fundamental to the stability of society, through creating a social

Box 1.4.1 Poverty and inequality indicators by the CIS Statistics Committee[12]

A. Poverty indicators
1. Threshold indicators:
   - subsistence minimum
   - poverty line
   - extreme poverty line
2. The scale of poverty
   - primary poverty – the proportion of the population with incomes lower than the subsistence minimum (poverty line);
   - secondary poverty – the proportion of population with consumption less than the subsistence minimum (poverty line);
   - monetary income (consumption) shortfall of the poor;
   - poverty depth and severity indices.

B. Inequality indicators
1. Assets coefficient (income differentiation coefficient).
2. Distribution of income (consumption) among the quintile groups of population.

C. Individual consumption (level and structure)
1. Energy value and composition of food items in the food basket.

[11] Recommendations on improving living standards indicators. The Statistics of the CIS countries, CIS Statistics Committee, 2003. Issue 6.
[12] International Seminar on Poverty Assessment The Statistics of the CIS countries, CIS Statistics Committee, 1999. Issue 20.

and economic environment conducive to the development of small and medium sized enterprises (SME) by increasing the quality and standards of people's lives. This should include the enhancement of social and financial infrastructures and statutory social services.

- New educational model, integrated with the world educational community and providing highly professional and competitive workforce for the labour market.
- Mitigation of negative trends in demographic and migration processes, creating an environment conducive to population growth, first of all, through establishing effective mechanisms to support families and maternity along with achieving gender equality.
- Tangible decrease in morbidity rates by increasing access to and quality of health care; improving the health status of the population by promoting healthy lifestyles.
- Enhancing social security by providing targeted assistance to the disabled and the poor, create wider employment opportunities for the long-term unemployed and encourage productive work of people.
- Rural development, aimed at ensuring better living standards in rural settlements *(auls[13])* based on sound geographic rural settling, development of rural infrastructure.

Kazakhstan's five year experience in achieving the national development goals suffice for assessment of the Government's activities on poverty alleviation in the context of progress towards the UN Millennium Development Goals (MDGs). As the 2002 Millennium Development Goals Report for Kazakhstan states, the nation has already achieved two out of seven MDGs, namely universal primary education and gender equality in primary and secondary education.[14]

81st spring.

By Pavel Tischenko.

Kazakhstan has a strong potential for meeting the goal of eradicating extreme poverty and hunger; and can ensure sustainable access to safe potable water of the majority of population. However, there remain challenges of reducing child mortality and improving maternal health (table 1.5.1 and 1.5.2), halting the spread of HIV/AIDS, as well as ensuring environmental sustainability, which Kazakhstan is unlikely to meet by 2015. The table 1.5.3 summarizes Kazakhstan's position with regard to the MDGs. This report attempts to provide in-depth analysis of some MDG targets.

Table 1.5.1
Infant mortality and under five mortality rates in some countries, 2001

Country	Infant mortality rate, deaths per 1,000 live births	Under five mortality rate, deaths per 1,000 live births
Japan	3.0	5.0
Norway	4.0	4.0
Germany	4.0	5.0
Canada	5.0	7.0
United States	7.0	8.0
Poland	8.0	9.0
Russia	18.0	21.0
Kazakhstan	***19.3****	***22.8****
Kyrgyzstan	52.0	61.0

Source: Human Development Report 2003 Millennium Development Goals: A Compact Among Nations to End Human Poverty. UNDP, 2003.
** Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.*
*** UN Millennium Development Goals in Kazakhstan, 2002.*

Table 1.5.2
Maternal mortality rate in some countries, 2001

Country	Maternal mortality rate, deaths per 100,000 live births
Czech Republic	3.3
Hungary	5.2
Ukraine	18.1
Romania	34.0
Russia	36.5
Kazakhstan	***39.7****
Kyrgyzstan	43.8

Source: Social Monitor 2003. UNICEF Monee Project.
** Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.*

[13] In Kazakhstan *aul* refers to the rural settlement.
[14] UN Millennium Development Goals in Kazakhstan, 2002.

Table 1.5.3

Progress towards the Millennium Development Goals in Kazakhstan

Goals/Targets	Will the target be met?			
	Probably	Potentially	Unlikely	No data
EXTREME POVERTY Halve the proportion of people living below the subsistence minimum by 2015	✓			
HIV/AIDS Halt and reverse the spread of HIV/AIDS by 2015			✓	
HUNGER Halve the proportion of underweight among under-five year olds by 2015	✓			
BASIC AMENITIES Halve the proportion of people without access to safe drinking water		✓		
UNIVERSAL PRIMARY EDUCATION Achieve universal primary education by 2015	ACHIEVED			
GENDER EQUALITY Achieve equal access for boys and girls to primary and secondary schooling by 2005	ACHIEVED			
MATERNAL HEALTH Reduce maternal mortality ratio by three-quarters by 2015			✓	
CHILD MORTALITY Reduce under-five mortality by two-thirds by 2015			✓	
ENVIRONMENTAL SUSTAINABILITY Reverse loss of environmental resources by 2015			✓	

Source: UN Millennium Development Goals in Kazakhstan, 2002

✦ ✦ ✦

Poverty is a multidimensional phenomenon that has deep socio-economic, cultural and psychological roots. It is conditioned by time and location. Historical developments within individual countries must be taken into account when measuring poverty.

There are several ways to measure poverty including absolute, relative and subjective measures. In its 1997 Human Development Report, the United Nations Development Programme suggested considering poverty from the perspective of human development. In this perspective, indicators reflecting human development (life expectancy, unemployment, infant mortality, maternal mortality and others) are used to measure human poverty along with traditional measures of income poverty such as income levels, subsistence levels, and purchasing power. In fact human development indicators include the whole range of Millennium Development Goals and targets. Accordingly, the report suggests using a comprehensive set of human poverty indicators for Kazakhstan.

The notion of a subsistence minimum is an important instrument of state social policy in the fight against poverty. It is actually used worldwide as the criterion of absolute poverty and is thus referred to as the "poverty line" because it corresponds to the minimum level of income that is required to satisfy the most basic human needs. In Kazakhstan the subsistence minimum is also used to measure the incidence of absolute poverty. However, poverty is closely related to economic inequality and should be addressed in conjunction with welfare levels in all segments of society. The report therefore suggests that Kazakhstan not only has to focus its anti-poverty measures on those in absolute poverty, but must also take action to prevent people at poverty risk from falling into absolute poverty. A level of twice the subsistence minimum is thus recommended for defining those at poverty risk. Although this level of income is higher than the survival level, it still does not suffice for sustaining people's physical and intellectual capacities needed for a decent standard of living.

CHAPTER 2. POVERTY IN KAZAKHSTAN

One of the consequences of transition in post-*Soviet* economies, including Kazakhstan, is growing poverty incidence (see Section 1.4). The poverty situation is conditioned by many factors: economic recession, rapid decline in real wages, increased unemployment rates and devalued social benefits[1], low incomes and increasing inequalities, demographic and migration processes as well as gender, regional and environmental factors. The analysis of problems in each of the listed areas provides a comprehensive account of current poverty situation in the country.

2.1 POVERTY AND INEQUALITY

2.1.1 INCOME POVERTY

In Kazakhstan poverty incidence, or poverty headcount ratio, is defined as proportion of people with incomes below subsistence minimum (see Section 1.2). The subsistence minimum is an objectively defined level of income (expenditure) proportionate to the value of goods and services included in the consumer's basket. The consumer's basket consists of the food basket (70 percent) and non-food items and services (30 percent). The food basket size and structure is calculated to meet a certain nutritional intake expressed mainly by calorie intake, also considering food habits and availability of the goods in the local market. At the moment, the food basket contains items at the per-capita level of 2,172 kcals per day, which satisfies the WHO standards. As mentioned above, this constitutes 70 percent of the subsistence minimum. The share of non-food items and services are fixed at 30 percent of the value of the subsistence minimum.

The highest level of income poverty in Kazakhstan was registered in 1998 when 39 percent of the country's population lived below the subsistence minimum (3,336 tenge or 42.6 USD, by the official exchange rate[2]). Over the period between 1998 and 2002 the poverty level declined considerably, which is clearly seen from Table 2.1.1. By 2002 the percentage of the population with incomes below the subsistence minimum fell 1.6 times and stood at 24 percent, or 3.6 million people. The subsistence minimum was 4,761 tenge or 31.1 USD, by the official exchange rate.[3] The poverty depth and severity indices, which characterise the income shortfall of the poor and the degree of inequality among them, also show downward trends. During 1998-

Table 2.1.1
Income poverty, 1998–2002

	Income poverty indicators	1996	1997	1998	1999	2000	2001	2002
1	Subsistence minimum (SM), tenge	2,821	3,120	3,336	3,394	4,007	4,596	4,761
2	Proportion of population with incomes below SM, %	34.6	38.3	39.0	34.5	31.8	28.4	24.2
3	Poverty depth, %	11.4	12.1	12.8	13.7	10.3	7.8	6.1
4	Poverty severity, %	5.2	3.1	3.8	5.5	4.0	3.1	2.2
5	Food basket (FB), tenge	1,975	2,184	2,601	2,376	2,805	3,217	3,333
6	Proportion of population with incomes below FB, %	...	12.7	16.2	14.5	11.7	11.7	8.9

Source: Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

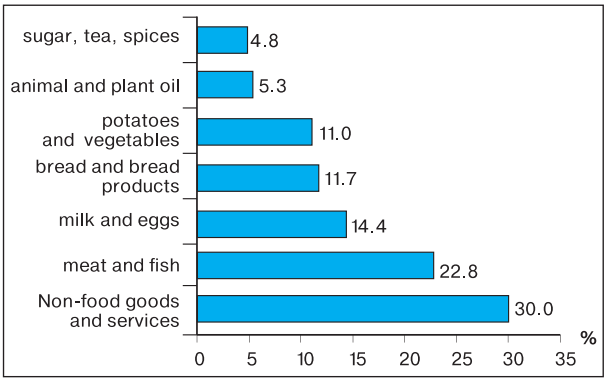
[1] Human Development: New Measure of Socio-Economic Progress. Textbook. Moscow 2000.
[2] In 1998, official exchange rate of 1 USD was 78.29 tenge. Statistics Yearbook. 2003. Statistics Agency of Kazakhstan, 2003.
[3] In 2002, official exchange rate of 1 USD was 153.28 tenge. Statistics Yearbook. 2003. Statistics Agency of Kazakhstan, 2003.

2002, poverty depth fell by 1.6 times and poverty severity by 1.7 times, amounting to 6.1 and 2.2 percent respectively in 2002. As the poverty depth and severity indices are measured against the subsistence minimum, then the income/consumption shortfall of the average poor in Kazakhstan is about 25 percent of the subsistence minimum.[4] According to the UN Millennium Development Goals Report for Kazakhstan, taking into account existing trends, it can be presumed that Kazakhstan will reach the Millennium Development Goal 1/Target 1 which refers to the reduced by 50 percent proportion of people whose income is less than subsistence minimum between 1990 and 2015.[5]

In the consumer's basket of Kazakhstan the share of non-food items is fixed at 30 percent, hence the subsistence minimum is actually defined by the food basket value. Changes in the proportion of actual food and non-food expenses of households are not taken into consideration. However, it is generally observed that the share of food expenses in the total consumption expenditure tends to decline as standard of living rises. This is explained by the fact that a human being can consume a limited amount of food, while share of non-food items increases.

In 2002 the share of total expenditure on food items, including eating out, beverages and tobacco, was 52.3 percent. Accordingly, the share of the total expenditure on non-food items was 47.7 percent. Expenditure patterns by population quintiles showed that the richest 20 percent of the population indeed spent more than half of their total expenditure on non-food items. This tendency is even stronger among urban households. The proportion of food and non-food expenses among the poorest quintile people is in inverse proportion to that of the richer population. Still even amongst the poorest people, expenditure on the non-food items is about 40 percent of the total. This proves that the current proportion of the consumer basket used for the essential non-food items (30 percent) seriously underestimates the non-food expenses of households. Hence, the proportion of food and non-food items in the consumer's basket should be revised to become 60 and 40 percent. Furthermore, three traditionally recognized basic needs are food, clothes and shelter. In 2002, housing expenses of the low-income population amounted to about 10 percent of their total consumption expenditure. Therefore, it is possible to separate the housing expenses so that the consumer basket comprises three components: food basket, non-food items and housing with the proportion of 60:30:10.[6]

Figure 2.1.1
Composition of the subsistence minimum, December 2002



Source: Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan. 2003, p. 16.

In former Soviet Union, low-income groups consisted largely of single mothers with many children, pensioners and disabled people.[7] In Kazakhstan, about 58 percent of the poor are people of working age that do not have a job or with salaries so inadequate that they cannot provide for either themselves or their families[8] (table 2.1.2). Children (over one third of the country's poor population), especially from large families, also prove most vulnerable to poverty. Pensioners constitute 8.8 percent. The analysis of the situation on the labour market and of demographic factors is given in Sections 2.3 and 2.6.

Table 2.1.2
Who are the poor in Kazakhstan, 2002

Categories	Proportion as % of total population
Poor population, including	100
Working-age population (both low paid employed and unemployed)	57.7
Children	33.5
Retired	8.8

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003, p. 123.

[4] Yu. Shokamanov. Human Development in Kazakhstan: Measurement Methodology and Analysis. Almaty, 2003.
[5] UN Millennium Development Goals in Kazakhstan, 2002.
[6] Final Report of Joint UNDP/ILO Project on 'Decent Work: Integrated Approach to Social Sphere in Kazakhstan'. Astana, 2003.
[7] UN Millennium Development Goals in Kazakhstan, 2002.
[8] Household surveys 'Causes and Conditions of Poverty in Kazakhstan' for 2001 and 2002, Statistics Agency of Kazakhstan.

The percentage of the population with incomes below the food basket cost was declining slowly. By 2002 it dropped to 8.9 percent or 1.3 million people, with the food basket cost at 3,333 tenge or 21.7 USD, by the official exchange rate.[9] Compared to 1998 the percentage of the population living below the food basket level had dropped by 1.8 times (table 2.1.1). As mentioned in UN Millennium Development Goals Report for Kazakhstan it can be assumed that people whose income is below the food basket cost are most likely to suffer from inadequate nutrition. Malnutrition reduces energy and mental concentration and can present serious risks to people's health and, in the most severe cases, survival. Furthermore, it is one of the causes of the high incidence of anaemia, which is recognized as an acute health problem in Kazakhstan (see Section 2.7).[10]

Analysis of dietary intake of the poor, based on 2002 data, showed that the so-called 'carbohydrate nutrition model' was prevalent among the poor in comparison to the overall population (table 2.1.3).

Table 2.1.3
Dietary intake of the poor and general population, 2002

#	Food products	Average per capita dietary intake of the poor, kg per month	Average per capita dietary intake of the general population, kg per month
1	Bread products and cereals	10.3	10.0
2	Meat and meat products	1.7	3.7
3	Fish and seafood	0.4	0.7
4	Milk and dairy products	11.1	19.3
5	Eggs	4.8	9.4
6	Oils and fats	0.9	1.2
7	Berries, fruit, melons and gourds	1.2	2.7
8	Vegetables	4.2	6.7
9	Potatoes	3.3	5.4
10	Sugar, jam, honey & other confectionery	2.0	2.7

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003 pp.81-82.

The poor consume more bread products and cereals but less 'high-quality' products such as meat, milk, eggs, fruit and vegetables. For example, in 2002 consumption of meat products among the poorest people was more than 2 times less than the national average: 1.7 kg and 3.7 kg respectively. The gap in consumption of milk, eggs, fruit and vegetables was also more than 2 times.

In 1996 Kazakh Nutrition Academy, in collaboration with UNDP and WHO, conducted a national nutrition survey of the Kazakhstan population.[11] The survey showed that the most affordable food items for poor population were bread, whole milk, lamb, black tea, sugar, flour and macaroni, which made up the bulk of their diet. People with higher incomes consume more meat products, eggs, dairy products, tinned vegetables, potatoes, curds and cheese. As a household's income rises, its diet widens to include chicken, fish, various fatty products, vegetables, cereals, confectionery and alcoholic and non-alcoholic drinks.

In addition to the poverty headcount ratio (percentage of people with incomes less than the subsistence minimum) Kazakhstan uses the administrative 'poverty line', which is described in the Law on 'the Subsistence Minimum' (box 1.2.1). According to the law, the 'poverty line' is an eligibility criterion for state targeted social assistance provision to the poor; it is equal to the minimum income required to satisfy basic human needs. The amount of the assistance is determined on the basis of the country's economic capacity. The poverty line was determined at 38 percent of the subsistence minimum for 2000-2001 (1,523 and 1,747 tenge per month respectively). In 2002 this figure amounted to 40 percent of the subsistence minimum (1,904 tenge or 12.4 US dollars by official exchange rate).[12]

By the end of 2002 more than a million people (1,137 million) received state targeted social assistance in Kazakhstan. In 2002 the average monthly amount of state social targeted assistance was 998 tenge (or 6.5 US dollars by

[9] In 2002, official exchange rate of 1 USD was 153.28 tenge. Statistical Yearbook for 2003. Statistics Agency of Kazakhstan, 2003.

[10] UN Millennium Development Goals in Kazakhstan, 2002.

[11] National Nutrition Survey of Kazakhstani Population. Institute of Nutrition of Kazakhstan/UNDP, 2001. The findings of the survey can be referred to within 10 years after the time of the survey.

[12] 'Determining the Poverty Line'. Government's Decree #537 as of 8 April 2000.

Box 2.1.1 'Poverty Line' as a criterion for state targeted social assistance

According to the Law on '*State Targeted Social Assistance*'[13], the **state targeted social assistance** is a monetary benefit provided by the state to persons and/or families whose income is below the 'poverty line' fixed in the regions, plus Astana and Almaty cities. People entitled for targeted social assistance are citizens of Kazakhstan, repatriates (*oralmans*[14]), persons with refugee status, expatriates and persons without citizenship but with residence permits, and those permanently living in Kazakhstan whose average per capita income does not exceed the 'poverty line'.

The **poverty line** is determined in accordance with the Law on *'the Subsistence Minimum'*[15]. According to the Article 4 of this law:

1. Poverty line is the amount of income required to satisfy basic human needs, which is determined depending on the country's economic capacity.
2. Poverty line is determined on a quarterly basis by regions as defined by Government.
3. Poverty line is an eligibility criterion for provision of social assistance to the low-income population.

official exchange rate) per each member of the family (see Section 2.5).[16]

Poverty line is a very important socio-economic concept used worldwide. As mentioned earlier, many countries define the poverty line at the level of the subsistence minimum. Kazakhstan though uses the term poverty line to define eligibility criterion for state targeted social assistance, which is currently 40 percent of the subsistence minimum. It is recommended that Kazakhstan accept the international definition of the poverty line (at the level of the subsistence minimum). There are two reasons for that. Firstly, the appropriate definition of the poverty line by countries allows international comparisons. Secondly, the appropriate definition of the poverty line is not related to a government's ability to extend social assistance to all those who live below the poverty line. Kazakhstan can define the eligibility criterion for state targeted social assistance at the level of certain proportion of the poverty line. Consequently, amendments to the current legislation can be made as follows: the state targeted social assistance is provided to households with per-capita incomes less than the certain proportion of the 'poverty line', or subsistence minimum. Furthermore, the minimum food basket is the most essential part of the subsistence minimum; hence it is recommended that its value serve as criterion for the state targeted social assistance. Indeed persons/households living below this level need some type of assistance from the state until they can improve their standard of living.[17]

2.1.2 ECONOMIC INEQUALITY

Incomes are the main factor determining the population's living standards. As Kazakhstan economy has been reviving, people's incomes have nearly doubled: from 1998 to 2002 monetary expenditures for consumption of Kazakhstani people rose from 2,992 to 5,671 tenge. Furthermore, there has also been a steady growth of the purchasing power of average per capita incomes since 2000 (table 2.1.4, see also Section 1.2).

Table 2.1.4
Income and its purchasing power, 2000–2002

#	Indicators	2000	2001	2002
1	Average per capita income used for consumption, tenge	5,030	5,729	6,518
2	Subsistence minimum (SM), tenge	4,007	4,596	4,761
3	Income purchasing power index (ratio between 1 and 2)	1.25	1.24	1.36

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Based on the income purchasing power index, Kazakhstan's population can be grouped into four social strata by their living standards (table 2.1.5, see also Section 1.2). In 2002 over 71 percent of country's population were either poor (24.2 percent) or at poverty risk (47.3 percent). Monetary incomes of those people did not provide for comfortable consumption level; they were

[13] Law 'On State Targeted Social Assistance' was adopted on 17 July 2001 and became effective since 1 January 2002.

[14] As defined by Law 'On Population Migration' as of 13 December 1997, a repatriate (oralman) is a person of Kazakh ethnicity expatriated from the historical home country, with his/her citizenship withdrawn, due to mass political repressions, illegal confiscation of property, forced collectivisation and other inhumane actions, who voluntarily repatriates to Kazakhstan for permanent living, as well as his/her descendants.

[15] The Law on 'Subsistence Minimum in Kazakhstan' was adopted on 16 November 1999 and became effective on 1 January 2000.

[16] Report on assignment and payment of state targeted social assistance for the 4th quarter of 2002. Information and Analysis Centre under the Ministry of Labour and Social Protection, Kazakhstan.

[17] Final Report of joint UNDP/ILO project on 'Decent Work: Integrated Approach to Social Sphere in Kazakhstan'. Astana, 2003.

Table 2.1.5
Social strata in Kazakhstan, 2002[18]

Social strata	Income	Proportion of total population, %
Poor	Below the subsistence minimum (SM)	24.2
Low-income/ at poverty risk	Above the SM but below the minimum consumer budget (MCB)	47.3
Middle-income	Above the MCB but below the high-income budget (HIB)	23.8
High-income	Above the HIB	4.7

denied access to (quality) education and healthcare services, recreation; they could not improve their housing conditions and avail themselves of a relatively wide range of paid services. Many of them had to cultivate household land plots to survive. Middle- and high-incomes were available only to one third of the country's population in 2002: 23.8 percent and 4.7 percent of the total population had monetary incomes providing for comfortable and advanced consumption respectively. In other words, in 2002 only one third of Kazakhstanis could afford balanced nutrition, good quality education, health care, recreation, participation in social life, etc.

The bulk of household incomes come from wages and salaries. Their proportion in total income, although falling during 1999-2001 (from 80 to 77 percent), remains high.[19] In 2002 incomes of the country's population were generated through the following sources ranked by their importance as perceived by respondents:[20]

- paid employment (65.5 percent of all responses);
- pensions (35.3 percent);
- self-employment (16.7 percent);
- consumption of produce from household land plots (43.6 percent);
- social assistance (13.4 percent);
- assistance by the relatives or friends (16.1 percent);
- sale of products from household land plots (13.1 percent);
- short-term employment (10.3 percent);
- property income (0.5 percent)
- stipend (0.6%)
- other (9.5%)

Kazakhstan ranks median among CIS countries by economic inequality indicators. The assets coefficient is between 11 and 12, and Gini coefficient fluctuates at 0.34 (table 2.1.6). In 2002 the assets coefficient dropped to 9.8, and the Gini index to 0.31.

Table 2.1.6
Economic inequality in Kazakhstan

	Indicators	
	Assets coefficient	Gini coefficient
1998	11.3	0.347
1999	11.0	0.340
2000	11.9	0.343
2001	11.3	0.348
2002	9.8	0.312

Source: Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

2.1.3 CAUSES OF POVERTY AS PERCEIVED BY PEOPLE

Kazakhstani population perceives inadequate wages and unemployment as the main causes of poverty (table 2.1.7). Over 80 percent of respondents expressed this view when surveyed

Table 2.1.7
Causes of poverty: people's perception

Causes of poverty as identified by respondents	2001 %	2002 %
Low wages	35.4	43.7
Inability to secure sustainable employment at the place of residence	17.8	17.0
No jobs at all	21.5	13.0
Lack of employment that I am used to rely on	8.4	7.5
Presence of dependents (children, parents, relatives) without any income	5.0	5.4
Poor health status	4.1	4.1
Insufficient level of education	0.8	1.5
Lack of social assistance as no opportunities to earn income	-	0.8
Insufficient experience (low qualification)	0.8	0.7
Presence of socially inadequate family members (alcohol or drug abuse, etc.)	0.7	0.3
Unfavourable conditions at the place of residence (poor economic and environmental conditions)	-	0.2
Other	5.5	5.8

Source: Survey of poor households 'Causes and Conditions of Poverty in Kazakhstan' for 2001 and 2002, Statistics Agency of Kazakhstan.

[18] The grouping is based on households' incomes spent for consumption in 2002. The results of the household budget survey were extrapolated to cover the general population.
[19] Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2002.
[20] Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003, pp. 128, 129.

in 2001 and 2002.[21] Correspondingly, the main factors that would, according to respondents, improve their financial position are increased wages and secure employment (table 2.1.8). The problem of employment is more acute in rural than in urban areas: 40.4 percent and 29.3 percent of responses (see Section 3.1).

Table 2.1.8
Ways to improve living standards as perceived by people

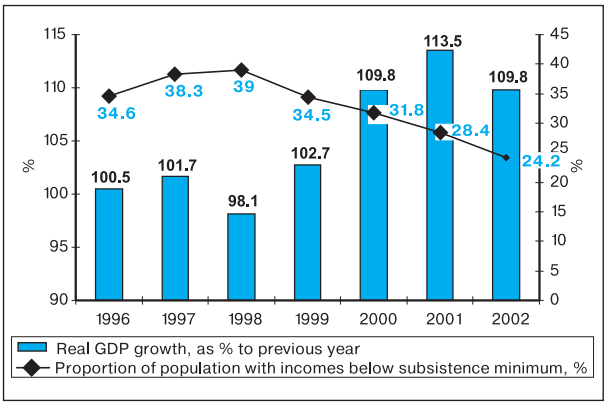
Factors identified by respondents	Total	Including residents of	
		Urban areas	Rural areas
Increased salary	46.1	49.9	42.5
Secured employment	35.0	29.3	40.4
Increased pensions	11.6	13.2	10.2
Professional growth	1.8	2.2	1.4
Start-up capital (loans) to set up own business	1.6	1.4	1.8
Improved health status	1.5	1.6	1.3
Gaining a loan for small-scale business	0.7	0.4	1.1
Increased social benefits	0.7	1.0	0.3
Increased targeting of social assistance	0.3	0.3	0.2
Migration to another country	0.3	0.4	0.1
Receive land and work on it	0.2	0.1	0.4
In-country migration (from urban to rural area and vice versa)	0.1	0.0	0.2
Other	0.1	0.2	0.1

Source: Household survey 'Causes and Conditions of Poverty in Kazakhstan' for 2002, Statistics Agency of Kazakhstan

2.2 INFLUENCE OF ECONOMIC GROWTH ON POVERTY REDUCTION

Sustainable economic development is the most important condition for improving the welfare of the population and reducing poverty in the country. Positive poverty reduction trends in recent years have been linked to the impressive economic growth since 1999, which has been conducive to growing employment and income levels. It laid a favourable foundation for improved standards and quality of life in Kazakhstan (figure 2.2.1). In this light, analysis of causes of poverty begins with an analysis of the relationship between economic growth and poverty.

Figure 2.2.1
Real GDP growth and poverty, 1996–2002



Source: Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Profound economic crisis in Kazakhstan lasted five years, starting at the beginning of the transition period: an increase in GDP (0.5 percent) was first registered only in 1996. However, since 1999 Kazakhstan has been enjoying considerable economic growth coupled with a falling inflation rate (table 2.2.1). Thus created favourable macroeconomic conditions for increased employment (especially in growth sectors) and incomes of the population, as well as for increased purchasing power of monetary incomes and reduced poverty levels. Indeed, the poverty headcount ratio has dropped from 39 percent in 1998 to 24 percent in 2002. In order to consolidate this trend, further real GDP growth and changes in its final use are needed to ensure improved standards of living for the entire population.

The economic growth since 1999 has been accompanied by increasing gross capital formation[22] as well as household expenditure on consumption. However, the growth rate of GDP expenditure on gross capital formation was significantly higher than that of the household expenditure on consumption (table 2.2.2). Growth of GDP expenditure on gross capital formation itself and, more importantly, of fixed assets, can be regarded as positive phenomenon, resulting in an enhanced production base for potential economic growth. In transition economies the priority of gross capital formation is, as a rule,

[21] Household survey «Causes and Conditions of Poverty». Statistics Agency of Kazakhstan, 2002.

[22] Gross capital formation includes outlays on land improvements, construction of plants, acquisition of machinery and equipment, infrastructure (including social) improvements and construction of private residential dwellings.

Table 2.2.1
Main economic indicators, 1998–2002

Indicators	1998	1999	2000	2001	2002
Real GDP growth (%)	98.1	102.7	109.8	113.5	109.8
GDP:					
In billion tenge	1,733.3	2,016.5	2,599.9	3,250.6	3,776.3
In USD billion by official exchange rate	22.1	16.8	18.3	22.2	24.6
Per capita GDP:					
In thousand tenge	115.0	135.1	174.8	219.2	254.2
In USD by official exchange rate,	1,469	1,129	1,229	1,491	1,646
Consumer price index (%)	101.9	117.8	109.8	106.4	105.9

Source: Statistical Yearbook for 2003. Kazakhstan Statistics Agency, 2003.

fairly justified. However, immediately apparent is the disproportionately high growth of gross capital formation, which exceeds growth of the household expenditure on consumption in both absolute values as well as by rate. The low level of the household expenditure on consumption (in comparable prices, in 2001 it was 56 percent of its 1990 level[23]) suggests that the investments into fixed assets are made at the expense of investments into human capital, including individual salaries and wages. Therefore, in the context of poverty reduction, it is important to look into the expenditure on GDP.

Table 2.2.2
Expenditure on GDP and household expenditure on consumption

	1998	1999	2000	2001
Expenditure on GDP, %, including	100	100	100	100
Final consumption, including	84.1	84.0	74.4	73.1
Private	79.1	79.0	68.1	65.1
Government	5.0	5.0	6.3	8.0
Gross capital formation, total	15.8	17.8	18.1	26.8
Net export	-4.6	2.3	7.8	-3.0
Statistical discrepancy	4.7	-4.1	-0.3	3.1
Household expenditure on consumption in comparable prices, % relative to previous year	99.5	100.1	102.5	108.9

Source: Statistical Yearbook for 2003. Statistics Agency of Kazakhstan, 2003.

Due to considerable economic growth, government revenue and expenditure have significantly increased in Kazakhstan (table 2.2.3). The Government managed to reduce the budget deficit from 69.8 billion tenge in 1999 to 13 billion tenge in 2002. This allowed for increased social spending from the national budget, and contributed to improved welfare of the population and reduced poverty. However, still the funding of education, healthcare and social security remains low thus restricting human development (table 2.2.4, also see Section 1.4).

Table 2.2.3
State budget: revenue and expenditure

	1998	1999	2000	2001	2002
Revenues, % of GDP	17.9	19.8	22.6	23.0	21.9
Revenues, billion tenge	309.5	398.6	598.7	746.6	821.2
Expenditure, % of GDP	21.8	23.2	23.2	23.4	22.3
Expenditure, billion tenge	377.4	468.4	602.0	759.6	834.2
Balance	-67.8	-69.8	-3.3	-13.0	-13.0

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Table 2.2.4
Public expenditure on the social sector, 1998–2002

Expenditure items	1998	1999	2000	2001	2002
Total state budget expenditure, % of GDP	21.8	23.2	23.2	22.1	22.3
of which, on: Education, billion tenge	69.5	78.5	84.7	106.4	121.1
% of GDP	4.0	3.9	3.3	3.3	3.2
Healthcare, billion tenge	26.0	44.8	54.3	62.3	71.1
% of GDP	1.5	2.2	2.1	1.9	1.9
Social security, billion tenge	53.6	159.1	171.1	186.7	201.4
% of GDP	3.1	7.9	6.6	5.7	5.4

Source: Living Standards of Population in Kazakhstan. Kazakhstan Statistics Agency, 2003.

[23] Russia in Figures in 2003. Statistics Book. Russian National Statistics Committee. Moscow 2003, p.388.

2.3 LABOUR MARKET TRENDS AND THE IMPACT ON POVERTY

Sound macro-economic policies should contribute to poverty reduction by stimulating regional development and productive employment, including for disadvantaged people. They should also affect the quality of jobs. Economic measures shall help restructuring idle enterprises, forming small and medium enterprises, introducing new technologies and reducing 'informal' employment.

As mentioned earlier, one of the main causes of poverty in Kazakhstan is the lack of productive employment with decent salaries (see Section 2.1.3). Recent economic growth triggered some positive developments on the labour market: increased demand for labour and labour force participation rate (table 2.3.1). Since 1999 the number of employed has also been steadily increasing.[24]

Table 2.3.1
Labour force in Kazakhstan, 1998–2002

	1998	1999	2000	2001	2002
Labour Force Participation Rate, %	65.9	66.0	66.0	70.2	70.1
Employed (thousand people)	6,127.6	6,105.4	6,201.0	6,698.8	6,708.9
Employment rate, %	86.9	86.5	87.2	89.6	89.1
Unemployed (thousand people)	925.0	950.0	906.4	780.3	690.7
Unemployment rate, %	13.1	13.5	12.8	10.4	9.3
Registered unemployment rate, %	3.7	3.9	3.7	2.9	2.6

Source: Living Standards of Population in Kazakhstan. Kazakhstan Statistics Agency, Almaty, 2003.

The structure of employment by sectors changed considerably between 1999-2002. Proportions of people employed in agriculture, hunting and forestry increased from 22 to 35 percent, while the proportion of people employed in industry[25], construction and services sector fell from 18 to 16 percent and from 59 to 48 percent, respectively.[26] The increase in the proportion of agricultural employees was conditioned by relatively high growth rates in this sector in 2000 and 2001. Proportion of people employed in agriculture, hunting and forestry increased by 45.3 percent in 2000 and by 21.9 in 2001, however did not change in 2002. In total, employment in these sectors increased by 77.2 percent between 1999-2002.[27] At the same time, there was remarkable migration of rural residents to urban areas (see Section 3.1) because of the lack of employment and prospects for securing a job (85.8 percent) as well as difficulties in running a private business (34.5 percent).[28]

In the industry, the number of employed was falling: by 5.5 percent in 2000, 2.9 percent in 2001 and by 0.8 percent in 2002. The number of employed in processing industries fell by 8.9 percent during 1999-2002.[29] However, the employment trends in processing and extractive industries differ. In 1999-2001, employment decreased in the processing industries from 10.3 to 7.5 percent. On the contrary, employment in extractive sectors was growing, mainly in the oil and gas as well as mineral sectors. Still the extractive industries employed only 2.5 percent of the overall employed population in 2002, which is only 4 percent higher than in 1999.[30]

Based on the ratio of the nominal wage to the subsistence minimum (referred to as wage purchasing power index), the employed population of Kazakhstan can be grouped into three categories. **Low-paid employees** have nominal wages less than twice the subsistence minimum. The nominal wages of the **middle-paid labour** are between the minimum consumer budget and high-income budget. The **highly paid employees** earn the nominal wages higher than the high-income budget, i.e. more than seven times the subsistence minimum.

Table 2.3.2 indicates that 44 percent of all employees fall into the low-paid category, which make them vulnerable to poverty. Moreover, despite economic growth, the proportion of low-paid employees remains almost the same, with little redistribution mainly towards the middle-paid employees. This testifies to the inadequacy of wages received by most paid employees in Kazakhstan as well as the need to increase real wages of, at least, half of employees.

[24] Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003. p 63.
[25] Industry includes mining, processing industries as well as production and distribution of power, gas and water.
[26] Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003, p. 244-245.
[27] Calculated based on: Labour and Employment of Population in Kazakhstan. Statistics Agency of Kazakhstan; Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.
[28] Rural Areas of Kazakhstan: New Aspects of Typology. UNDP Kazakhstan, 2002.
[29] Calculated based on: Poverty Monitoring Indicators for Kazakhstan. Statistics Agency of Kazakhstan, 2003. p. 63.
[30] Calculated based on: Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003, p. 32; Living Standards of Population. Statistics Agency of Kazakhstan, 2003, pp.36-37.

Table 2.3.2
Distribution of employees by wage level, 1999–2002

Categories of employees	1999	2000	2001	2002
Low-paid (wage < minimum consumer budget), %	45	45	45	44.1
Middle-paid (minimum consumer budget < wage < high-income budget), %	44.6	42.9	42.0	42.8
Highly-paid (wage > high-income budget), %	10.4	12.1	13	13.1

Calculated based on: Labour and Employment in Kazakhstan. Kazakhstan Statistics Agency, 2003, pp. 108-109; Living Standards of Population in Kazakhstan. Kazakhstan Statistics Agency, 2003.

Analysis of the wages by sectors points to the existence of disparities in purchasing power of wages among employees (table 2.3.3). Relatively high wages has been recorded in exterritorial organisations (e.g. diplomatic offices or international organisations), which provide for decent remuneration for qualified work, as in developed countries. The financial sector continues to develop intensively in the context of transition to a market economy and exhibits high demand for qualified specialists with decent remunerations. Due to high growth rates, extractive industries have also managed to ensure decent salaries for their employees.

Middle level wages are traditionally paid in such sectors as construction, transport, communications and processing industries. In addition to these, this group contains such market-economy essentials as trade, real estate and various household services. Although salaries in civil service, provision of utilities and other services belong to the middle category, they are at the lower end of this group.

Table 2.3.3
Purchasing power of wages by sectors, 1999–2002

Sectors	Purchasing power of wages (ratio between nominal wages and subsistence minimum)			
	1999	2000	2001	2002
National average	3.5	3.6	3.8	4.3
A. High				
Finance	9.8	9.0	9.1	10.6
Mineral resource industry	7.3	8.0	8.0	8.4
Diplomatic missions, international organisations, etc.	19.9	11.9	16.9	28.6
B. Middle				
Construction	4.7	5.2	5.8	6.8
Transport and communication	4.3	4.7	5.3	6.1
Industry as a whole	4.8	5.2	5.2	5.5
including				
production and distribution of power, gas and water	4.6	4.3	4.4	4.5
processing industry	4.1	4.4	4.3	4.6
Operations with real estate, rent and service delivery to consumers	3.3	4.2	4.8	6.2
Hotels and restaurants	4.0	4.0	4.7	6.9
Delivery of utilities, social and personal services	3.0	3.2	3.7	4.4
Trade; maintenance of cars, domestic appliances and durable items	3.2	3.2	3.3	4.0
Civil Service	3.3	2.9	3.3	3.6
C. Low				
Education	2.4	2.1	2.2	2.7
Healthcare and social service delivery	2.0	1.8	1.8	2.3
Fishing and fish-breeding	1.7	1.7	1.6	1.8
Agriculture, hunting and forestry	1.4	1.4	1.5	1.7

Calculated based on: Living Standards of Population in Kazakhstan. Kazakhstan Statistics Agency, 2003; Statistical Yearbook for 2003. Kazakhstan Statistics Agency, 2003.

The low wages paid in education, healthcare and social security, as well as agriculture, testifies to the unattractiveness of these vital sectors to qualified personnel and indicates disproportions in the final use of GDP and the state budget resources.

Box 2.3.1 Extract from the Law on 'Labour in Kazakhstan'

Article 11. Working age

1. Persons who have reached the age of 16 can be hired.

2. Those receiving vocational education or giving up secondary school can enter an individual labour contract after reaching the age of 15 with consent of parents or a guardian.

3. With consent of parents/guardian an individual labour contract can be granted to students who have reached the age of 14 to do work not damaging to health and not disturbing educational process at times free from studying.

5. Employment of persons under the age of 18 for heavy manual work and work in harmful and/or dangerous labour conditions is inadmissible.

Article 45. Working time

2. The working hours shall not exceed 40 hours per week.

Article 46. Working hours

1. Reduced working hours are set for certain categories of employees:

a) For employees between the age of 14 and 16 - no more than 24 hours per week; between the age of 16 and 18 – no more than 36 hours per week;

b) For workers employed in heavy manual labour or working in harmful labour conditions – no more than 36 hours per week.

Article 47. Work week and work hours

Employees shall have a 5-day working week with two rest-days … In organisations where by the nature and conditions of work a 5-day working week is not reasonable, a 6-day working week with one rest-day is set.

Article 60. Annual paid leave

3. Annual paid leave of no less than 18 calendar days is granted to employees unless otherwise stipulated in other normative legal documents.

Article 71. Wage

The amount of wage is determined the by employer independently and cannot be less than the minimum salary fixed by the legislation of Kazakhstan.

The employment structure is conditioned by availability of jobs in the economy as well as remuneration levels. The structure of youth employment is particularly important as it reflects future labour market trends and may lead to persistent poverty in the future.

In 2002 the proportion of young workers (aged under 25) was 18.8 percent in agriculture and 8.1 percent in industry, with the first percentage higher and the second lower than the share of employees in those sectors of the total employed population. The high proportion of youth entering the agricultural labour market for the first time has to a large extent been caused by the difficulties rural youth experience when trying to obtain a job elsewhere. Low wages in industry make them unattractive for urban population (especially youth) first entering the labour market. Young people rather look for highly-paid occupations. This resulted in a higher proportion of youth under 25 employed in trade (15.7 percent), real estate (11.6 percent) and provision of household services (13.8 percent).[31]

Low incomes in the 'formal' economy have stimulated the population to expand and diversify their sources of livelihood.[32] As a result, in 2001, over 20 percent of full-time employees worked more than the legally permitted 40 hours per week maximum. Over 726,000 people (10.8 percent of those employed) had another part-time job. The average duration of the working week of additional part-time work was 12.2 hours. In addition, based on expert assessments, informal part-time employment exists on a very large scale.

[31] Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.

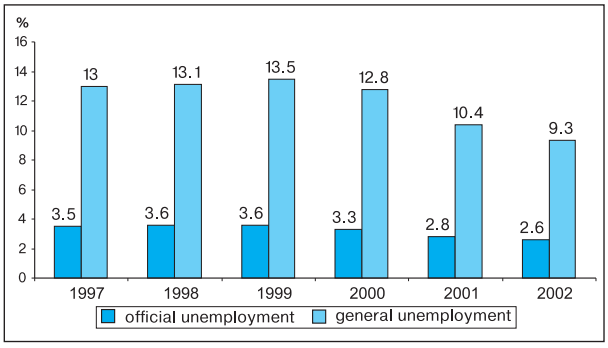
[32] Main Indicators of the Labour Market of Kazakhstan in 2002. Statistics Agency of Kazakhstan, 2002, p.74-95.

Another challenge is the 'part-time' nature of formal full-time employment. In 2002 due to the complete or partial suspension of production, 26,500 people were on forced leave and 16,700 people were working according to a reduced schedule. Further, 43,000 people or 0.6 percent of the labour force were 'hidden' unemployed, i.e. they were formally employed, but did not perform their duties because of idleness of their enterprises, and did not receive any remuneration. This indicates the incomplete use of Kazakhstan's human resource base.

There was a rapid growth in the number of self-employed in the early 1990s and then an increase in the number of paid employees during years of economic growth. The employment status stabilized between 1991-2002 with the ratio between hired and self-employed standing at approximately 60:40.[33] The proportion of self-employed in agriculture, hunting and forestry were particularly high (in 2002 it was 76.3 percent of all employed)[34]. The proportion of self-employed was also high in trade and maintenance of cars, consumer goods and domestic items (58.2 percent) and provision of household services (71.9 percent). The high level of self-employment in a number of sectors indicates emerging economic conditions for poverty reduction through new income sources. However, considerable increase in the number of self-employed people brings additional development challenges such as the low wages they typically earn and their potential exclusion from social security schemes. To address these challenges, there is a need for action to create favourable conditions for entrepreneurship and increase access to credits and micro-credits.

A reduction in the number of unemployed was first recorded in 2000 (figure 2.3.1). By 2002, due to economic growth, the level of unemployment[35] dropped to 9.3 percent or 690,700 people.

Figure 2.3.1
Unemployment, 1997–2002



Source: Poverty Monitoring Indicators in Kazakhstan. Kazakhstan Statistics Agency, 2003.

In 2002 registered unemployment stood at 2.6 percent. In 1999–2002 the gap between the general and registered unemployment narrowed. This was partly due to growing proportions of unemployed people benefiting from placement services: the number of unemployed who received a job increased from 20.1 percent in 1999 to 41.0 percent in 2002. In 2002, significantly more applications from the unemployed were registered. This was prompted by the adoption of the Law on 'State Targeted Social Assistance', according to which only the registered unemployed can apply for the state targeted social assistance.

Majority of the unemployed in 2002 were younger than 45 years, which is the most active working age (table 2.3.4). Slightly more than 20 percent of the unemployed were people at the age between 45 and 64, when it is most difficult to be re-employed. One third of the unemployed were under 25 years, which is linked to the problems of finding employment for youth when first entering the labour market. The main causes of youth unemployment are as follows:[36]

- absence of any job (32.6 percent of all responses);
- lack of job after graduation (17.4 percent);
- redundancy (15.9 percent);
- liquidation of enterprises (11.3 percent);
- resignation (7.6 percent);
- other (7.4 percent).

Table 2.3.4
Unemployment by age groups, 2002

#	Age group	Proportion of unemployed in the respective age group	
		As % of the total unemployed	As % of the labour force
1	24 and younger	28.6	2.61
2	25–34	25.2	2.36
3	35-44	24.8	2.31
4	45-54	17.6	1.65
5	55-64	4.4	0.41
6	65 and older	0.1	0.01
	Total	100	9.3

Calculated based on: Labour Market in Kazakhstan: 1991-2002. Kazakhstan Statistics Agency, 2003, pp. 150-151.

[33] Labour and Employment of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003. Table 1.1. p. 6–7.
[34] Statistical Yearbook of Kazakhstan for 2003. Statistics Agency of Kazakhstan, 2003.
[35] Refers to the proportion of unemployed people in the country's labour force, which is derived from the labour force surveys.
[36] Main Indicators of the Labour Market of Kazakhstan. Statistics Agency of Kazakhstan, 2001.

Gender analysis of unemployment shows that female unemployment is higher than male unemployment (figure 2.3.2). However, between 1997-2002, growing male unemployment and falling female unemployment were observed, which resulted in the reduced gap between them. In 2002 however women unemployment grew and unemployment among men decreased unlike the trends in previous years (figure 2.3.2, see also Section 2.8). The gap between rural and urban unemployment significantly widened in 2001 and 2002 (figure 3.1.4). At the same time, in 2001 and 2002 rural unemployment decreased and became lower than in urban areas. Unemployment rate varies among regions, in 2002 from 7.3 to 12.5 percent (figure 2.3.4).

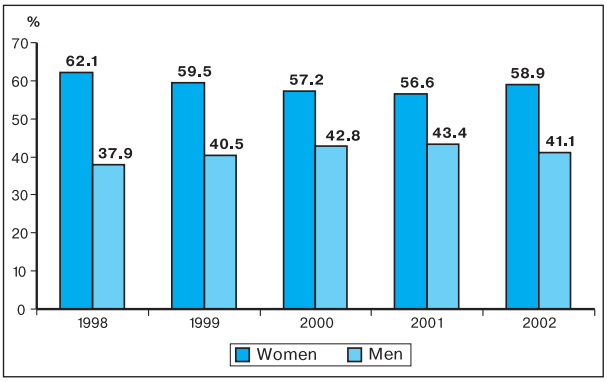
The problem of long-term unemployment has become serious: its level reached 6 percent in 2002.[37] Over three quarters of all unemployed people are affected by long-term unemployment: 68.5 percent of the overall unemployed were job-hunting for over a year.[38] Of these, 19.3 percent were looking for a job for 5 or more years and 20.8 percent had never had employment. Unemployment trends in other transition economies confirm that unemployment grows rapidly during economic recession, however it declines only slowly as economic situation improves. To resolve this problem, special attention should be paid to professional retraining as well as counselling and other support provided by the state to the long term unemployed.

In sum, the situation on the labour market of Kazakhstan remains tense and in fact creates conditions conducive for poverty. Recent economic growth was primarily led by development of the extractive sectors (oil, gas and minerals), which did not generate much employment opportunities. Majority of employees continue earning low salaries and wages, which do not provide for decent standard of living. It is linked to lack of productive employment, gaps in labour legislation as well as insufficient role of trade-unions. Low remuneration levels in the social sectors are of particular concern, as it reflects low public investments in human capital and make these vital sectors of economy unattractive for qualified specialists. Long-term unemployment may also lead to persistent poverty in future. Hence, poverty reduction requires diversification of the national economy and accelerated economic growth in processing industries and other sectors producing goods and services for people to provide decent income and employment for the majority of population.

[37] Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003. p.36.

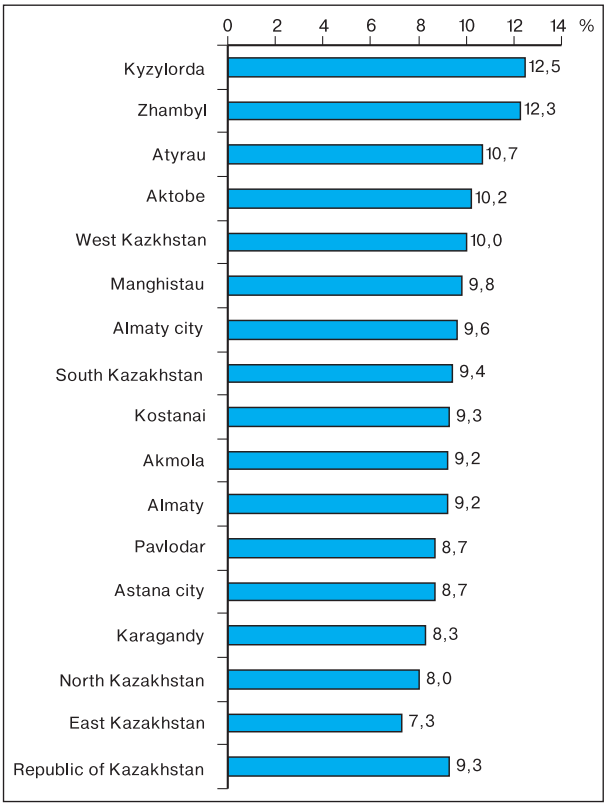
[38] Calculated based on: Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003, p. 156.

Figure 2.3.2
Unemployment by gender, 1997–2002



Source: Women and Men of Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Figure 2.3.3
Unemployment by regions, 2002



Source: Poverty Monitoring Indicators in Kazakhstan. Kazakhstan Statistics Agency, 2003.

2.4 EDUCATION AS A FACTOR OF POVERTY REDUCTION

Education has a clear and comprehensive effect on quality of life. A higher education level in a country - with other factors being equal - should lead to higher labour productivity, increased GDP and reduced poverty. Good quality education provides opportunities for people to realise their

capabilities more fully, promoting better prospects for employment, better financial position and reducing the risk of poverty. The United Nations highlights the importance of universal primary education. In countries with low development levels primary education alone is sufficient for considerable improvement in the lives of the poor. Educated people have higher labour productivity, are more capable of learning new skills and, as a result, are at a less risk of falling into poverty.

Kazakhstan has nearly achieved the goal of universal primary education (see Section 1.4). By the end of the 1990s, the net primary enrolment index was 99.5 percent, including 98.8 percent of boys and 99.1 percent of girls. Almost all the population (99.9 percent) aged 15-24 were literate. However, quality of education remains a problem, and incomplete enrolments in school are emerging.[39]

Pre-school enrolment fell by 3 times in the 1990s. In 2000 approximately 8 percent of Kazakhstan's 15-year-olds, 5 percent of 16-year-olds and 7 percent of 17-year-olds did not have general secondary education and were not enrolled in any schooling. About a half of rural schools provided only primary and incomplete secondary education, hence higher numbers of rural children were not receiving general secondary education. The range of programmes in vocational schools is mainly oriented to the needs of the labour market in the industrial and urban context, and this reduces access to this type of education for rural people. The lack of evening courses at vocational and higher education levels limits access of poor people to education. Further, insufficient public spending on education limits its affordability and availability for the poor.[40]

Experts have also identified other problems in the field of education. Children from big cities rather than those from rural areas and small cities, children from rich rather than poor families have more opportunities to receive quality education, with orphaned and less healthy children being in the least fortunate situation. Children's education depends more and more on their parents' financial capabilities. The number of understaffed rural schools has been increasing from year to year: teachers are forced to teach subjects not connected to their educational background. The proportion of such schools, in the overall number, rose by 6.7 percent in 1998-2002.[41]

Due to unstable financial position, unemployment and forced migration many families had to cut back on their children's education. Inadequate education, as perceived by people, is one of the poverty causes (table 2.1.7). Some 60 percent of respondents mentioned the inability of their children to further their education after finishing secondary school. Of these, 76 percent mentioned lack of money to pay for education as the main reason for this.[42]

During 1999–2002 the proportion of people with vocational and higher education among the employed rose by 8 percent and amounted to 60.7 percent in 2002.[43] The most significant increase was observed in 2002 (by 6.7 percent). Among the unemployed the proportion of people with higher and incomplete higher education was 12.2 percent, with 38.1 percent having vocational education and 49.7 percent without vocational or higher education.[44] The well-being of households has direct links to the educational levels of their members. The average per capita incomes increase as the educational level of people increases. For example, in 2001 and 2002

Box 2.4.1 Extract from the Law on 'Education in Kazakhstan'

Article 4. Government provisions for citizens' right to education

2. The state guarantees citizens of Kazakhstan the provision of free general secondary and basic vocational education. The state also guarantees the provision of vocational and higher education, for which state educational grants are provided on a competitive basis, if the above stated levels of education are received by a citizen for the first time.

Article 24. Secondary education

1. Secondary education is guaranteed to the citizens of Kazakhstan to be provided free-of-charge at state-run educational institutions. Secondary education is compulsory.

[39] Conference on Poverty Reduction. Ministry of Economy and Trade/UNDP Kazakhstan, 2002. p. 49, 63–65, 83 and others.
[40] Yu.K. Shokamanov. Human Development Trends in Kazakhstan, Almaty 2001. p. 172–214.
[41] Conference on Poverty Reduction Conference. Ministry of Economy and Trade of Kazakhstan/UNDP. 2002.
[42] Survey of poor households 'Causes and Conditions of Poverty'. Statistics Agency of Kazakhstan, 2002.
[43] Education in Kazakhstan. Kazakhstan Statistics Agency, 2002. p. 23, 26; Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003, pp. 39-40.
[44] Education in Kazakhstan. Statistics Agency of Kazakhstan, 2002. p. 23, 26; Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, p. 153.

average per capita monthly incomes in households with members with higher education was 1.7 times higher than in households with members possessing only general secondary education.[45] Educational level of the heads of families in low-income households is lower compared to the same indicator for all households (figure 2.8.1). 94 percent of low-income households had none or only general secondary education.[46] Higher education, especially of women and girls, contributes to better health status of their family members and control over the number of children born. With other factors being equal, these factors reduce poverty risk (see Section 2.8).

However, the role of education in promoting country's economic growth, population's welfare and poverty reduction could be stronger. During transition the national economy's needs in qualified workers and specialists have not been accurately identified; the profiles of graduates from higher and vocational educational institutions have progressively failed to meet the demands of the labour market. The specialisation of graduates from vocational and higher educational institutions has not matched with that of qualified specialists and workers actually employed/needed in the economy. In 2002/03 academic years the proportion of specialists with higher education was 62.2 percent, whereas the proportion of specialists with vocational education was 37.7 percent.[47] However, the actual demand in the national economy was 38.7 percent of specialists with higher education and 61.3 percent - with vocational education.[48] There is also a mismatch between specialization of graduates and employees occupations (table 2.4.1).

In 2001, there was a prevalence of graduates from higher educational institutions in economics and management, culture, art and architecture, but the actual demand for such specialists was much lower. Conversely, the percentage of graduates with higher education in natural sciences and engineering was 19.6 percent, in biological, agricultural and medical specialisations – 8.2 percent of the overall number of graduates. However, the demand for such specialists was much higher: 30.1 percent for natural sciences and engineering and 24.5 percent for biological, agricultural and medical specialisations. There were 16.6 percent of graduates with vocational education in the field of natural sciences or healthcare, while the demand for them was 36.2 percent. There were 64.9 percent of graduates with financial, economic and social education, while employment of these middle level specialists was just 45.0 percent of all employees with middle level qualifications. The same trends were observed in 2002.

The quality of education remains an acute problem. Standards of vocational and higher education, the choice of specializations and content of subjects taught are lagging behind the needs of the economy. Further, there are no effective links with employers and placement services. For example, vocational

Table 2.4.1
Graduates and employed population by qualification level, 2001

#	Specialisation	Graduates, %	Employed by qualification level, %
		Higher education	***High qualification***
1.	Natural sciences and engineering	19.6	30.1
2.	Biology, agriculture and medicine	8.2	24.5
3.	Social Sciences	72.2	45.4
		Vocational education	***Middle-level qualification***
1.	Natural sciences and engineering	18.5	18.8
2.	Biology, agriculture and medicine	16.6	36.2
3.	Finance, economics, administrative and social spheres	64.9	45.0

Calculated based on: Labour and Employment in Kazakhstan. Kazakhstan Statistics Agency, 2003. pp. 68, 158–160.

[45] Education in Kazakhstan. Statistics Agency of Kazakhstan, 2002, p. 36.
[46] Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003, pp. 120-121.
[47] Statistical Yearbook for 2003. Statistics Agency of Kazakhstan, 2003, p.98.
[48] Calculated based on: Labour and Employment of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003. p.51, 158–159.

Library in Milisay village, Zhangeldy rayon, Kostanay oblast

programmes fail to meet the demand for qualified workers. As a result the labour market is not supplied with qualified staff, whereas there are many unemployed young people. Employers themselves don't invest sufficiently in their employees' on-the-job or other kinds of training. Private educational institutions, which provided training for over 32.6 percent of vocational students and 43 percent of higher education students in the 2002/2003 academic year,[49] respond to labour market requirements and changing economic conditions in a more flexible way. However, these institutions experience problem of under-staffing: they often have an unjustified number of teachers holding a job elsewhere and those paid hourly.

During 1991-2002 public expenditure on education fell from 6.5 to 3.2 percent of GDP.[50] To compare, in the mid-90s the expenditure on education was 3.4 percent of GDP in low-income countries, 4.4 percent in middle-income countries and 5.6 percent in high-income countries.[51] This low level of investment in the education sector negatively affected both the ability of Kazakhstan's population to adjust to the emerging market economy, and their standards of living. At the same time, personal investments in education has increased, prompted by growing understanding of the role of education in provision of personal well-being. From 1999/2000 to 2002/2003 academic years, the percentage of students receiving paid-for higher education increased from 23.1 to 32.6 percent.[52] The percentage of students receiving paid-for vocational education (in colleges) was 76 percent of the total number of students, while in higher education as many as 77 percent of the students were paying tuition fees.[53]

Examples from more developed countries show that education positively affects the economic development of a country and people's well-being. Better-educated and qualified people have higher living standards. With other factors being equal, specialists with higher qualifications should earn incomes above the high-income budget and belong to the richer social strata.[54] Incomes of qualified workers should provide for middle-level standard of living. Being employed and simultaneously belonging to low-income and poor social groups, with other factors being equal, can be explained by lack of education and/or low qualifications.[55] The living standards of Kazakhstani employees with different education levels and qualifications were assessed, also by sectors and occupations, and summarised in the Table 2.4.2.[56]

The table indicates that not in all sectors of Kazakhstan's economy do wage incomes provide for high consumer standards of living for specialists with high qualification levels. In mining and processing industries, construction, trade, transport and communications, banking and real estate highly qualified specialists with higher education earn high incomes that allow them to have the advanced level of consumption. However, highly qualified specialists with higher education employed in agriculture, public administration, education and healthcare belong to the middle-income social group; hence they do not receive decent remuneration for their highly qualified services.

Qualified workers employed in different sectors of the economy belong to different social strata defined based on their standard of living. In mining and real estate remuneration of qualified workers is the highest, which allows for the advanced level of consumption. In processing industries, construction, trade, transport and communications, banking and civil service, qualified workers have middle-level incomes. In agriculture, education and healthcare sectors incomes of qualified workers do

[49] Calculated based on: Statistical Yearbook of Kazakhstan for 2003. Statistics Agency of Kazakhstan, 2003, p.98.

[50] Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003. p. 60.

[51] Russia and the World. V.S. Avtonomov and T.P. Subbotina, eds. St Petersburg, Economic School Publishing Agency, 1999. p.33.

[52] Calculated based on: Statistical Yearbook for Kazakhstan. Statistics Agency of Kazakhstan, 2003, p.98.

[53] Calculated based on: Education in Kazakhstan. Statistics Agency of Kazakhstan, 2002. p. 87–113.

[54] According to estimates of the Russian Centre for Living Standards.

[55] Certainly, the level of incomes is affected by both education and qualification as well as a number of other factors such as differences in labour demand and supply, economic capacities of employers, individual capabilities of employees and other. Experts underline that higher education and qualification could provide for a life of higher consumer standard. This does not mean that consumer standards are not affected by other factors, which need to be taken into account when assessing actual consumer standards of the employed population.

[56] Workers, grouped by their qualifications, do not always correspond to differences in their formal education level. However, normally this correlation is prevalent and reinforced when workers with higher qualification obtain informal education.

Table 2.4.2

Assessment of living standards by level of qualification and sectors, 2001–2002

#	Sector / Occupation	Highly-qualified professionals	Qualified workers	Unqualified workers
1	Agriculture	♦	■	■
2	Industry, including:	□	♦	♦
3	Mining	□	□	♦
4	Processing	□	♦	♦
5	Construction	□	♦	♦
6	Trade	□	♦	♦
7	Transport and communications	□	♦	♦
8	Finance	□	♦	♦
9	Real estate	□	□	♦
10	Civil service	♦	♦	■
11	Education	♦	■	■
12	Healthcare	♦	■	■

* Table 2.5.15 uses the following symbols:

■ – low-income or with incomes above the subsistence minimum (4,761 tenge in 2002) but below the minimum consumer budget (9,522 tenge in 2002);

♦ – middle-income or with incomes above the minimum consumer budget (9,522 tenge in 2002) but below the high-income budget (33,327 tenge in 2002);

□ – high-income or with incomes above the high-income budget (33,327 tenge in 2002).

not compensate their investment in education, as these workers actually belong to the low-income group of population.

Unqualified workers belong to either middle or low-income social groups. In many sectors, unqualified labour is paid middle-incomes, like their more qualified peers. In agriculture, education and healthcare low standard of living is attributable to both qualified and unqualified employees.

It should be noted that a similar consumption level might determine similar quality of life but it did not mean equality of incomes. For example, nominal monetary incomes of highly-qualified specialists of the high-income social group (employed in mining and processing industries, construction, trade, transport and communications, banking and real estate) differ by 2.8 times. Disparities in the levels of incomes of qualified workers belonging to middle-income strata (employed in processing industries, construction, transport and communications, banking as well as public administration) amount to 2.2 times. Unqualified workers belonging to low-income strata (employed in agriculture, public administration, education and healthcare) have incomes differing by 1.6 times. Furthermore, incomes of highly qualified and unqualified specialists employed in the same sector are not equal either. For example, the average nominal monthly salary of a qualified specialist employed in the processing industry was 2.8 times higher than of an unqualified worker, with this gap being 4.0 times in the finance sector. Qualified specialists from the two sectors belong to the high-income strata; unqualified workers - to the middle-income strata.[57]

Analysis of household incomes from the educational level standpoint indicates that households with educated members have higher average incomes per person than those with uneducated members. However, the relatively higher incomes of such households do not necessarily provide for a higher level of welfare. Currently, majority of households (both categories) have average per capita incomes between only 1 to 2 subsistence minimums: currently obtaining education in Kazakhstan does not necessarily guarantee a decent standard of living because of the dependency burden.

To sum up, in Kazakhstan specialists with different levels of education and/or qualification tend to have the same level of remuneration. This creates disincentives for good performance by specialists/workers in a number of sectors/occupations. A significant proportion of graduates do not gain adequate economic returns for their and the state's investments in education.[58] Regular analysis of the relationship between the level

[57] Calculated based on: Labour and Employment of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003. p. 100–101.

[58] The system of consumer budgets is employed to assess the level of living standards.

Courses on mechanics in vocational technical lyceum #1. Shet rayon, Karagandy oblast.

of education and qualification of employees, their incomes and standard of living can be a flexible tool for formulation of state income generation and other social policies.

2.5 SOCIAL SECURITY SYSTEM

The social security system implies provision of basic living standards for all members of society. The concept of 'social security' is, however, understood differently in different countries. In most countries the term 'social security' is applied to social programmes set up by governments to cover people in need of monetary or in-kind forms of social assistance.

In Kazakhstan three stages in development of social security system can be marked. During the *first stage (1992-1996)* new legislation on social security was formulated including employment, labour remuneration, social guarantees for citizens and social protection of most vulnerable groups of population. *The second stage (1997-1999)* was marked with significant economic growth that allowed the government to pursue more effective social policies. A number of important social programmes was adopted, among them the programme on micro-crediting, development of public works, pension system reform and others. Starting from April 1999 in-kind benefits were replaced by monetary payments in the form of so called 'special state benefit'. This change allowed for better use of budgetary resources, to control budget delivery as well as secure targeting and equal access to state social security system for all people who were eligible for in-kind benefits. *The third stage (starting from 2000)* has been marked with a number of important legislative acts and programmes to advance the social security system, namely, the Law on 'Labour in Kazakhstan', Law on 'Employment in Kazakhstan', the Programme on Combating Poverty and Unemployment for 2000-2002 and Poverty Reduction Programme for 2003-2005. In June 2001 the Government adopted the Concept on Social Protection of Population aimed at further development and improvement of the social security system (box 2.5.1). In order to set up the three-level social security system the Law on 'Compulsory Social Insurance' was adopted in April 2003. According to this law a system of obligatory social insurance will be introduced in January 2005 covering three types of social risks: loss of ability to work, loss of bread-winner as well as loss of job. The draft law on obligatory insurance by employers of employee's health and life during work-time is under development.[59]

Currently, the **social security system** consists of two main elements: **social transfers**

Box 2.5.1 Extract from the Concept of social protection of the population of Kazakhstan

The Concept of social protection of the population in Kazakhstan was adopted in 2001 taking into account present and future priorities and capacities of Kazakhstan. The new system of social protection includes elements of both collaborative and single systems and compulsory and voluntary insurance and provides social protection of the population from the main risks that an individual may experience in life.

According to the Concept, the **social security system** in Kazakhstan includes the following main elements:

1.State benefits, serving to provide all citizens with a guaranteed certain level benefits in case of circumstances liable to social protection.

2. Compulsory social insurance funded through money deducted by employers and employees and serves for additional social protection of employees of the 'formal' sector of the economy and depends on the level of contributions made by the payer.

3. Accumulative pension provision implying management of formation of each citizen's pension savings.

4. Social assistance as additional protection of individual groups of the population through the national budget.In addition, each citizen has the right to take out voluntary insurance in case of social risks.

[59] Some aspects of social security system in Kazakhstan (in numbers). Ministry of Labour and Social Protection/UNDP Kazakhstan, 2004.

(box 2.5.2), including pensions, categorical state benefits, targeted social assistance, housing allowance, one-time payments for childbirth, and **social services** such as provision of prosthetic and orthopaedic equipment, special medical and social facilities, providing social care at home as well as other types of social services.

Kazakhstan is the first CIS country implementing accumulative pension system. Along with this reform a number of measures were implemented to increase pensions paid under the collaborative pension system. In 2002 1,749 100 people received pensions, 97.5 percent of which were pensioners by age and 2.5 percent received pensions for long service.[60] Average pensions in 2000-2002 did not exceed subsistence minimum (table 2.5.1). Starting from January 2003 pensions were increased by 12 percent, almost 1 million pensioners were receiving pensions equal to 5,000-6,000 tenge. However, taking into account growth rates of the consumer price index, majority of them remained in poverty.[61] Starting from June 2003 pensions were increased again, this time based on labour contribution of pensioners. The minimum pension was increased from 5,000 to 5,500 tenge. As a result, the number of pensioners who received pensions equal to 5,000-6,000 tenge reduced two times, average pension size increased by 23.4 percent, and the number of pensioners receiving pensions in amount of 6,600 to 12,000 tenge almost doubled. It is expected that in 2004 the minimum pensions will be increased to 6,600 tenge.[62]

In 2002 there were 453,400 disabled people in the country, of which nearly 48,000 were children. In December 2001 the Programme on Rehabilitation of Disabled for 2003-2005 as well as draft Law on 'Social Protection of Disabled in Kazakhstan' were adopted. They aimed at further improvement of medical and social assessment and rehabilitation of disabled people, development of better prosthetic and orthopaedic equipment system, development of social services for rehabilitation and integration of the disabled in the society.

Starting from January 1, 2003 one-time childbirth benefits equal to 15 monthly unit rates[63] were introduced. This benefit is not dependant on the income of the family. Along with one-time childbirth benefits further measures on social support of motherhood and childhood will be implemented by introduction of additional child allowances in future. Elaboration of draft Law on 'State Benefits to Mother and Child' is expected.

A housing allowance is paid to provide financial support to low-income citizens to cover their housing expenses as well as expenditures on utilities. In 2003 1.6 billion tenge was provided for housing assistance.[64]

Despite positive changes in the social security system of Kazakhstan, sizes of the state benefits remain low (table 2.5.1). For instance, the average amount of state targeted social assistance was equal to 998 tenge (or 6.5 USD by official exchange rate) per each family member in 2002. The assistance was granted to 1,137 million people in 2002.

Table 2.5.1
Social transfers, 2000–2002

Social transfers, tenge	2000	2001	2002
Subsistence Minimum	4,007	4,596	4,761
Pensions, including	4,462	4,947	5,818
By age (civil population)	4,298	4,773	5,655
Full retirement pensions	4,333	4,807	5,695
Early retirement pensions	2,653	2,980	3,509
Long service (military population)	11,229	11,829	12,102
Recipients of state social benefits, including	3,451	3,630	4,095
(i) Civil population			
Old age	2,175	2,325	2,469
Disability	2,990	3,153	3,774
Loss of breadwinner	4,144	4,371	4,631
(ii) Military structures			
Disability	10,165	9,722	9,740
Loss of breadwinner	6,079	6,043	6,018

Source: Living Standards of Population in Kazakhstan. Kazakhstan Statistics Agency, 2003.

[60] Statistical Yearbook for 2003. Statistics Agency of Kazakhstan, 2003, p.73.
[61] Some Aspects of Social Security System in Kazakhstan. Ministry of Labour and Social Protection/UNDP Kazakhstan, 2004.
[62] Ibid.
[63] Monthly unit rate (MUR) is an interim social indicator, which is used to calculate social benefits/payments in Kazakhstan. It was introduced by Government and in 2003 was equal to 872 tenge.
[64] Some Aspects of Social Security System in Kazakhstan. Ministry of Labour and Social Protection/UNDP Kazakhstan, 2004.

Box 2.5.2 Social transfers in Kazakhstan[65]

State social benefits:

1. Disability benefit (3-15 monthly unit rates (MUR)
2. Loss of breadwinner benefit (2-10 MUR)
3. Old age benefit (3 MUR)

State social benefits (8 MUR):

For persons who worked in underground and open cast mining, former #1 List of dangerous occupations

Special state benefits to:

1. USSR Heroes. Social Labour Hero. Chevalier of Glory of three degrees (9 MUR)
2. Great Patriotic War (GPW) Participants (5.8 MUR)
3. Disabled soldiers of GPW (7.1 MUR)
4. Persons equated to GPW participants (2.4 MUR)
5. Persons equated to disabled soldiers of GPW (5.7 MUR)
6. Non-remarried widows of soldiers died during GPW (2.7 MUR)
7. Families of died military men (2.8 MUR)
8. Wives (husbands) of died disabled soldiers (0.9 MUR)
9. Persons awarded with USSR orders and medals for committed labour and unexceptionable military service on home front during GPW (0.5 MUR)
10. Disabled people of 1st and 2nd category (1.4 MUR)
11. Disabled people of 3d category (0.6 MUR)
12. Disabled children under 16 (0.9 MUR)
13. Mothers of large families awarded medal 'Altyn Alka' or with status 'Mother-hero' and awarded order 'Maternal glory' of 1 and 2 degree (1.9 MUR)
14. Mothers of large families with 4 or more young children living together (1.9 MUR)
15. Victims of political repression (1 MUR)
16. Persons with pensions awarded for special contributions for the RK (1 MUR)

One-time social benefits:

1. Childbirth benefit (15 MUR)
2. Benefit to victims of political repression (up to 100 MUR)

State targeted social assistance is a cash payment to poor persons or families with monthly income below the 'poverty line'.

Housing allowance is a cash payment to low-income persons or families to cover housing costs (excluding individual houses) and costs of utilities. Housing assistance is provided to persons permanently living in a given locality and owning or renting housing.

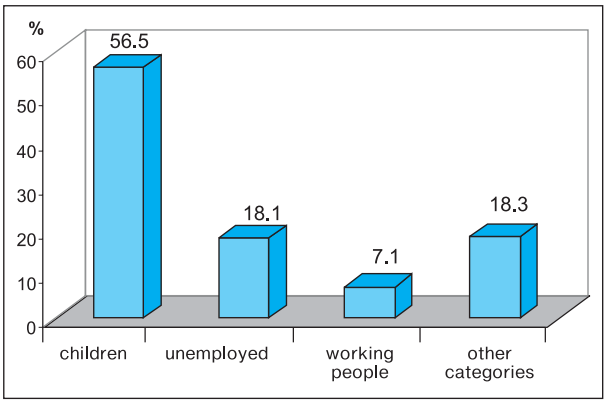
The Law on 'State targeted social assistance' was adopted in 2001 and implemented from January 2002. According to the law, this assistance is provided for the poorest persons or families, whose incomes are below the 'poverty line' or 40 percent of the subsistence minimum (1,904 tenge). The lack of employment and low incomes of the poor predetermined the composition of state targeted social assistance recipients in 2002 (figure 2.5.1). The main recipients were children (57 percent) and unemployed people (18 percent). Disabled people, pensioners, students and cadets of full-time education courses, repatriates (*oralmans*) and others fell under the category of 'Other', which constituted 18 percent of the recipients. The fact that the remaining 7 percent of recipients of the state targeted social assistance were employed people testified to the low level of salaries and wages, which did not provide for adequate living standards neither for them nor for their families.

According to Kazakhstan's Statistics Agency, over two thirds of households applying for state targeted social assistance recognise its importance and mention its positive impact on the households' budgets. However, one third (31.9 percent) of households pointed to the uselessness of such assistance: it made practically no difference on their financial position. Moreover, over 60 percent of the poor did not apply for state targeted social assistance at all[66] because, in their opinion, they either did not have any chance of obtaining it, or it was too difficult to obtain the

[65] National Centre for Pension Payment of the Ministry of Labour and Social Protection.

[66] Low-Income Population: Causes and Conditions. Publication series Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2002.

Figure 2.5.1
Recipients of state targeted social assistance, 2002



Source: Poverty Monitoring Indicators in Kazakhstan. Kazakhstan Statistics Agency, 2003.

Table 2.5.3
Changes in well-being during the last three years (as perceived by poor households), 2002

	All house-holds, %	Urban house-holds, %	Rural house-holds, %
Status of well-being:			
Improved	10.9	10.0	11.7
Have not changed	62.3	54.6	69.5
Deteriorated	26.8	35.4	18.1

Source: Survey of poor households 'Low-Income Population: Causes and Conditions', Kazakhstan Statistics Agency, 2002.

numerous certificates required to verify their eligibility for such assistance, or they were not attracted by low sizes of the assistance (table 2.5.2).

Table 2.5.3 shows that the standards of living of the majority of poor households have not changed. Moreover, one third of the surveyed poor households reported deterioration in their financial position.

It could be concluded that the coverage of those in need of targeted social assistance has been incomplete; the size of assistance did not really contribute to overcoming the financial constraints of the majority of the poor. Legislative introduction of the official 'poverty line' along with the considerably higher subsistence minimum indicated a very limited financial capacity of the state to provide targeted social assistance for people in need. On the other hand, it moderated the development of a dependency attitude among the population. In future, state targeted social assistance should primarily be provided to poor households with disabled and/or many dependent members (the elderly and children). This will help the needy and discourage dependency. Monetary benefits in the form of state targeted social assistance can be combined with provision of food products and other in-kind benefits to poor families, especially children.

Table 2.5.2
Why the poor do not apply for state targeted social assistance

Reasons	All respon-dents	Including	
		Urban residents	Rural residents
Will not get it anyway	63.5	59.9	67.5
Difficult to obtain required (numerous) certificates	13.9	17.3	10.1
Amount of the benefit will not cover cost of application	9.2	11.1	7.0
Do not want to apply	5.1	4.1	6.1
Cannot do it for health reasons	3.2	4.0	2.4
Lack of money for long-distance journeys to get to social security agencies	3.1	1.7	4.7
Long and inconvenient way to go	1.3	1.2	1.5
Other	0.7	0.7	0.7

Source: Survey of poor households 'Low-Income Population: Causes and Conditions', Kazakhstan Statistics Agency, 2002.

2.6 DEMOGRAPHIC FACTORS, MIGRATION AND POVERTY

The number and composition of the population, births and mortality, size and structure of households and population change, especially when prompted by in and out migration, are important factors of poverty.

As of the beginning of 2003, the population of Kazakhstan was 14.9 million people, representing a reduction of some 1.5 million since 1991.[67] This reduction was due to a decrease in natural population growth as well as migration processes. The proportion of women in the population has stood at 51.8 percent, unchanged over recent years. The populations of rural areas and small cities - characterised by higher risk of poverty - account for over half of the country's population.

[67] Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2002.

From 1999-2001 the downward tendency in population numbers remained but its dynamics decreased by 7 times versus 1995-1999: 137,000 and 999,000 fewer people, respectively.[68] In 2002, due to increased birth rates and stabilised mortality, the downward tendency in population growth reversed. Overall birth rate amounted to 15.3 per mille in 2002 (14.6 in 2001), while the mortality rate stood at 10 per mille. The crude birth rate was 1.8 in 2000, which is higher than in Russia (1.125) but notably lower than in the other Central Asian countries (in Turkmenistan, for example, it is 4.09). A wide gap between rural and urban birth rates is typical for Kazakhstan as is the higher death rate among the rural population. Regionally, birth rates vary between 11.1 to 22.6 per mille, and death rates between 6.8 and 13.3 per mille.[69]

A reduction in birth rates led to a decline in the proportions of children and adolescents under 15 and a rise in the proportion of people above 15 and older, including 60 years and older. These changes in the age composition of the population have decreased demographic pressures on working age people, which is conducive to the reduction of poverty in the country. At the same time, a higher proportion of older people increase the state's responsibility for their well-being.

Kazakhstan is notably different from most CIS and Baltic countries by the size of households:

Table 2.6.1
Age composition of Kazakhstan's population, 1990 and 2002

	1990, %	2002, %
0-14 years	31.8	25.8
15-59 years	56.8	63.1
60 years and older	9.4	11.1

Calculated based on: Yu.Shokamanov 'Human Development Trends in Kazakhstan'. Almaty 2001, p. 132; Statistical Yearbook for 2002. Kazakhstan Statistics Agency, 2002, p. 18.

Table 2.6.2
Age composition of Kazakhstan's urban and rural population, 2002

	Urban areas, %	Rural areas, %
0-14 years	24.0	31.2
15-59 years	64.5	58.9
60 years and older	11.5	9.9
including 65 years and older	7.1	6.3

Source: Statistical Yearbook for 2003. Kazakhstan Statistics Agency, 2002.

Box 2.6.1 Extract from the Concept of state demographic policy of Kazakhstan[70]

State demographic policy is based on the standard principles and norms of international law and international agreements signed by Kazakhstan, the Constitution of Kazakhstan, laws of Kazakhstan and other normative legal documents.

The goal of demographic policy is to reduce negative trends in demographic processes, prevent depopulation and ensure qualitative and quantitative population growth according to the strategy of long-term development of the country.The main directions of state demographic policy are:

- improving living standards of the population;
- ensuring considerable improvement in the conditions for people's life and activities through anticipatory economic growth in relation to the dynamics of population growth;
- reducing mortality of the population, firstly, among people of working age, caused by accidents, poisoning and injuries;
- mitigating reduction in birth rate and its stabilization, creating a system of financial stimuli by enhancing the number and size of child support benefits for mothers of large families and single mothers;
- restoring and taking measures to ensure sustainable operation of state-run preschool children's organizations, providing facilities for rehabilitation of school students in school-based and out-of-town camps and holiday homes;
- taking measures to enhance the system of social security of orphaned and abandoned children.

[68] Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan. 2002.
[69] Using Yu.K. Shokomanov's 'Human Development Trends in Kazakhstan'. Almaty, 2001, p. 109; Statistical Yearbook for Kazakhstan 2002. Statistics Agency of Kazakhstan. Almaty 2002. p. 18-20.
[70] Concept of State Demographic Policy of Kazakhstan. Approved by Government Decree # 1272 as of August 17, 2000.

nearly one in three households (31 percent) have 5 or more members. At least 37 percent of the total population live in such households. Between the 1989 and 1999 (when the two population census were conducted), the number of such households reduced the least (table 2.6.3). Achievement of average national per capita income level requires great effort on the part of employed members of such households. Therefore, high proportion of **households with many dependants** remains a potentially decisive factor of poverty in the country.

Families with children are the main demographic group among the poor, as it was the case during the Soviet times. Children put significant pressure on the employed members of such families. Child support benefits are not yet restored: currently families with children are eligible for targeted social assistance from the state, if their average per capita incomes are below the 'poverty line'. In 2001 a monthly payment to a child was no more than 700 tenge, whereas in experts' opinion at least 4-5,000 tenge are required for a child under 5 to eat healthy and sufficiently and develop normally. In addition, in families where for various reasons adults do not have monetary incomes, state targeted social assistance to children is used to meet needs of the whole families.[71] Starting from January 2003, one-time childbirth benefits in the amount of 15 times monthly unit rate are paid to mothers regardless of a household income level (see Section 2.5). It is planned to introduce another two types of child benefits.[72]

Table 2.6.3
Types and sizes of households, 1989 and 1999

Types and sizes of households	1989, thousand households	1999, thousand households	1989-1999 change, %
Total, including families consisting	3,825	3,527	92.2
of 2 members	866	799	92.3
of 3 members	852	802	94.1
of 4 members	973	830	85.8
of 5 and more members	1,134	1,096	96.6

Source: Living Standards of Population in Kazakhstan. Kazakhstan Statistics Agency. Almaty, 2002.

Large families, where the number of children limits employment opportunities for mothers, are in a particularly difficult situation. This, in turn, lowers women's professional status and predetermines a low-income level for their families. One of the factors contributing to reduced employment opportunities and professional growth of women is the massive reduction in the number of pre-school organisations, by 8 times between 1991-2000. The small rise in this number observed in 2001-2002 appears insignificant (see Section 2.4). More than 86 percent of large families were poor in 2002 (table 2.6.4). Significantly higher number of poor large families is observed in rural areas, where families tend to have more children, while their incomes are considerably lower than the national average.

Young families with children are also considered at high risk of poverty because generally the mother 'quits' active professional activity, at least for officially paid maternity leave, while state benefits do not compensate for her lost contributions to the family budget.

Table 2.6.4
Poor families with children, 2002

	Proportion of poor families with children (with per capita incomes under 5,000 tenge)
Families with children aged under 16 *Including:*	48.2
with 1 child	34.6
with 2 children	51.2
with 3 children	73.2
with 4 and more children	86.6

Source: Living Standards of Population in Kazakhstan. Kazakhstan Statistics Agency, 2003.

The risk of poverty incidence is high for **single-parent families** as well. According to the 1999 population census there were 487,200 such families in Kazakhstan, including 444,800 (91 percent) single-mother families.[73] An increase in the number of such households over recent years has been caused by both traditional (divorce, husband's death) and special causes (labour migration of men from rural to urban areas; men

[71] Poverty Reduction Conference Materials, April 25-26, 2002. Ministry of Economy and Budget Planning/UNDP Kazakhstan, 2002.

[72] Some Aspects of Social Security System in Kazakhstan. Ministry of Labour and Social Protection/UNDP Kazakhstan, 2004.

[73] Women and Men in Kazakhstan. Statistics Agency of Kazakhstan. Almaty, 2002.

leaving the family due to inability to provide adequately for it; alcohol abuse; crimes committed by unemployed men). Given widespread informal employment, the amount and regularity of alimonies depends on the 'good will' of fathers and, as a rule, these do not cover the expenses required for children. All these factors significantly increase uncertainty and instability of single-parent families' standard of living, especially those consisting of women and children. Poverty among single-parent families is more prevalent in urban areas characterised by higher levels of divorces and deaths of working age men.

In 1998-2002 the proportion of **children born out of wedlock** rose from 23.6 to 25.9 percent of all newborns. This is more typical in urban areas, where such births amounted to 29.2 percent of all births.[74] In such cases state benefits only partially cover the child's subsistence minimum. Experts link growing numbers of children born out of wedlock to young people's desire to first achieve a satisfactory level of welfare and then start a family. Experience shows that young fathers actively seek additional income sources. However, not all find them: in 2002 one in three men aged 20-29 (96,000 people) was unemployed. Unlike many other CIS countries, the level of divorces is still low in Kazakhstan, which positively affects the poverty level in the country (table 2.6.5).

Poverty and problems of the healthcare system eventually lead to high infant and maternal mortality in Kazakhstan. In 2002 infant and maternal mortality rates were 17.0 deaths per 1,000 newborns and 36.5 deaths per 100,000 live births.[75] According to the UN Millennium Development Goals Report for Kazakhstan, there are striking differences between the official rates and those derived from the Demographic and Health Survey, based on women's answers on their fertility history. According to the survey, infant mortality between 1994-1999 reached 61.9 deaths per 1,000 live births. Since normally infant mortality is calculated as a percentage of live births, it is possible that the infant mortality rates in Kazakhstan would be significantly higher if the international definition of live birth were used. Currently, Kazakhstan's statistics is based on the 'soviet' definition of live birth.[76] Thirty infants with inborn abnormalities are born per 1,000 of newborns. The health index of Kazakhstan's women is 30 percent, in some regions 10-20 percent. Over 60 percent of pregnant women have anaemia, the incidence have increased tenfold over the last decade. Of particular concern is breast cancer incidence in women. Overall, the lowered status of family and maternity cannot leave the society indifferent and requires effective measures to be developed and taken in order to address this problem (see Section 2.8).

Table 2.6.5
Marriages and divorces in Kazakhstan, 1991 and 2002

Indicator	1991	2002
Marriages, per 1,000 persons	10.1	6.7
Divorces, per 1,000 persons	3.0	2.1

Source: Statistical Yearbook for Kazakhstan 2003. Kazakhstan Statistics Agency. Almaty, 2003.

Single pensioners of older age are another socio-demographic group at high risk of poverty. It is not easy to obtain accurate information about poverty incidence among this category of the population because it is hidden by the specifics of aggregation of official statistics, which do not consider this group an object for regular statistical observation. An indirect indicator of poverty in this category is the fact that in 2001 every seventh (14 percent) resident of Kazakhstan aged 65 and older was working, while 3,200 and 1,500 respectively were either unemployed or looking for different or extra work.[77]

The presence of **disabled people** in a household also appears to increase poverty risk. This factor puts additional and often substantial pressures on the employed 'healthy' family members. As of 1 October 2003, there were 409,500 disabled persons (about 3 percent of total population) in Kazakhstan.[78] Not only do people with disability need extra means of subsistence but also appropriate conditions to overcome social isolation (see Section 2.5).

International migration has become another most important and enduring factor affecting the poverty level in the country. Over the period from 1991 to 2001 850,000 people entered and 2.9 million people left the country. Migration was

[74] Statistical Yearbook of Kazakhstan 2002. Statistics Agency of Kazakhstan. Almaty, 2002. p.22.

[75] Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

[76] 'WHO standard definition' refers to the live births include all births, with the exception of stillbirths, regardless of the size, gestation age, or 'viability' of the newborn infant, or his or her death soon after birth or before the required birth registration date. The 'Soviet concept' excludes infants born with no breath, but with other signs of life ('stillbirths' in the Soviet concept) and infants born before the end of the 28th week of pregnancy at a weight under 1,000 grams or a length under 35 centimeters and who die during the first seven days of life ('miscarriages').

[77] Calculated based on: Labour and Employment of Population in Kazakhstan. Kazakhstan Statistics Agency, 2003, p. 40.

[78] Materials of the National Conference on Medical and Social Examination and Rehabilitation of the Disabled. Almaty, 2003.

Box 2.6.2 Orphaned children are at poverty risk[79]

Within the framework of the pilot project 'Implementing Social Marketing Programme to Facilitate Domestic Adoptions and Develop Techniques to Help Institutionalised Children Acquire Life Skills' implemented by the Amanat Foundation, a survey 'Public perceptions of orphans' problems' was undertaken from September to November 2002. The survey suggested that one of the most disadvantaged groups (likely to live below the poverty line) is alumni of residential institutions or **orphaned children**. Such painful prospects for orphaned children are imposed by the conditions in residential institutions, on the one hand, and fairly negative societal attitudes on the other.

The main problems of such children (as viewed by professionals and the public) are:

1. Inhibited psycho-emotional development, which is clear from orphans' personal qualities, most evident of which are insularity and diffidence.
2. 'Parasitic' attitude and social inadaptability formed in residential institutions. Children live in the 'all-provided' environment and by strictly organized routine for a fairly long period. This becomes a norm for them because they have nothing else to compare with. Moreover, a recently developed popular form of targeted sponsorship and ideology behind it gives them grounds to think that the state and society have to provide for their living.
3. After finishing school and period of living in residential institutions most children leave with no place to live, without start-up capital and lack of skills in demand.

All the above outlined problems, following through the lives of orphaned children, are aggravated by negative social stereotypes. These stereotypes are apparent when the majority of people are seen to perceive orphaned children as 'defective', 'miserable' and 'dangerous'. Therefore, professional development prospects for such children and, consequently, their capability to provide a decent living for themselves are outstanding due to the lack of educational opportunities and biased attitudes on the part of employers who, as the majority of people, are inclined to avoid such children.

negative during the whole period. The maximum upsurge of out-migration was observed in 1994. After that emigration started to decline. In 2002 the negative migration balance was 62,000 people: nearly two times lower than in 1999.

Direct impact of inter-country migration on poverty is determined by qualitative structure of migrants, particularly by their well-being. Different directions of immigration and migration (most active immigration was from new Central Asian countries, but out-migration was mostly to Russia) as well as their qualitative composition determined increase in poverty in the country. Among the emigrants were mostly well-off and educated people whereas among the immigrants – mostly people seeking a better life in Kazakhstan.

Among immigrants belonging to the groups with higher risks of poverty are **families of refugees and forced migrants**. Existence of such groups is determined by the collapse of Soviet Union as well as by numerous regional conflicts in former Soviet republics. Age composition of refugees and forced migrants significantly differ from other groups of migrants as it includes large proportion of children and older people. Refugees and forced migrants are usually not able to provide themselves with adequate housing as well as jobs at the new place of residence. Definition of a 'refugee' was introduced in Kazakhstan in December 1997.[80] However, this has not introduced changes in the status of this people in the country. There are not enough financial resources provided for better settlement of immigrants at the new place of residence. Moreover, major part of immigrants (in 2002) is settled in the oblasts[81] characterized by high levels of poverty. *Oralmans* (box 2.6.3) is the other immigration group with higher risk of poverty.

[79] Findings of the sociological survey 'Public Perceptions of Orphans' Problems' by Amanat Foundation.

[80] Law on 'Population Migration in Kazakhstan' as of 13 December 1997.

[81] In Kazakhstan 'oblast' refers to the main administrative unit.

Box 2.6.3 Extract from Law on 'Population Migration in Kazakhstan'[82]

Article 29. Benefits, compensation and other types of assistance for *oralmans* (repatriates)

1. The state shall ensure good conditions for Kazakhs' repatriation to their homeland, their settlement and adaptation, and ensure: 4) assistance in finding employment, professional training, learning new skills, registering repatriates (*oralmans*) as unemployed, obtaining unemployment benefit in case of inability to find a job irrespective of period of residing in the country; 7) provision of pensions and benefits in accordance with the legislation of Kazakhstan and international agreements; 9) allocation of funds to purchase housing, one-time benefits, land, including ensuring compact settlement of repatriates (*oralmans*), provision of long-term loans on beneficial terms for construction of own housing and starting a holding.

In-country migration determined primarily by regional variations in the standard of living is an important factor of poverty level and its distribution by regions. Inter-oblast migration declined during the initial period of transition, because people preferred not moving to another place during difficult times. Significant reduction in inter-oblast migration between 1996-1998 closely correlates with the increased poverty incidence during that period (in 1998 poverty incidence was 39 percent).[83] This testified to at least two facts. Firstly, other regions were as much unattractive for settlement as they lacked conditions to improve people's living standards. Secondly, majority of people did not have resources to change their place of residence. Improved living standards led to increased inter-oblast migration. Since 1999 it has been increasing significantly, reaching the pre-reform level. A negative net balance of inter-oblast migration is typical for most regions, with the highest positive growth (net in-migration) observed in Astana and Almaty cities[84].

Table 2.6.6
Inter-oblast and intra-oblast migration, 1991–2001

Year	Inter-oblast migration, thousand people	Intra-oblast migration, thousand people
1991	166.7	264.5
1992	373.1	228.7
1993	135.9	214.2
1994	133.4	197.1
1995	123.4	181.6
1996	97.5	139.4
1997	76.2	128.3
1998	40.0	131.6
1999	128.0	95.0
2000	136.6	105.6
2001	136.0	123.2

Source: Statistical Yearbook of Kazakhstan for 2002. Kazakhstan Statistics Agency, 2002.

Similar trends are typical for intra-oblast migration. However, during the initial transition period inter-oblast migration decreased by 1.2 times, while intra-oblast migration declined 2.15 times. Many rural dwellers can not change their place of residence in order to get a better-paid job, learn new skills or study at vocational and higher education schools which are all, as a rule, located in oblast centres. These again points to deepening of regional disparities in living standards as well as to high rural poverty incidence.

Both inter-oblast and intra-oblast migration tend to be from rural to urban areas. Young and middle-aged people (40 percent of migrants are aged 16-29) mainly migrate to the bigger cities. This strengthens the development capacity of the cities while reducing capacities of rural development, with a growing proportion of older people in rural areas. Furthermore, migration of rural population to cities often leads to increased poverty (including 'pockets' of poverty) and crime rate among urban populations. The main reasons for that are lack of employment or lack of professional skills and knowledge for good quality jobs offered on the urban labour market, the need to adapt to a new environment and make new social contacts. High urbanisation rates offset the high natural population growth in rural areas, and the ratio of urban to rural population remains fairly stable.

In the context of poverty reduction, special attention of the state should be paid to demographic factors of poverty. Action should be taken to help large families, including those residing in rural areas, single-parent families, lonely older people, people with disabilities, including creating conditions for them to reduce their social isolation; to immigrants, especially *oralmans*, refugees and forced migrants for them

[82] Law on 'Population Migration in Kazakhstan' as of 13 December 1997.
[83] Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003, p. 60.
[84] Yu. Shokamanov. Human Development Trends in Kazakhstan. Almaty, 2001, p.118.

to settle into the new location and more effectively use their professional capacities. The main condition to radically reduce child mortality is ensuring significant improvement in children's welfare, especially those from large and single-parent families.

2.7 HEALTH STATUS AND ITS RELATION TO POVERTY

People's health status directly affects their capabilities to actively participate in social life and ensure sound living standards. Kazakhstani people mention poor health as one of the main causes of poverty.

Long and healthy life allows people to fruitfully employ their physical and human capacities and increase their personal well-being. Life expectancy at birth is an integral indicator of the life quality. In Kazakhstan life expectancy has been steadily declining over a number of years. It was 71.4 years in 1965, whereas it had dropped to 67.6 in 1991. Only in 2001-2002 some increase in life expectancy at birth was observed (65.6 and 65.8 years respectively). Male life expectancy has fallen most, which can be explained by such factors as higher heart disease morbidity and mortality rates as well as higher disposition toward stress (table 2.7.1).

Table 2.7.1
Life expectancy at birth in Kazakhstan, 1997–2002

Life expectancy, years	1997	1998	1999	2000	2001	2002
Both genders	64.4	64.4	65.5	65.4	65.6	65.8
Men	58.5	59.0	60.3	59.8	60.2	60.6
Women	69.9	70.4	71.0	71.3	71.1	71.4

Sources: Poverty Monitoring Indicators in Kazakhstan. Kazakhstan Statistics Agency, 2003; Statistical Yearbook for 2003. Kazakhstan Statistics Agency, 2003.

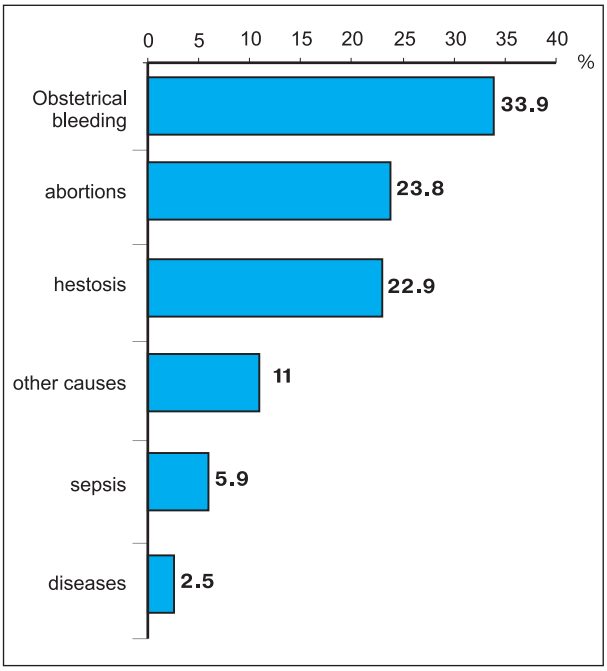
Infant and maternal mortality rates reflect the effectiveness of the state's policies aimed at protection and strengthening of people's health. As mentioned earlier (see Section 2.1.1), maternal mortality rate is unstable and varies between 67.2 per 100,000 newborns in 1991 and 48.6 in 2001 (table 2.7.2). The causes of maternal mortality are shown in figure 2.7.1. According to the UN Millennium Development Goals in Kazakhstan Report, Kazakhstan is unlikely to achieve the Target 6 aimed at reduced maternal mortality rate by 75 percent between 1990 and 2015.[85]

Table 2.7.2
Maternal mortality rate, 1991–2001

1991	1996	1998	1999	2000	2001
67.2	69.4	77.5	65.3	60.9	48.6

Source: Health of Population and Healthcare in Kazakhstan in 1991-2001. Ministry of Health, 2002.

Figure 2.7.1
Causes of maternal mortality, 2002



Calculated based on: Living Standard of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Infant mortality rate is the most important factor affecting the indicator 'life expectancy at birth'. A downward trend in this indicator has been observed in Kazakhstan over the last decade: it fell from 27.4 per 1,000 live births in 1991 to 17.0 in 2002 (table 2.7.3). However, as mentioned earlier, there is a wide gap between the official (administrative) statistics and data of the Demographic and Health Surveys in 1995 and 1999. Firstly, the indicators obtained through the Demographic and Health Survey are nearly two times higher than official ones; secondly, the Survey findings demonstrate an upward trend of the infant mortality rate (table 2.7.3). Such difference might be explained by the fact that Kazakhstan has maintained the old '*soviet*' definition of the live birth, which is considerably looser that the WHO-recommended definition used worldwide.[86]

Major causes of infant mortality are prenatal conditions related to foetal growth, problems during delivery or immediately afterwards such as

[85] UN Millennium Development Goals in Kazakhstan, 2002.
[86] Ibid.

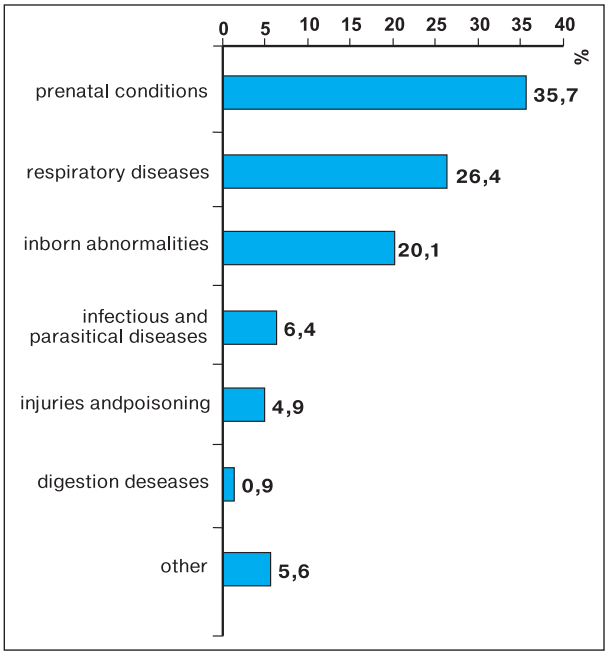
pre-maturity, asphyxia, trauma and intra-uterine infections (figure 2.7.2).

Table 2.7.3
Comparing official statistics with findings of demographic and health survey

Period	Infant mortality rate by official statistics	Infant mortality rate by Demographic and Health Survey
1984-1989	29.6	54.9
1989-1994	26.8	49.7
1994-1999	25.2	61.9

Source: UN Millennium Development Goals in Kazakhstan, 2002.

Figure 2.7.2
Causes of infant mortality, 2002



Calculated based on: Statistical Yearbook for 2003. Statistics Agency of Kazakhstan, 2003.

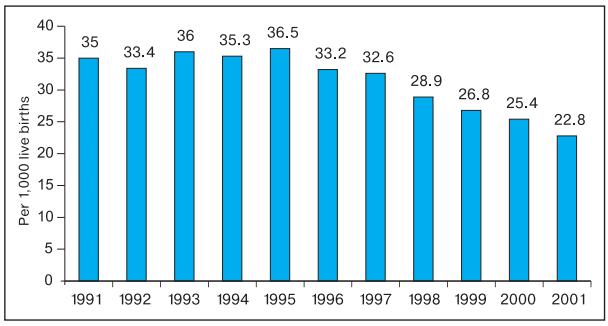
Under-five mortality rate has been declining since the mid-1990s, but still remains relatively high, making 22.8 cases per 1,000 live births in 2001. According to the UN Millennium Development Goals in Kazakhstan Report, Target 5 aimed at reduced under-five mortality rate by 65 percent between 1990 and 2015 is unlikely to be achieved in Kazakhstan.[87]

Over the last 10 years, official morbidity rates show some downward trends. However, diseases are mainly registered when a person applies for medical assistance. Hence, taking into account the overall impoverishment of population and lowered access to health care services, it is most likely that these figures are under-estimated.

Cardio-vascular disease incidence has

Infant ward. Otrar rayon, South Kazakhstan oblast.

Figure 2.7.3
Under-five mortality rate, 1991–2001



Source: UN Millennium Development Goals in Kazakhstan, 2002.

increased over the last decade (table 2.7.4). The cardio-vascular diseases contribute most to high mortality rates in Kazakhstan: in 2002 they accounted for 50 percent of all deaths.[88]

Table 2.7.4
Cardio-vascular diseases and tuberculosis in Kazakhstan, 1991–2002

	Morbidity rate, per 100 thousand people	
	Cardio-vascular diseases	Tuberculosis
1991*	1026.2	64.4
1996	1038.1	82.5
1998	1100.9	118.8
1999	1333.4	141.0
2000	1288.7	153.2
2001	1396.4	155.7
2002	1984.4	164.8

Sources: Statistics Yearbook 2003. Statistics Agency of Kazakhstan, 2003.
** Health of Population and Healthcare in Kazakhstan in 1991-2001. Kazakhstan Ministry of Health, 2002;*

[87] UN Millennium Development Goals in Kazakhstan, 2002.
[88] Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003, p. 183.

Kazakhstan is traditionally a critical region in terms of tuberculosis incidence due to a number of socio-economic problems, poor health education among the population and lack of preventive medical examinations due to the low material and technical base of the health care system (table 2.7.6). Kazakhstan has the highest TB incidence and mortality rates among CIS countries. Incidence of active TB cases increased 2.6 times between 1991-2002 (table 2.7.4). According to the UN Millennium Development Goals in Kazakhstan Report, Target 8 to have halted and begun to reverse the incidences of tuberculosis by 2015 is unlikely to be achieved in Kazakhstan.[89]

An upsurge of registered HIV cases has been observed over the last decade: from 2 cases in 1999 to 2,522 cases in 2001, with the overall number of cases amounting to 3,257 in 2002 (table 2.7.5). The social composition of the HIV-positive population and its distribution by age group indicates that the HIV-infected people are mostly at working age and are unemployed. In other words, HIV-infected people are excluded from normal life and are stigmatized by society. Costly medical treatment of HIV infection needed for people living with HIV/AIDS puts significant financial constraints on their families, and hence increases risk of poverty. According to the UN Millennium Development Goals in Kazakhstan Report young people, prisoners, commercial sex workers and men having sex with men are most vulnerable to the spread of HIV/AIDS.[90] Considering existing tendencies and indicators in is unlikely that Kazakhstan will reach the Target 7, which expects that the spread of HIV/AIDS should have been halted and begun to reverse by 2015.

Table 2.7.5
HIV incidence in Kazakhstan, 1996–2002

1996	1997	1998	1999	2000	2001	2002
79	437	815	1000	1347	2522	3257

Source: HIV Infection. Informational Statistical Bulletin. Republican Centre for Prevention and Control of AIDS. 2003.

The major cause of poor health of the nation is the low level of public spending on healthcare in Kazakhstan. In 2002 it was 1.9 percent of GDP.[91] Due to the economic slump of 1992-1996, public expenditure on healthcare reduced almost two times.[92] Still, despite the recent macroeconomic achievements of the country, the healthcare sector remains under-financed, and public expenditures remain relatively low (table 2.2.4). There is also lack of medical insurance schemes.

At the initial stage of the transition period, due to the unfavorable economic situation, state budget deficit and negative migration balance, the healthcare facilities network was restructured and 'optimized' by reducing the number of medical establishments. This restructuring reduced availability, access to and quality of medical services, particularly for the poor. For instance, the number of outpatient facilities and polyclinics providing primary healthcare services dropped from 1,805 in 1991 to 1,005 in 2002. This resulted in the reduction of the total number of hospital beds from 140 to 75 per 10,000 people (table 2.7.6). In addition, the majority of healthcare facilities have fallen into decay, with a declining number of physicians and nurses. In 1991-2002 the number of physicians fell from 40 to 36 per 10,000 people, while nursing staff dropped from 121 to 76 per 10,000 people.

Table 2.7.6
Indicators of access to healthcare, 1998–2002

	1998	1999	2000	2001	2002
Hospital beds					
Overall number	123.5	108.2	106.9	110.2	111.9
Per 10,000 population	82.6	72.6	72.1	74.4	75.3
Number of physicians (not including dentists)					
Overall number	53.2	50.6	49.0	51.3	53.7
Per 10,000 population	35.6	33.9	33.0	34.6	36.1
Number of paramedical specialists					
Overall number	120.4	110.4	106.5	109.4	113.4
Per 10,000 population	80.5	74.1	71.8	73.8	76.3

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

To develop human capital and reduce poverty, Kazakhstan needs to urgently address challenges of the healthcare sector. Currently, poor population of the country suffers from little of low access to qualified medical services because of lack of

[89] UN Millennium Development Goals in Kazakhstan, 2002.
[90] Ibid.
[91] Poverty Monitoring Indicators in Kazakhstan. Kazakhstan Statistics Agency, 2003.
[92] UN Millennium Development Goals in Kazakhstan, 2002.

Tuberculosis dispenser.
By Oleg Ionov.

healthcare facilities, lack of good quality free-of-charge medical services, and need to pay for medical services. Moreover, the situation is further aggravated by poor environmental conditions, inadequate preventive measures and lack of health lifestyles culture.

2.8 GENDER DIMENSIONS OF POVERTY

In Kazakhstan, women and men have equal rights to education and employment. However, reality makes its own amendments. The human poverty index (HPI-3) for Kazakhstan indicates the relatively better position of women (see Section 2.1.1). Analysis of the HPI components shows that men are worse off in terms of life expectancy and educational level, whereas women are poorer in terms of incomes and position on the labour market (table 2.8.1).

Male and female life expectancy. Overall negative demographic trends (shrinking population, falling life expectancy) are more evident among men in Kazakhstan. During 1991-2002 the female population shrank by 742,000 people, the male population by 754,000. Over the same period average male life expectancy at birth fell by 2 years (from 62.6 to 60.6), female life expectancy by one year (from 72.4 to 71.1). Men live shorter lives than women, on average by 11 years. The average age of men is 29, versus 32 in women. According to the 1999 population census, women constitute 52 percent of population, however there are 948 men per 1,000 women in the composition of the working age population.

Male and female life expectancies are declining primarily due to deteriorating health status and limited financial capacity of the poor to access timely and high-quality healthcare. As mentioned earlier, women health index is only 30 percent, being as low as 20 or 10 percent in some regions. Over 60 percent of women have anemia. In some environmentally unfavorable Aral Sea regions this indicator reaches 87 percent, with up to 99 percent in pregnant women.[93] However, the 1999 Demographic and Health Survey (table 2.8.2) reflect some improvement in the anemia situation: 36 percent of anemic women were registered (as percent of total number of women aged 15-49). A significant drop in anemia was registered in South

Table 2.8.1
Human poverty index by gender, 1998–1999

1998		1999	
Men	Women	Men	Women
32.7	32.2	30.1	29.1

Source: Data from Statistics Agency of Kazakhstan

Table 2.8.2
Anaemia in women by regions, 1995/1999

Region	% of anaemic women (15-49 years old)							
	1995				1999			
	severe	mild	light	total	severe	mild	light	total
Almaty city	1.1	9.4	27.7	38.2	0.7	6.1	17.0	23.8
South Kazakhstan	0.8	10.6	38.9	50.3	0.2	6.6	18.5	25.3
West Kazakhstan	2.5	16.4	40.0	58.9	3.1	11.1	31.5	45.7
Central Kazakhstan	0.7	8.0	35.1	43.8	1.1	6.3	30.0	37.4
North Kazakhstan	1.1	9.5	36.8	47.4	1.9	8.3	39.2	49.4
East Kazakhstan					0.9	7.3	18.6	26.8
Kazakhstan	***1.1***	***10.6***	***37.1***	***48.8***	***1.2***	***7.7***	***26.6***	***35.5***

Source: UN Millennium Development Goals in Kazakhstan, 2002

[93] UN Millennium Development Goals in Kazakhstan, 2002.

Kazakhstan, from 50 to 25 percent, while in North and West Kazakhstan anemia incidence remained high in 1999 at 49 and 46 percent respectively.[94]

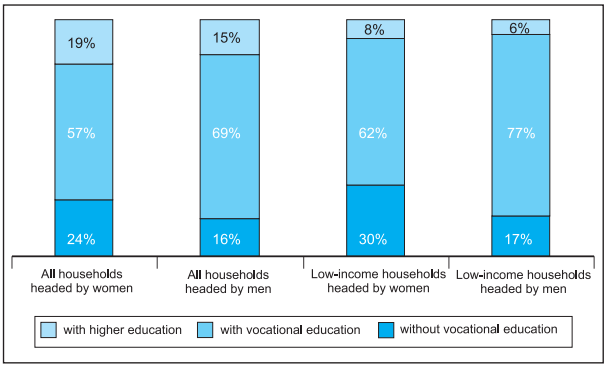
Breast cancer tops the list of women's cancer diseases. Approximately 60 percent of pregnant women have various aftereffects, while gynecological diseases were identified in 40 to 60 percent of women of childbearing age. The poor health status of women is aggravated by a high proportion of abortions, which remains the main way to avoid unwanted pregnancies (in 2002, there were 53 abortions to 100 deliveries).

Men, in turn, outnumber women in alcohol abuse (90 percent), mental disorder (62 percent) and active tuberculosis (57 percent). The nature of diseases prevalent in men makes them less capable of functioning and leads to more premature deaths. The greater physical and psychological adaptability of women allows them to cope with typical causes of poor health and stay relatively socially active.

Gender disparities in education. Against a background of overall high literacy (99.5 percent according to the 1999 population census), men are less educated in Kazakhstan. While there are more boys under 16 than girls (by 3 percent), proportions of girls and boys enrolled in primary, secondary and higher professional education have been changing in favor of girls over the last few years: 53.3 percent in 2000, 53.9 percent in 2001 and 54.3 percent in 2002. The proportions of young men not enrolled in general secondary schooling is twice as high as for young girls. There are more women with higher (by 24 percent) and vocational (by 39 percent) education than men. The causes of such a situation should be looked at in the context of the traditional responsibility of men to provide for the family and, as a consequence, their employment at an earlier age. The lower educational level of men makes them less competitive and leads to their poverty. Family heads with higher education have more opportunities to gain good provision for their families and are less likely to become poor (figure 2.8.1, see also Section 2.4). At the same time, girls, even with some education, find it more difficult to find highly paid jobs.

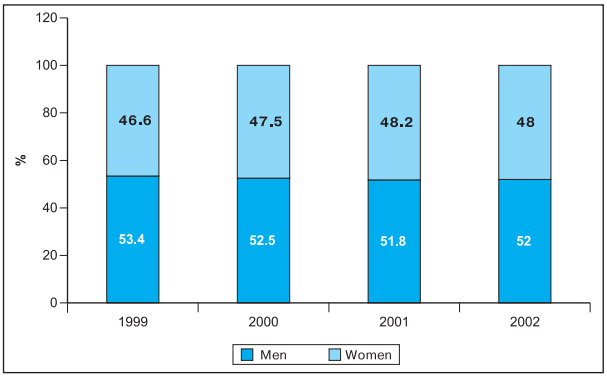
Gender aspects of unemployment. Inequality of women and men is apparent, first of all, on the labour market. In 2002 the number of men in the labour force was 4 percent higher than of women.[95] There are 1.7 times more women than men, who are not part of the labour force. This situation cannot be explained only by women's voluntary 'jump' into the status of housewives: women still actively offer their labour. From 1998-2001 the number of employed women rose by 15 percent, whereas this figure rose by just 4 percent for men. However, the proportion of employed women remains low (figure 2.8.2).

Figure 2.8.1
Households by educational level of their heads, 2002



Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Figure 2.8.2
Employed population, 1998–2002



Source: Statistical Yearbook 2003. Statistics Agency of Kazakhstan, 2003

The so-called 'feminisation' of unemployment surfaces: women accounted for 57 percent of the unemployed in 2001 and 59 percent in 2002. Unemployment rate is higher among women than men (11.2 and 7.5 percent in 2002). The main causes of unemployment regardless of gender are rooted in difficulties finding a job after graduation or the absence of any job at all. Women are disadvantaged as they are more frequently becoming redundant because of downsizing and the need to do housekeeping (table 2.8.3). Analysis of unemployment by age also indicates gender inequality on the labour market: there are more unemployed women than men in the majority of age groups (figure 2.8.3).

Women prefer to study and do not look for jobs in their teens. Female population aged 15-19 in the overall country's labour force is 17 percent

[94] UN Millennium Development Goals in Kazakhstan, 2002.
[95] Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.

Table 2.8.3

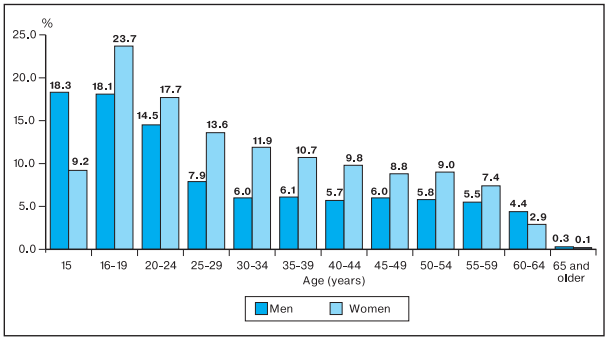
Causes of unemployment, 2002

Causes	Proportion of respective unemployed men relative to total number of unemployed	
	men, %	women, %
Dismissal due to liquidation of organisation	11.1	9.9
Dismissal due to redundancy	14.0	16.1
Voluntary termination	8.2	9.4
Dismissal due to contract termination	5.4	3.5
Termination of entrepreneurial activity	0.7	0.3
Running a small holding	1.1	10.6
Absence of employment after graduation	17.8	14.1
Absence of any job	34.8	30.7
Other	6.9	5.3

Source: Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.

Figure 2.8.3

Unemployment rate by age, 2002



Source: Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.

less than for males, while the proportion of unemployed girls in this age is 3 percent more than unemployed boys.[96] Women account for 61 percent of the unemployed population aged 20-54, which is the most active working age. The situation changes in favour of women, starting from the age of 60, when unemployed men are 2.1 times more than unemployed women. Lack of data does not allow for accurate identification of the causes of this phenomenon. However, it is possible to suppose the following: women begin to actively market themselves on the labour market approximately starting from age 25 (the level of economic activity equals to 72 percent) after receiving education, having a first child and raising children, with this activity practically constant until the age of 60. The peak of female activity is at 35-49 years, when women have nearly accomplished their childbearing functions and can occupy themselves making a career. Although there is less demand for women of this age on the labour market - there are 1.7 times more unemployed women in this age than men - due to subtle discrimination on the part of employers. After 60 the level of female economic activity rapidly drops from 35 percent when aged 60-64 to 12 percent when aged above 65. The majority of women of this age prefer to (or have to) do housekeeping. Men of this age are two-times more active than women but the male population shrinks by this age by 39 percent. Thus, due to the natural decrease in male numbers and the high number of women rejecting employment, women still seeking work have better chances to get a job, with female unemployment falling at this age as a result.

High educational level is advantageous when job hunting, especially for women (table 2.8.4). High educational level of women contributes to the fact that in 2002 there were 16 percent more employed women with higher education than men, and with vocational education by 11 percent.

Female unemployment levels are higher than male unemployment irrespective of their education,

Table 2.8.4

Men and women by education and employment, 2002

Educational level	Men, %		Women, %	
	Employed	Unemployed	Employed	Unemployed
higher	15.8	9.5	19.9	10.0
incomplete higher	2.5	2.5	2.4	2.4
vocational secondary	25.6	20.6	30.9	29.4
primary vocational	15.3	14.1	9.4	11.0
general secondary	32.9	43.6	29.6	40.6
basic	5.6	7.6	5.1	5.2
primary	2.4	2.0	2.8	1.4
Total	**100.0**	**100.0**	**100.0**	**100.0**

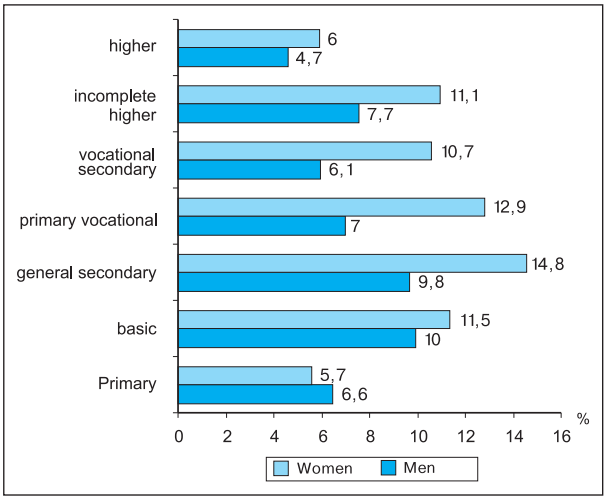
Source: Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.

[96] Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.

excluding unemployed men with only primary education (figure 2.8.4). There are 11 percent more employed women with primary education than men, and there are 5 percent less unemployed women in this category. Probably, jobs not requiring a qualification that are offered to people with the lowest educational level are traditionally taken up by women (cleaning, dish-washing, etc.). The narrowest gap is observed in unemployment levels of women and men with higher education, which serves as another factor intensifying the importance of higher education to ensure the nation's welfare.

High female unemployment level is aggravated by the difficulty of getting re-employed. Women

Figure 2.8.4
Unemployment rate and education, 2002



Source: Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.

spend more time finding employment against a background of overall growing duration of unemployment (table 2.8.5).

Income disparities. The main sources of income for women (and for general population) are

Table 2.8.5
Unemployment by duration and gender, 2001–2002

Duration of unemployment	Proportion of long-term unemployed men, %		Proportion of long-term unemployed women, %	
	2001	2002	2001	2002
Less than 1 month	48.1	53.2	51.9	46.8
Up to 3 months	50.5	46.2	49.5	53.8
3 to 6 months	47.5	47.0	52.5	53.0
6 to 12 months	49.3	48.4	50.7	51.6
1 year and more	42.2	38.3	57.8	61.7
5 years and more	34.1	26.7	65.9	73.3

Source: Labour Market in Kazakhstan: 1991-2002. Statistics Agency of Kazakhstan, 2003.

salaries, pensions and social benefits. In low-income households, wages account for nearly 66 percent of all income. Average monthly salary of women was 9,507 tenge less than for men in 2002 with this gap being widest in the finance sector (28,005 tenge) and hotels and catering (25,584 tenge). The ratio of female to male salaries has been falling from year to year and, in most cases, does not exceed 78 percent in different sectors (tables 2.8.6 and 2.8.7). The low level of women's salaries reinforces their competitiveness on the labour market on the one hand but contributes to their poverty on the other.

The fact that women are most often employed in low-paid sectors such as healthcare and social

Table 2.8.6
Men's and women's wages, 1999–2002

	1999	2000	2001	2002
Average nominal monthly wage, tengeincluding of	11,864	14,374	17,303	20,323
Men	14,304	17,603	21,511	24,847
Women	9,485	10,819	12,635	15,340
in % relative to salaries of men	67.6	61.5	58.7	61.7

Source: Statistical Yearbook for 2003. Statistics Agency of Kazakhstan, 2003.

services (79 percent) as well as education (73 percent) contributes to their low earnings. Probably due to this, 193 out of 1,000 employed women and 171 out of 1,000 employed men (11 percent less than women) were looking for a different or extra job.[97]

Despite the higher proportion of women in the overall population, as a rule, men occupy the management positions. In 2002 there were only 11 female Members of Parliament - just 9.5 percent of the overall number – while a total of 18.5% percent of local government and maslikhat-level deputies were women in 2002. While there is a clear prevalence of female professionals with higher and vocational education and a wide representation in government agencies (over 50 percent), only 5 percent of them are managers.[98]

Women, as one of the most vulnerable groups of the population, are recipients of state social assistance more often then men. Moreover, the minimum set of social benefits paid to the needy includes two specifically women's allowances: 'childbirth benefit' and 'many-children mothers'

[97] Main Indicators of Labour Market in Kazakhstan. Statistics Agency of Kazakhstan, 2002.
[98] Women and Men of Kazakhstan . Gender statistics. Statistics Agency of Kazakhstan, 2003.

Table 2.8.7
Ratio of wages of men and women by sectors, 1999–2002

Sectors	1999	2000	2001	2002
All occupations, %	68	61	59	62
Agriculture, hunting and forestry, %	81	80	75	75
Fishing and fish-breeding, %	58	57	65	77
Industries, % including:	74	71	68	69
Mining industries, %	74	74	68	70
Generation and delivery of power, gas and water, %	81	79	76	77
Construction, %	73	72	71	68
Trade, car and household goods maintenance, %	79	75	81	78
Hotels and restaurants, %	71	62	70	49
Transport and communications, %	84	80	75	75
Finance sector, %	59	60	60	59
Operations with real estate, rent and services to clients, %73	69	71	68	
Public administration, %	79	78	70	77
Education, %	88	89	84	86
Healthcare and social protection,%	93	84	83	82
Other public, social and personal services, %	59	65	65	67
Diplomatic offices, international organisations, etc., %	69	90	72	78

Source: Statistics Yearbook for 2003. Statistics Agency of Kazakhstan, 2003.

benefit. Means-tested assistance provided for the most vulnerable strata can hardly significantly change the position of either poor women or men. As of 1 January 2003, the average state targeted social assistance amounted to 998 tenge per each family member (see Section 2.5).[99]

Other factors contributing to 'feminisation' of income poverty. In addition to low wages and high unemployment, the other factors of 'feminization' of income poverty include patriarchal views regarding women's roles in society and prevalence of women in socially vulnerable demographic groups such as large and single-parent families and lonely older people.

Social inequality is most evident, first of all, in family relations. Intensive housework does not allow women to actively manifest themselves on the labour market unless they abandon the idea of having a family and children. Due to the nature of such periods as pregnancy and raising children, women may lose touch with professional activities. Even when children are older or even if a woman does not have any children, traditionally she spends a lot of her time on housework. Experts say[100] that both genders spend approximately equal time on children, while women spend 3 times more time than men on cleaning, cooking, washing, etc. Men are free from housework and parental responsibilities 2 days per week more than women, which mean that women have less time for rest and professional and cultural development.

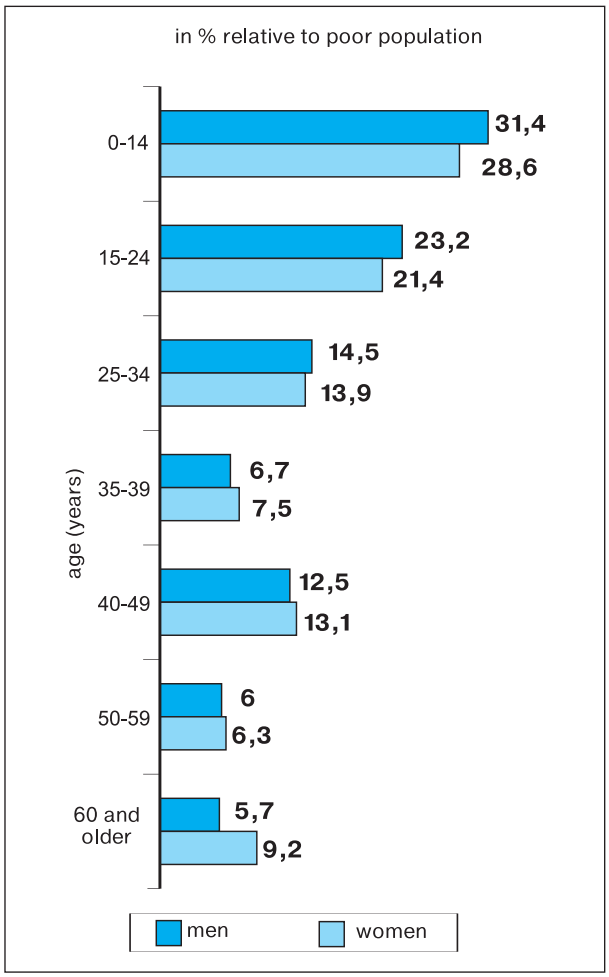
Time spent on housework is significantly higher in large and single-parent families, which are traditionally most vulnerable to poverty. There are 160,000 large families in Kazakhstan.[101] In 2002 77.6 percent of the low income population lived in families consisting of five or more members.[102] As mentioned earlier, single-parent families consisting of one parent and child(ren) are 11 times more likely to be mother and child(ren), than father and child(ren) (see Section 2.6).

There are more female pensioners (62 percent). Lonely older people have also always been most vulnerable to poverty. Lonely pensioners with no relatives or other sources of assistance find themselves even in a more difficult situation, with more women than men enduring lonely old age (figure 2.8.5). In 2002 the proportion of poor women among pensioners amounted to 71 percent[103]. The lower male life expectancy due to stress, nervous breakdowns and low adaptability to a changing environment leads to the fact that most men do not reach very old age and extreme poverty.

To sum up, negative economic processes have undermined living standards of both men and women. However, more women turn out to be

[99] Data from Information and Analysis Centre of Ministry of Labour and Social Protection (not published).
[100] Gender Aspects of Poverty in Kazakhstan. UNDP Kazakhstan study, 2001 (not published).
[101] Ibid.
[102] Living Standards in Kazakhstan. Statistics Agency of Kazakhstan. 2003.
[103] Household survey "Causes and Conditions of Poverty". Statistics Agency of Kazakhstan, 2002.

Figure 2.8.5
The poor by gender and age, 2002



Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

among the poor due to both higher proportion of female population in the overall population and remaining social and economic inequalities. Gender inequality is backed up by dogmas regarding women's roles in society, which do not go beyond sexual and childbearing functions, as well as labour discrimination. The 'feminisation' of income poverty and inability of men to provide for their families' well-being affects the physical and cultural development of their children and, as a result, the future of the country. Therefore, addressing female poverty should be a top priority when developing any state programmes for poverty reduction.

2.9 ENVIRONMENTAL ASPECTS OF POVERTY

The country's environmental situation has been deteriorating rapidly over the last 12-15 years. This has negatively affected the health and welfare of Kazakhstani people and aggravated poverty. Life expectancy has fallen, there has been a tendency of depopulation, with groups of population under 15 (both genders) affected most. About 45 percent of allergic and chronic respiratory diseases are caused by poor environment.

Lack of potable water supply remains an acute problem. High disease incidence rates are largely due to the lack of safe drinking water, as well as poor status of water supply systems.[104] Many people drink water, which does not meet sanitary and epidemiologic requirements. Over one third of the population use water that has not been properly purified. Further 500,000 people have limited access to drinking water. 19 outbreaks of different infections transmitted through bad quality water, including *hepatitis, dysentery* and *typhoid*, were registered over the last five years. In some regions, consumption of water that does not meet the standards related to mineralization is linked to high disease incidence such as *urolithiasis* and *colelithiasis*, heart diseases and digestive system disorders. Status of many water sources, as well as the ground water quality, has worsened due to pollution by industrial, municipal, drainage and other waste water. Because of this many water sources have nearly lost their natural capacity for self-purification and self-renewal.

The safety of piped water depends on the sanitary and technical conditions of water pipelines. In 2000 the proportion of piped water not meeting sanitary and chemical standards was 9.1 percent, not meeting microbiologic standards – 4.1 percent. Nearly 50 percent of the population consumes drinking water not meeting mineralization and hardness standards, with 3.9 percent of drinking water not meeting bacteriological standards. Only two thirds of households were satisfied with the quality of cold water.[105]

Only half of houses (53.7 percent) had tap water in 2002, which is 14.8 percent lower than in 2000, when this figure was the highest. The number of functioning water pipelines decreased; their sanitary and technical conditions worsened. Overall, 13.3 percent of water pipelines were not operational, with 23.4 percent of them not meeting sanitary and technical standards.[106]

Poor status of water supply systems leads to increased consumption of water from wells, reservoirs and irrigation ditches. However, quality of ground water has deteriorated, and the majority of water sources have lost their natural capacity for self-purification and self-renewal. The

[104] Programme on Poverty Reduction for 2003-2005. Approved by Government Decree #296 as of 26 March 2003.
[105] Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.
[106] Ibid.

Barge leading the ferry on Irtysh river

proportion of people who have to use water transported from other places has increased. Almost one million of rural residents use water from rivers for both drinking and household needs, which often is polluted by discharges from agricultural and animal farms.[107]

According to the UN Millennium Development Goals in Kazakhstan Report, Target 10 aimed at halved by 2015 proportion of people without sustainable access to safe water could potentially be reached in Kazakhstan[108]. The 2003 National Human Development Report of UNDP raised this issue again and suggested a possible plan of actions.

Depletion of water resources lead to shrinking production and employment opportunities as well as to loss of income sources of households. Most of Kazakhstan's territory is located in an arid zone with limited water resources. Such territories have low resistance to economic difficulties. Three quarters of agricultural enterprises are actually bankrupt. Their gross arrears amount to 97 billion tenge, which is as high as gross annual agricultural production of 57-140 billion tenge. In the short term recovery of the agricultural production is impeded by low profitability (20-25 percent), overdue payments of 81 billion tenge and annual losses of 25-30 billion tenge. There is lack of investments to combat desertification.[109]

Growing poverty has forced people to destructively exploit natural resources despite their awareness of the bad environmental implications. This is proved by increased poaching, illegal hunting, destruction of rare species, etc. Unable to buy coal, gas and/or electric power for heating, people have been cutting *saxaul*, *tugai*[110] and protected forests. Rural poor cultivate exhausted and poorly irrigated lands and do not invest in agrochemical and irrigation measures as well as unable to use resource-saving technologies.

Systemic measures to improve environmental management can save funds otherwise invested in rehabilitation of natural resources. Better environmental situation will strengthen the nation's health. This, in return, will positively affect employment, incomes and consumption, education, demographic indicators and lead to poverty reduction.

2.10 REGIONAL POVERTY

There are significant regional disparities in Kazakhstan, which are conditioned by the large size of the country, different natural and climatic conditions, different local economies, different living standards, etc. In 2002 per capita gross regional product (GRP) in Atyrau oblast was over ten times higher than in Zhambyl oblast, which had the lowest per capita GRP. The highest value of subsistence minimum in Mangystau oblast is 1.5 times higher than the smallest subsistence minimum in South Kazakhstan oblast. Poverty incidence differs by 20 times and inequality - by 1.7 times (table 2.10.1).

Kazakhstan's poverty headcount ratio fell by approximately 4.3 percent in 2002 (versus 2001). However, poverty reduction varied across the regions. In comparison with the national average, the proportion of the poor fell significantly in a number of regions: Zhambyl by 12.6 percent, South Kazakhstan by 10.9 percent, Atyrau by 6.9 percent, Aktobe by 6.8 percent, Manghistau by 6.4 percent and Kyzylorda by 6.2 percent. Compared to national average, poverty reduction was less notable in Almaty city (-1.4%), Akmola (-1.8%), East Kazakhstan (-2.1%), Almaty (-3.0%), Karagandy (-3.1%) and Kostanai oblasts (-3.9%). The level of poverty remained the same in the capital city of Astana. In West Kazakhstan, North Kazakhstan and Pavlodar oblasts the percentage of the poor in 2002 increased by 0.8, 4.3 and 5.5 percent, respectively.

Manghistau, Atyrau, Almaty and Zhambyl oblasts had the highest proportion of people with incomes below the food basket value in 2002, two times higher than the national average. As a result, the highest poverty depth and severity indices were registered in these oblasts. The cities of Astana and Almaty, as well as North Kazakhstan and Akmola oblasts, have significantly lower percentages of poor people with incomes below the food basket. Concurrently, these regions' indicators of poverty depth and severity are

[107] Environmental Situation and Poverty in Kazakhstan. UNDP Kazakhstan study, 2001 (not published).
[108] UN Millennium Development Goals in Kazakhstan, 2002.
[109] Environmental Situation and Poverty in Kazakhstan. UNDP Kazakhstan study, 2001 (not published).
[110] *Saxaul* and *tugai* refer to species widely grown in Kazakhstan.

Table 2.10.1
Poverty indicators by regions, 2002

	Proportion of population with incomes (%)		Subsistence minimum, tenge	Poverty depth,%	Poverty severity, %
	below the subsistence minimum	below the food basket value			
Kazakhstan	24.2	8.9	4,761	6.1	2.2
Manghistau oblast	39.8	20.4	6,453	11.37	4.08
Almaty oblast	36.3	17.0	4,622	10.1	3.81
Zhambyl oblast	35.8	12.9	3,956	8.82	3.14
Atyrau oblast	34.1	17.7	6,045	10.95	4.66
Kyzylorda oblast	32.3	7.8	4,198	6.78	2.09
West Kazakhstan oblast	28.0	7.60	4,876	6.44	2.22
South Kazakhstan oblast	27.5	7.3	3,819	5.73	1.79
Aktobe oblast	22.6	11.6	4,979	6.78	2.78
Kostanai oblast	22.3	12.9	4,515	7.77	3.64
Pavlodar oblast	21.6	8.3	4,790	5.1	1.76
East Kazakhstan oblast	20.0	16.3	4,638	5.1	1.91
Karagandy oblast	19.3	6.5	4,937	4.59	1.56
Akmola oblast	18.6	3.2	4,872	3.3	1.04
North Kazakhstan oblast	14.3	4.1	4,732	3.01	0.94
Almaty city	4.1	0.7	5,212	0.62	0.17
Astana city	2.2	-	4,777	0.25	0.05

Source: Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

considerably lower than the national average.

In 2002 there were no regions in Kazakhstan with high (six subsistence minimums) and high middle (three subsistence minimums) living standards (table 2.10.2). According to the table, based on average population purchasing capacity, living standards of the regions can be grouped into the following three categories: 'low middle', 'middle low' and 'low low'.

The highest income purchasing power index was recorded in Astana and Almaty cities, which also have per capita GRP higher than the national average. The population of those cities can afford the comfortable consumption level (see Section 1.2). Astana and Almaty cities belong to a **group of regions with low-middle living standards (I)**. The two largest cities of Kazakhstan with highest living standards in the country were expected to have the lowest poverty level. Indeed, the lowest poverty levels were registered in Astana and Almaty cities, which constituted 2.2 and 4.1 percent of the total population.

Generally, the two cities provide relatively good conditions for human development. This manifests itself in the higher life expectancy in Astana and Almaty, which were 68.6 in 2002. Almaty city has many educational institutions of all levels as it used to be the capital city. Astana on the contrary has the lowest enrollment rate at all levels of education between the ages 6-24, which constituted only 64.3 percent in 2002. This problem is likely to be transitional, triggered by the high in-migration rate to the new capital and lack of education facilities and infrastructure.

The second group (II) with middle low living standards includes 8 northern and central oblasts: Karagandy, East- Kazakhstan, West-Kazakhstan, Pavlodar, North-Kazakhstan, Kostanay, Akmola and Aktobe oblasts.

Karagandy, East-Kazakhstan, West-Kazakhstan, Pavlodar and Aktobe oblasts are industrial regions, neither capital city regions, nor gas and oil monopolies. All of them, except for the West-Kazakhstan oblast, have predominantly urban population, with the working age population mostly employed in infrastructure. Population's purchasing capacity is middle low. Due to the lower GRP per capita and income purchasing power, as well as higher economic inequalities compare to group I, these oblasts have notably higher poverty incidence. In 2002 the poverty headcount ration in this group fluctuated between 28 (West-Kazakhstan oblast) and 19.3 percent (Karaganda oblast).

Table 2.10.2
Regional indicators, 2002

##	Grouping of regions by population purchasing capacity	Region	Population purchasing capacity (number of SM in per capita monetary income)[1]	GRP per capita (USD at the exchange rate)	Percentage of population with incomes below the subsistence minimum	Gini coefficient by 20 percent groups	Human development indicators	
							Life expectancy at birth	Proportion of students at all levels of education (at the age 6-24), %
		Kazakhstan	1,36	1645,8	24,2	0,312	65,8	75,4
	I. High (more than six SM)	No						
	II. High middle (3-6 SM)	No						
1	III. Low middle (2-3 SM)	Astana city	2,83	2535,7	2,2	0,300	68,6	64,3
2		Almaty city	2,02	2921,4	4,1	0,238	68,6	107,3
	IV. High low (1.7-2 SM)	No						
3	V. Middle low (1.3-1.7 SM)	Aktobe oblast	1,57	1638,4	22,6	0,328	64,0	63,4
4		East Kazakhstan oblast	1,57	1144,8	20,0	0,337	65,0	71,8
5		Karaganda oblast	1,54	1497,8	19,3	0,326	64,1	77,6
6		North Kazakhstan oblast	1,43	880,9	14,3	0,282	64,5	69,9
7		Kostanay oblast	1,42	1122,1	22,3	0,335	65,6	68,1
8		Akmola oblast	1,41	941,2	18,6	0,315	64,6	72,9
9		Pavlodar oblast	1,31	1607,3	21,6	0,294	65,3	76,6
10		West Kazakhstan oblast	1,28	2028,7	28,0	0,330	64,5	79,3
11	VI. Low low (less than 1.3 SM)	South Kazakhstan oblast	1,15	640,5	27,5	0,261	66,9	75,2
12		Atyrau oblast	1,14	5628,8	34,1	0,410	64,1	81,6
13		Mangistau oblast	1,14	4073,0	39,8	0,344	64,1	80,7
14		Zhambyl oblast	1,11	525,4	35,8	0,279	66,6	70,3
15		Almaty oblast	1,10	692,9	36,3	0,288	67,3	63,5
16		Kyzylorda oblast	1,04	1148,5	32,3	0,309	65,2	68,1

[1] *Income used for consumption.*
Sources: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003
Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Three regions in this group, namely, Kostanai, Akmola and Northern-Kazakhstan are agricultural. The lower GRP per capita is explained by the predominantly agricultural economies in these regions. Incomes of the three oblast residents are generated from agricultural activities and household land plot. Poverty level in these three oblasts matches that of the other oblasts in this group. The North-Kazakhstan oblast ranked lowest on poverty incidence (14.3 percent), owing to the lowest economic inequalities in the group.

Life expectancy at birth was almost the same for all the oblasts in Group II, ranging from 64 to 65.6 years. This is lower than in Group I, due to poorer living conditions of the residents (health care, housing conditions, etc.). Educational problems in the regions differ, from lowest coverage of children and young people at the age of 6 to 24 by education in Aktobe oblast to the highest in the East Kazakhstan oblast. This is conditioned by many (contradicting) factors such as lack of educational institutions, big distances between settlements and oblast/rayon centres, early employment as well as preference to obtain education outside the oblast.

The third group (III) includes South Kazakhstan, Atyrau, Mangistau, Zhambyl, Almaty and Kyzylorda oblasts. The population purchasing power was lowest in the country being only 15 percent higher than the respective regional subsistence minimums. Consequently, the highest poverty levels were observed in most oblasts: from 27.5 percent in South Kazakhstan to 39.8 percent in Mangistau oblast.

Reasons behind high poverty incidence are different. Atyrau and Mangistau oblasts are country's oil-and-gas centres. The oblasts had the highest per capita GRP, 5-10 times exceeding the same indicators in other oblasts of the Group III. Industrial production output exceeds that of the agricultural production by 9 times in Atyrau, and by 40 times in Mangistau. Those employed in the oil-and-gas sector earn the highest monetary incomes in the country. However, the proportion of employed in this sector was insignificant in the total number of the employed. This can be explained by the fact that the shift-based employment has been widespread in the oil-and-gas sector, and lack of employment opportunities for the local labour. As a result, incomes of the majority of local population remain low. Therefore, high levels of poverty in Atyrau and Mangistau oblasts are due to low purchasing power of local population and high levels of economic inequalities prompted by monopolistic character of the oil-and-gas industry.

Poverty in the southern agricultural regions of the country (South Kazakhstan, Zhambyl and Almaty oblasts) is conditioned by predominantly rural population with low incomes. Only Kyzylorda oblast has predominantly urban population and some industries. However, again with only oil-and-gas sectors developing, almost one third of the oblast's employed are employed in agriculture, which generates little income. This group has relatively low level of economic inequalities as compared to the national average, but high poverty incidence due to low purchasing power of the majority of population in these regions.

To sum up, among the poorest oblasts of Kazakhstan there are both regions with relatively high per capita GRP such as Atyrau and Manghistau oblasts, and regions with low development levels such as Almaty, Zhambyl, Kyzylorda oblasts. For the former, poverty reduction efforts should focus on pro-poor growth so that the wealth generated from national oil and gas resources benefits the entire population of the regions. This requires diversification of their local economies and redistribution of resources for the benefit of the poor. For the latter, creating conditions for accelerated economic growth should become a priority of state's poverty reduction strategy. In both groups, poverty can be reduced through increased productive employment, improved effectiveness of social security system, infrastructure development and solution of environmental problems.

Due to differences in population numbers, sizes and compositions of families determined by demographic processes as well as national traditions, numbers of state targeted assistance recipients vary significantly across regions (table 2.10.3). In 2002 the highest number of state targeted social assistance recipients resided in South Kazakhstan, Almaty and Kyzylorda oblasts: over one third of the recipients. In all seven oblasts of the group III, with the lowest living standards (table 2.10.1), the state targeted assistance recipients constituted about 60 percent of the total. Another 30 percent of targeted social assistance recipients resided in the regions of the group II, and only 10 percent were the residents of the relatively prosperous group I regions.

Table 2.10.3
Recipients of state targeted social assistance by regions, 2002

Oblast	Number of recipients, thousand people
Republic of Kazakhstan	1,137.3
South Kazakhstan oblast	164.6
Almaty oblast	132.5
Kyzylorda oblast	130.6
Karagandy oblast	89.9
Aktobe oblast	89.4
East Kazakhstan oblast	88.3
Atyrau oblast	82.8
Zhambyl oblast	82.8
West Kazakhstan oblast	56.4
Pavlodar oblast	55.2
Akmola oblast	42.5
North Kazakhstan oblast	37.1
Manghistau oblast	32.1
Kostanai oblast	31.5
Almaty city	18.7
Astana city	2.9

Source: Information and Analysis Centre of the Ministry of Labour and Social Protection of Kazakhstan, 2003.

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Recent years have seen significant economic growth in Kazakhstan, which has been conducive to overall poverty reduction. Nevertheless, 24% of the Kazakhstani population in 2002 lived in absolute poverty with incomes below the subsistence minimum of 4,761 tenge, or 31 US dollars per month.

In addition, more than half of the population was at poverty risk as they had low incomes (higher than the survival level but lower than twice the subsistence minimum), which were not sufficient for the decent standard of living. The percentage of the population with incomes below the food basket level was declining slowly, signaling the continuing threat of malnutrition. There were significant variations of poverty incidence from region to region. Rural poverty was twice as high as in the urban areas. Women tend to be poorer than men.

The main causes of poverty are unemployment and low incomes. Despite increasing employment and average incomes, the situation in the labor market is not conducive to poverty reduction. The report shows that in 2002 over 44% of employees received low wages, which did notprovide for an adequate standard of living, neither for the employees nor for their families. Furthermore, despite positive macroeconomic changes, the proportion of low-paid employees has remained more or less constant. The purchasing power of salaries in many sectors of the economy ranges from low to medium. Only in the finance sector and mining industries is the purchasing power of salaries high. The proportion of employed persons who are self-employed has now increased to 40%. This significant increase in the number of self-employed people brings additional development challenges such as the low wages they typically earn and insufficient coverage by social security schemes.

Unemployment remains a serious socio-economic problem. Despite falling unemployment rates, the problems of unemployment among youth and women, unemployment in rural areas, and chronic long-term unemployment for many people persist.

Furthermore, the report indicates disproportionately high growth in gross capital formation, exceeding the growth in expenditures on household consumption both in absolute terms and as a growth rate. This discrepancy needs to be further investigated to ensure a good balance between investments in physical infrastructure and already low individual incomes, primarily salaries and wages.

In the field of education there are two major challenges for the poor: low quality and access to education, particularly in remote rural areas. This is relevant for all levels of education. Kazakhstan has achieved the Millennium Development Goals of providing universal primary education and eliminating gender disparities in primary and secondary education. However, enrolment rates are slipping, and the lack of schools and teachers has become a problem, particularly in remote rural areas. Furthermore, the education system still fails to provide for the development of a wide range of life skills, focusing instead on providing children with theoretical knowledge rather than preparing them for living in the real world, interacting freely with other people and being good citizens.

In recent years, the profiles of graduates from higher and vocational education institutions have progressively failed to meet the demands of the labour market. Large discrepancies persist between the graduates' qualifications and the demands of a developing economy. Basic vocational training fails to supply the economy with qualified workers. In most sectors earnings of employees do not reflect their qualifications and professionalism, thus undermining incentives for better performance. The majority of qualified graduates do not enjoy adequate pay-offs in comparison with personal and government investment in their education. In many cases, financial responsibilities for extended families further aggravate the situation.

Currently, state social benefits and targeted social assistance have failed to provide for decent living standards for their beneficiaries. In order to reduce the poverty risk faced by people the social security system, including the pension system, needs to be improved in terms of targeting and efficiency.

The poor also face serious challenges related to health. The recent deterioration of many health indicators in Kazakhstan was caused by the following factors: reduced public spending on health care, decreasing numbers of qualified physicians, deteriorating health care facilities, insufficient preventive measures, low quality of medical services, environmental degradation, and low cultural commitment to healthy lifestyles. The range of free health care services guaranteed by the state tend to be low quality. Hence the poor who cannot afford to pay for medical services do not receive adequate treatment/prophylactics. Most medical insurance schemes are not affordable for the majority of population.

Poverty is also related to migration and demographic factors. High emigration can lead to a so-called "brain drain." Immigration coupled with internal migration affects the living conditions of migrants, in particular *oralmans* (repatriates) and refugees. Migration from rural to urban areas (high urbanization rates) aggravates urban poverty. Large families with many children further increase the risk of poverty, especially in rural areas. Other vulnerable groups are single-parent families, the elderly and the disabled.

Both women and men were affected by the economic transition. However, women make up a larger proportion of the poor because, first, they constitute a larger proportion of the overall population and, second, they are subject to persistent social and economic inequalities.

Gender inequality is reinforced by traditional stereotypes restricting women's roles to reproductive functions coupled with hidden discrimination in employment. Therefore, addressing female poverty should be a top priority when developing any state programme for poverty reduction.

Environmental quality has plummeted in Kazakhstan, affecting people's health and well-being as well as increasing poverty. During the 1990s, two interconnected environmental problems became apparent: environmental degradation undermined people's health and well-being and, in turn, poverty aggravated environmental problems. High morbidity rates are caused in part by the lack of potable water as well as poor conditions in many water supply systems. Potable water supply is high on the national development agenda.

Finally, there are significant differences in poverty between regions. Gross regional product (GRP) per capita varies from region to region. However, a high level of economic development in a region does not necessarily result in improved living conditions for its residents. In Kazakhstan, both advanced regions (Mangistau and Atyrau) and less developed ones (Almaty, South Kazakhstan, Zhambyl and Kyzylorda oblasts) have among the highest levels of poverty in the country. In the former, the redistribution of revenues from oil and gas extraction to benefit the entire local population, including the poor, should become a key strategy for poverty reduction. In less developed regions with high poverty levels, state interventions should aim at accelerating economic growth. In both cases, productive employment opportunities, enhanced social security systems, improved social infrastructure and solutions to environmental problems are key elements in reducing poverty.

In summary, the impact of the recent economic growth, largely driven by the oil and gas sector, on the living standards of Kazakhstani population could have been stronger. To ensure sustainable impact of economic growth on people's well-being, national revenues should be used more prudently. Given the favourable macroeconomic situation in Kazakhstan, increased public spending on education, health care and social security should become another important component of national social policy.

CHAPTER 3. SPECIFICS OF URBAN AND RURAL POVERTY IN KAZAKHSTAN

3.1 COMPARING URBAN AND RURAL POVERTY

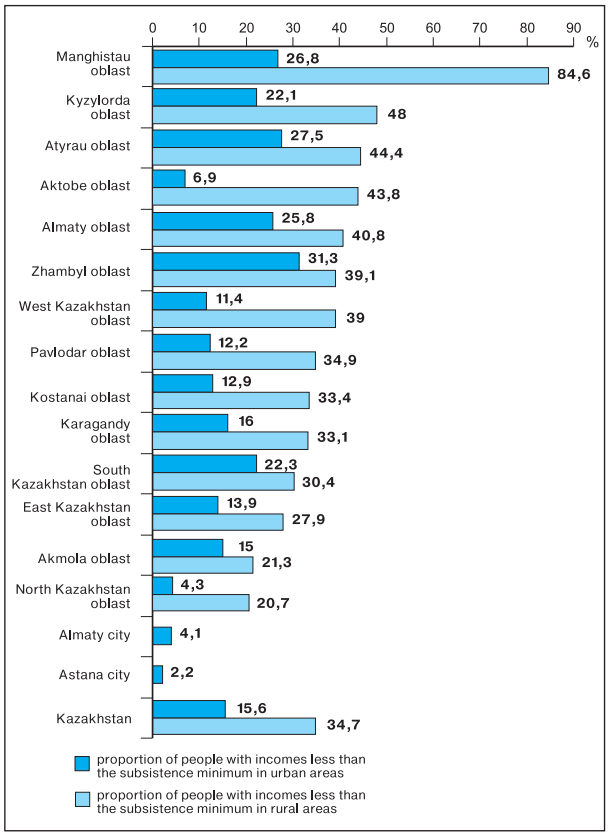
In Kazakhstan, as in many other countries, the risk of poverty is higher for people living in rural than urban areas (figure 3.1.1). The rural poverty incidence[1] was 34.7% in 2002, which is twice as high as in urban areas (15.6%). The ratio of Kazakhstan's urban and rural human poverty index (see Section 2.1.1) was 1.24 in 2001 (27.6 and 22.1% respectively).[2] This was conditioned by relatively higher incomes and better education of urban residents.

The rural poverty is also deeper than in urban areas: the average per capita incomes of the rural poor are much lower than the subsistence minimum. Incomes of the poorest urban residents are at least 60 percent higher than those of the poorest rural dwellers (table 3.1.2). Accordingly, in 2002 the rural poverty depth index was 9.0 percent (compared to 3.6 percent in urban areas), and rural and urban poverty severity indices were 3.4 and 1.3 percent respectively[3].

Regional poverty distribution indicates that in 2002 the highest urban poverty levels were in Atyrau, Mangistau and Zhambyl oblasts, while Astana and Almaty cities as well as the North Kazakhstan oblast had the lowest proportion of people living below subsistence minimum (figure 3.1.1). The highest level of rural poverty was registered in Manghistau oblast where nearly every rural resident is poor, i.e. has income below the subsistence minimum. In 2002 the proportion of rural poor in this oblast was 84.6 percent (figure 3.1.1).

The profiles of urban and rural poverty differ slightly. Irrespective of the place of residence, the poor in Kazakhstan are made up of working-age population (both unemployed and employed with low incomes) and children under 16 (table 3.1.1). In rural areas, there are slightly more children among the poor, which is because of the higher number of large families in rural settlements.

Figure 3.1.1
Urban and rural poverty by regions, 2002



Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

[1] Poverty incidence refers to the proportion of population with incomes below the subsistence minimum.

[2] National Human Development Report 2002 for Kazakhstan 'Rural Development in Kazakhstan: Challenges and Prospects'. UNDP Kazakhstan, 2002.

[3] Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Table 3.1.1
Who are the urban and rural poor, 2002

Categories of poor population	Urban poor	Rural poor
Poor population including:	100	100
Working-age population (including employed and unemployed)	59.0	56.8
Children	31.3	35.1
Pensioners	9.6	8.1

Source: Household budget survey by Statistics Agency of Kazakhstan

Salaries and pensions are main sources of income for both rural and urban population. However, for rural residents self-employment and consumption from their household land plots is more important than for their urban peers (table 3.1.2).

Table 3.1.2
Income sources of urban and rural poor, 2002

Income sources	Urban Poor, % of total urban respondents	Rural Poor, % of total rural respondents
Paid employment	68.5	62.8
Self-employment	13.9	19.4
Pension	33.2	37.2
Stipend	1.0	0.2
Foodstuffs from household's land plot	26.4	59.8
Selling products from household's land plot	4.5	21
Income from property	0.6	0.5
Assistance of relatives, friends	18.3	14
Social assistance	12.3	14.5
Short-term services	9.0	11.5
Other	9.8	9.2

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

On average, monetary incomes are 2.3 times lower in rural than in urban areas. Subsequently, rural expenditures for consumption are twice as low compared to the urban pattern.[4] Incomes of the poorest rural households constitute 75 percent of the incomes of the poorest urban residents (table 3.1.3).

Table 3.1.3
Comparing incomes of urban and rural poor, 2002

	Urban households, tenge	Rural households, tenge	Urban to rural income ratio
Incomes of the poorest 10% of the population	21,070	13,090	1,61
Incomes of the poorest 20% of the population	27, 164	16,080	1,69

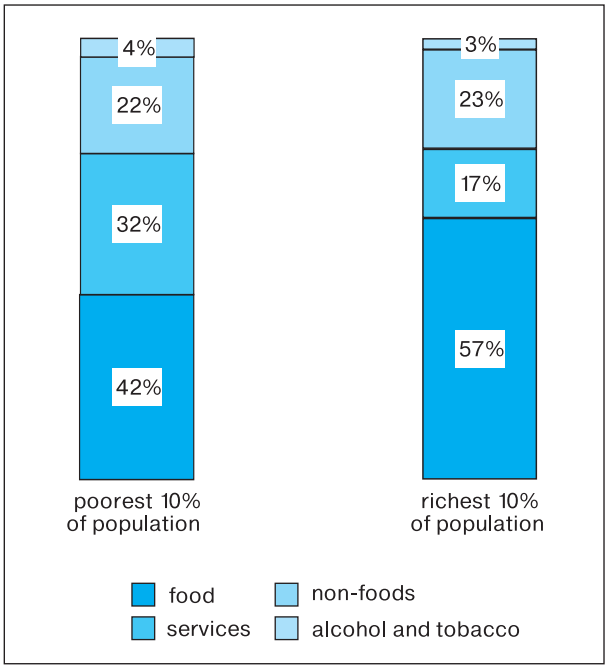
Source: Living Standards of Population in Kazakhstan, Statistics Agency of Kazakhstan, 2003.

Both urban and rural residents have only little savings, as they have to spend most of their incomes on consumption. The poorest residents spend 97-98 percent of their income on consumption, and the richer - 94 percent. Regardless of the place of residence, the poor tend to spend more on food (57-59 percent of total consumption expenditure); the richer spend more (50-54 percent) on non-food goods and services (figure 3.1.2 and figure 3.1.3). The proportion of expenditure on services (19-23 percent) is similar for both poor and richer households due to high costs of utilities and transport throughout the country.

Residents of Beskaragay rayon, East Kazakhstan oblast

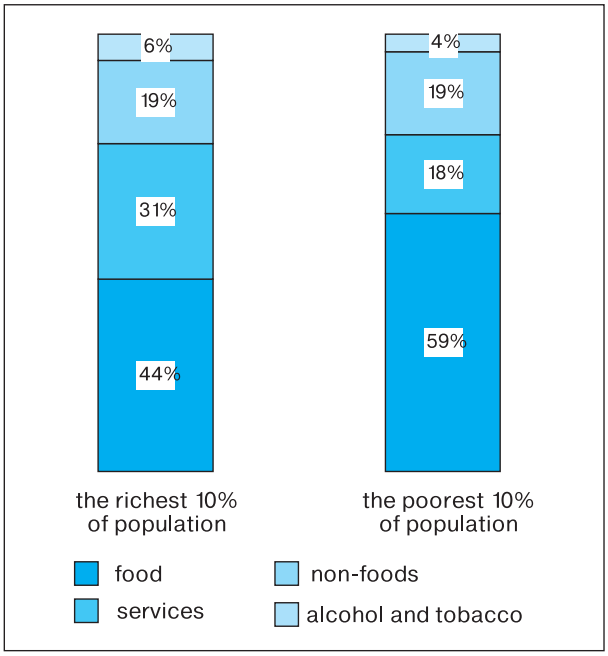
[4] Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Figure 3.1.2
Urban household consumption expenditure pattern, 2002



Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Figure 3.1.3
Rural household consumption expenditure pattern, 2002



Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Overall, food consumption increases as the household's income grows. As mentioned in Section 2.1, the poor consume relatively more bread products and cereals ('carbohydrate nutrition model') than the general population of the country. Furthermore, given their relatively lower incomes of rural households tend to consume less meat and dairy products, eggs, fruit and vegetables compared to urban households. Despite the higher share of consumption from household land plots among the rural households (60 compared to 26 percent in urban areas), it does not provide for adequate nutrition (table 3.1.4).

Table 3.1.4
Level of well-being of the poor, 2002

	Rural poor responses, %	Urban poor responses, %
Low income not sufficient even for adequate nutrition	12.8	18
Earned income provides for food only with other basic needs being largely unmet	38.3	39.8
Earned income provides for adequate nutrition, however, can neither buy clothing and footwear nor able to pay for services	33.4	28.1
Needs of adequate nutrition, clothing, footwear and buying services are met to a certain extent	13.3	12.2
Earned income is enough for adequate nutrition, clothing, footwear, buying services and for purchase of some durables (such as domestic appliances for instance)	1	1
No financial problems	1.2	1

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

Income inequality in urban areas is slightly higher than in the rural ones: in 2002 the gap between the richest and poorest 10 percent of the urban population (assets coefficient) was 9 times, while in the rural areas it was 8 times.[5]

The gap between rural and urban unemployment significantly widened in 2001 and 2002

[5] Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

(figure 3.1.4) with rural unemployment shrinking and becoming lower than in the urban areas. In 2002 the unemployment rates in urban and rural areas were 10.9 and 7.4 percent respectively. Urban residents accounted for 66 percent of the total number of the unemployed. In rural areas the problem of unemployment is also acute as the number of employers is so limited that people cannot effectively search for a job.

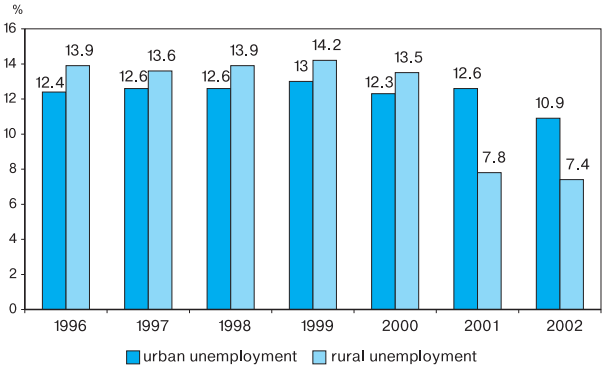
The proportion of population living in urban compared to rural areas has almost not changed during last years. In 2002 the urban population accounted for 56 percent, whereas the rural population amounted to 44 percent of the total population (table 3.1.5. and see section 2.6).

The natural increase of rural population barely exceeds the number of out-migrants. Internal migration from rural to urban area is prompted by population's strife for higher standard of living. In general, such migrants contributed to the ranks of the poor among the urban population.

Changes of the demographic situation in the rural areas are largely conditioned by major changes in the reproductive behavior: birth rates continue to decline. The UNDP survey indicated that in 2002 a quarter of rural families (25.9 percent) had 2 children, 22.2 percent - 3 children and 14.8 percent - 4 and more children. Children under age of 7 out-number those aged 8-16, which indicates a downward trend in rural birth rates.[6] In rural areas, the proportion of children and adolescents under 15 years is 8.5 percent, which is higher than in urban areas, and the proportion of people aged 15-59 years is 6.4 percent lower. These are another factors increasing the risk of poverty among rural residents.

Further, poor health status and bad housing conditions contribute to poverty. Majority of urban households (over 80 percent) identified lack of money to receive paid-for health care as the key reason for not accessing high-quality health care services (table 3.1.7). Nearly 46 percent of households cannot afford to buy medicines.

Figure 3.1.4
Urban and rural unemployment



Source: Poverty Monitoring Indicators in Kazakhstan. Statistics Agency of Kazakhstan, 2003, p.63.

Table 3.1.5
Rural demographics by regions, 2001

	Proportion of rural residents, %	Rural areas, thousand square km	Density of rural population, people per square km	Rural population growth
Kazakhstan	44	2,648.6	2.8	7.7
Akmola	60,0	121,1	3,6	...
Aktobe	44,9	298,1	1,0	4,2
Almaty	71,4	220.2	6.2	5.8
Atyrau	41,7	115.1	1.6	10.3
East Kazakhstan	55,0	251.6	3.2	-1.2
Karagandy	27,7	416.2	0.9	-0.5
Kostanay	58,4	185,3	3,0	-0,9
Kyzylorda	67,5	409,6	1.8	15.3
Mangistau	28,4	148,6	0,6	...
North Kazakhstan	72,0	97.8	5.0	-1.5
Pavlodar	32,0	97,5	2,5	1,3
South Kazakhstan	64,4	116.4	11.3	15.6
West Kazakhstan	58,4	150.6	2.3	...
Zhambyl	54,7	144.0	3.7	...

Source: Atlas: Rural Development in Kazakhstan. UNDP Kazakhstan, 2003.

[6] Findings of sociological survey of rural rayons by UNDP Kazakhstan, 2002.

Table 3.1.6
Access to free-of-charge medical treatment, 2001

Accessibility of free-of-charge Medical Treatment	Urban poor responses, %	Rural poor responses, %
Households who faced health problems	68.8	56.6
including:		
Families who received medical treatment	42.5	44.6
Families who did not receive medical treatment	34.2	33.1
Families who received partial medical care	23.3	22.3

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2002.

Table 3.1.7
Access to healthcare services, 2001

Reasons why household members lack access (or have restricted access) to health care	Urban poor responses, %	Rural poor responses, %
Lack of money to access paid services	80.2	74.3
Lack of free medical services	7.3	12.4
Lack of required professionals	2.1	5.5
Lack of time to undergo treatment	1.8	3.3
Other (self-treatment, use of alternative medicine, lack of money for comprehensive care, etc.)	8.6	7.6

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2002.

Table 3.1.8
Housing conditions of poor households, 2002

Are the household members satisfied with their housing conditions	Urban responses, %	Rural responses, %
Are not satisfied with their housing conditions	32.1	24.5
Are satisfied with their housing conditions	65.6	72.7
Difficult to answer	2.3	2.8

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

The poor believe that increased salaries and pensions as well as expanded employment opportunities would help improving their financial position (table 3.1.9). Both urban and rural poor consider increased salaries as the most important factor to improve their living standard. The second most important factor for them is the availability of jobs. The significantly higher proportion of rural respondents pointing to this factor indicates that 'availability of jobs' has become an acute issue in rural areas.

Table 3.1.9
Factors to improve people's well-being (as perceived by the poor), 2002

Identified factors	Proportion of responses (%)	
	Urban poor	Rural poor
Availability of jobs	29.3	40.4
Professional growth	2.2	1.4
Increased salaries	49.9	42.5
Increased pensions	13.2	10.2
Start-up capital (loans) to set up own business	1.4	1.8
Small business loans	0.4	1.1
Receive land to cultivate	0.1	0.4
Improved health status	1.6	1.3
Migration within country (from urban to rural areas and vice versa)	0.0	0.2
Emigration	0.4	0.1
Increased social benefits	1.0	0.3
Increased targeting of social assistance	0.3	0.2
Other	0.2	0.1

Source: Living Standards of Population in Kazakhstan. Statistics Agency of Kazakhstan, 2003.

3.2 CRISIS OF COMPANY TOWNS

Urban poverty is most severe in the so-called 'company towns'.[7] In the centrally planned economy the company towns performed well, but after the collapse of the Soviet Union these cities could not adapt to the new conditions. The situation in company towns differs by the severity of crisis of the local economy, availability of natural and productive resources, geographical

[7] 'Company towns' are defined as small cities with less than 50,000 people. Their economies as well as social infrastructure were during the time of Soviet Union fully dependent on a single large enterprise performance.

location, climatic conditions, state of infrastructure, etc.

The common problems are as follows:

- out-migration of population, particularly of qualified working age people;
- collapse of industrial enterprises, non-competitiveness of products and lack of their demand;
- higher unemployment than the national and regional average;
- low incomes and wages;
- dilapidation of public utilities, most of which were built in the 1960s;
- abandoned houses requiring significant maintenance expenditure;
- bad conditions of roads of regional and local significance coupled with remoteness of many cities;
- limited access to safe drinking water;
- lack of local budget resources since they are based on 'residual' principle;
- environmental challenges.[8]

The demographic situation in company towns can be regarded as negative, hampering their economic development. Nevertheless, one fifth of the country's urban population lives in company towns. Over the 1995-2000 the number of residents in such cities and towns fell by 90,000 or 4.7 percent. In some towns it fell by 40 percent, whereas the proportion of working age population fell by up to 27 percent. The labour force participation rate in company towns is 58 percent. This was largely caused by out-migration because of economic downturn and shrinking labour market. A large proportion of migrants are qualified workers and young people. According to local authorities and people, approximately 10 percent of the remaining population of company towns would migrate but are not able to do so because of lack of money (64 percent of the respondents), uncertainty about obtaining employment in a new place (24 percent) and the presence of relatives that cannot be left alone (12 percent). Increase of population in company towns is based of in-migration of rural residents from adjacent villages and of forced migrants with poor skills. This negatively affects the quality of labour force.

The living standards of people in company towns depend largely on the state of infrastructure, natural and climatic conditions and capacity for small business development. There remain significant disparities in both living standards and quality of life in company towns[9]. The majority of local residents believe that during 1995-2000 their living standards either did not change (20 percent) or worsened (41 percent). Some 39 percent of respondents noted positive changes in their lives. In some company towns the proportion of positive responses is even higher: 71 percent in Khromtau, 80 percent in Ereimentau and Aris, 93 percent in Turkestan and Prioziorsk. On the other hand, residents of Serebryansk, Karazhal and Arkalyk pointed to deterioration of their living conditions. Major problems, in people's opinion, include improper functioning of the heating systems (28 percent of all respondents), irregular water supply (25 percent), lack of telephone connections (19 percent), inadequate energy supply (11 percent), inadequate nutrition (19 percent) and lack of clothes (15 percent). Southern company towns suffered most from energy supply problems. Such problems are often caused by arrears of large energy-users. In Almaty oblast, on the contrary, energy supply has improved. A problem common to all company towns is access to utilities, especially for low-income groups of population (large families, disabled people, pensioners, etc.)

One third of the residents indicated lack of employment opportunities as the main cause of poverty in company towns. Also, they pointed to low salaries and pensions (20 percent); delayed payment of salaries and pensions (19 percent); costly utilities (17 percent); everyday problems (12 percent); poor housing conditions (8 percent) and low social benefits (5 percent).

The poverty profile is similar to the national poverty profile:

- large families with many children (65 percent);
- youth (44 percent);
- families with one parent unemployed (38 percent);
- children (38 percent);
- single parent families (36 percent);
- retirees (29 percent);

The difficult situation for children and young people is further aggravated by pessimistic attitudes, lack of opportunities and hope for a better future.

Reduced access to health care services has also negatively affected the standards of living in company towns. Unavailability of free-of-charge health care services, restricted access to those services especially for chronic patients who no longer can afford medical treatment (95 percent of respondents). The poor cannot afford medical treatment in hospitals (only 9 percent of respondents were treated in hospitals). In general, 54 percent of respondents complained about poor access to health care services.

Poverty and low living standards in company towns are exacerbated by low educational levels: only 5-10 percent holding higher education degrees and 15-20 percent have vocational

[8] *Company Towns Survey*. Asian Development Bank, 2002.
[9] Ibid.

secondary education. About 72 percent of respondents were not satisfied with the quality of education. The bad quality of education further reduces competitiveness of the young people on the labour market.

Employment and unemployment in company towns. Currently there are not enough jobs available for residents of company towns. Industrial enterprises have either shut down or stand idle (the latter refers to approximately 40 percent of all enterprises). The number of public enterprises decreased by 30 percent between 1995 and 2000.

Development of private entrepreneurship is constrained by lack of financial resources and insufficient knowledge and skills of potential entrepreneurs. Consequently, more than one third (37 percent) of the labour force in company towns does not have secure employment. Small businesses could greatly contribute to poverty reduction in company towns. More than 45 percent of respondents expressed their wish to set up their own businesses, however, they are constrained by lack of start-up capital and limited access to credit resources: high interest rates, lack of collateral, cumbersome credit application procedures and short credit period.

Unemployment in company towns reaches 47 percent. The number of unemployed tripled over 1999-2000, while the number of registered unemployed grew 1.5 times. In many company towns the long-term unemployment persists: nearly 87 percent of the unemployed did not work for more than 12 months. Even qualified people find it difficult to obtain a job. The majority of the unemployed (59 percent) have secondary education; nearly one third (27 percent) has vocational education. The number of unemployed with higher education grew 2.4 times.

The unemployed survive through cultivating household land plots (26 percent), small retail trade (24 percent), short-term jobs (22 percent), assistance from relatives (16 percent), sale of household belongings (6 percent), renting out houses (over 3 percent) and begging and 'forced' criminal activities (2 percent).

Incomes of company towns' residents are low and do not provide for a decent standard of living. Their monetary incomes constitute 30-80 percent of the corresponding regional subsistence minimum. The lowest incomes are in agricultural centers, where people cultivate their household land plots to survive. For example, average per capita incomes in Stepnyak and Derzhavinsk amount to 40 and 48 percent of the Akmola oblast subsistence minimum respectively. In Aralsk, Kyzylorda Oblast, they are equal to 43 percent of the corresponding subsistence minimum.

Salaries in company towns are 30-60 percent lower than the national average: in Alga the average wage constitutes 40 percent of the national average; in Stepnyak - 55; in Abai - 57 and in Arkalyk – 63 percent. Many idle enterprises have extensive arrears of wages. In 2000 in Abai it was 101 million tenge, in Arkalyk – 86, Stepnyak - 12, Alga - 11 million tenge.

In 2000 the proportion of population below the subsistence minimum was 49 percent in Stepnyak, 41 in Derzhavinsk, 22.6 in Fort-Shevchenko, 21.8 in Shalkar and 17 percent in Aralsk.[10]

Lack of employment and low incomes result in a high degree of dependency. Almost 44 percent of the local population is dependent on somebody else's support. Only 28 percent of residents of company towns have a wage/salary income and for more than 15 percent pensions are their main source of income. 6 percent of people's income comes from social benefits (monetary and in-kind) from the state and stipends. Only 2 percent of the local population run their own businesses and 0.1 percent receive income from property.

Low incomes pre-determine the consumption pattern of poor households; the largest proportion of income is spent for basic needs such as food (53 percent), utilities (34 percent) and transport (8 percent). Only 5 percent of the income remains for purchasing clothing, footwear and other goods. Purchases of furniture and domestic appliances are not at all possible for the poor.

In sum, poverty in company towns is deep and persistent and leads to destitution and personal degradation.

3.3 PORTRAIT OF RURAL POOR

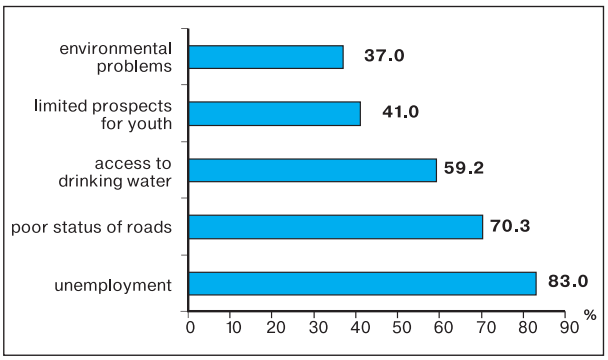
In 2002 UNDP supported a survey of rural areas[11] with the aim to assess poverty and living standards based on people's perceptions and expert opinions. This section is based on the survey findings. The findings of the survey confirmed that the political and economic transition in Kazakhstan brought about significant changes to the rural life and prompted multiple problems. The remoteness of most rural settlements (*auls*) from oblast and rayon[12] centers and the poor integration of local economies into national economic and social processes has further aggravated the challenges of rural development (figure 3.3.1).

[10] Company Towns Survey. Asian Development Bank survey, 2002.

[11] Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

[12] In Kazakhstan *'rayon'* refers to an administrative territorial unit below oblast level.

Figure 3.3.1
Main social and economic problems in rural areas as identified by people



Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

The survey highlighted the following causes of rural poverty as perceived by rural residents:

- Lack of employment and inability to secure a job (54.7 percent of the respondents)
- Low salaries, pensions and other social payments (25.7 percent)
- Prevalence of extended ('multi-generation') families with many dependants (non-working family members or relatives, disabled people and children) – 20.6 percent

Poverty is further aggravated by poor housing conditions and heating (40 percent), insufficient nutrition (23.8 percent), inability to pay for health care services and medicines (18.8 percent), lack of clothing and footwear (17.4 percent).

In the last three years, the living conditions of the majority of rural people have not improved (56 percent). One third of respondents (32 percent) indicated that their living standards had even worsened. Only 12 percent of respondents considered that they had become better off.

Rural economy and poverty. Today the oil-and-gas sector (in Atyrau oblast) and trade (in southern oblasts) are considered most profitable in the rural areas. However, those sectors fail to provide a long-term base for revival of rural

Box 3.3.1 Rural people about causes of poverty[13]

– *K.A., 36, a higher education degree holder, East Kazakhstan Oblast*. "It's low salaries and wages. My salary is only 7,000 tenge a month; my mother gets a pension worth 2,300 tenge. There are four in my family, my mother, myself, my son and daughter."
– *A.Zh., 47, trainer, Almaty Oblast*."Poor people are getting poorer, rich people are getting richer. The rich employ the poor for miserable salary. Unintentionally the poor help rich people to make their fortune".
– *B.A., 27, teacher, East Kazakhstan Oblast*."The rich employ the poor to store hay for winter or to work on farms to earn some money for their families - about 100-150 tenge per day. If they have a household land plot, they can sell products like milk, eggs".
– *K.T., 41, unemployed, Karagandy Oblast*."The rich have become rich mainly through illegal actions and uneven distribution of arable land and agricultural machinery. They have access to long-term loans".
– *E.T., 65, pensioner, Atyrau Oblast*."In a rural settlement there are 4-5 wealthy families, whereas the poor families account for 99 percent".
– *M.A., worker, North Kazakhstan Oblast*."A poor person remains poor. The rich increase their wealth at the expense of the poor. It turns out, the poor help the rich to improve their financial position".
– *C.M., mechanic, North Kazakhstan Oblast.*"Rural wages are low. I work for a cooperative. The arrangement was that I would be paid 5,000 tenge for two weeks but I was paid only 2,000 tenge".
– *C.C., 55, medical attendant, South Kazakhstan Oblast*."A poor person lives with a "here-and-now" attitude and cares only about daily problems such as how to provide for himself/herself and his/her family".
– *B.A., 41, unemployed, Karagandy Oblast.*"The rich grow rich because they pay the low wages to those they hire".
– *Orazalinova G.Z., 36, cleaner, North Kazakhstan Oblast.*"Devastation is everywhere. No children benefits. The Akimat does not help. My children cannot go to school. They have no clothes to wear. I cannot feed them. We have no cattle or poultry at home".
– *Levenskiy V.K., head master, North Kazakhstan Oblast* "There are no funds to renovate the school building. The school has very limited heating. Due to lower birth rate, the number of students is only 50 percent of school's capacity. There is no laboratory equipment; school workshops don't operate".

[13] Findings of sociological survey of rural *rayons*, conducted at request of UNDP Kazakhstan in 2002.

Live without power in Aktasty village, Egindibulak rayon, Karagandy oblast

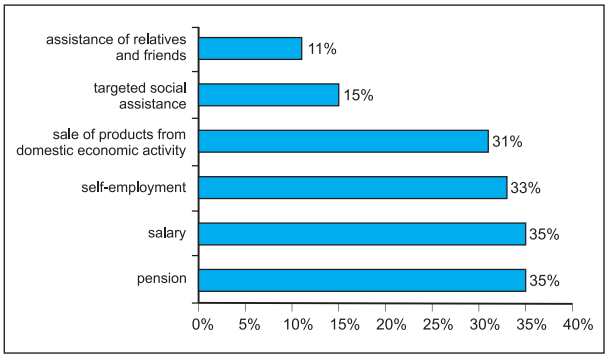
economies, because they cannot ensure productive employment for the rural people. Experts believe that traditional economic activities such as livestock breeding, plant growing and public and civil service should be developed to stimulate rural economies. To that end, experts believe that the additional public investments are needed.

To stimulate agricultural development, taxation is perceived as important instrument by the experts (54 percent of responses). Most respondents underline that the absence of a state purchasing system for agricultural produce has been a major obstacle for the agricultural development. Due to limited credit resources the producers are not able to process the agricultural products, which lowers the profitability of the agricultural production. The rural people are forced to sell their agricultural produce (to intermediaries) often cheaper than their net cost. Another issue is the remoteness of most rural settlements from major roads and markets.

Income of a typical rural household. The survey identified the following main sources of rural incomes (figure 3.3.2).

The average per capita monetary income of the rural population was estimated during the survey (table 3.3.1).[14] It showed that the rural incomes were low, ranging from 852 to 3,285 tenge, they also vary from region to region. These figures are lower than the subsistence minimum.

Figure 3.3.2
Main sources of income of a typical rural household



Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

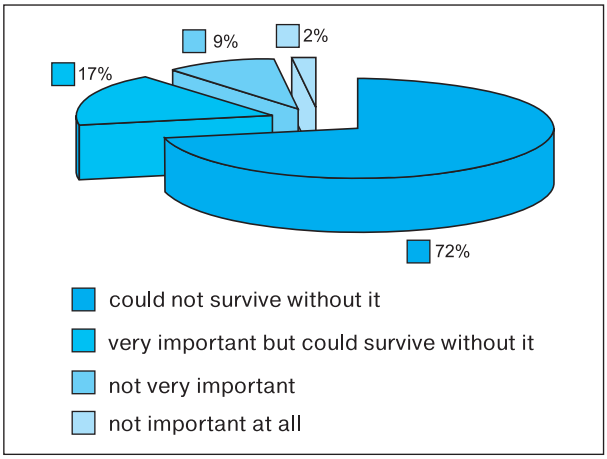
Table 3.3.1
Rural incomes as identified by people, 2002

Almaty	3,285
Atyrau	1,334
South Kazakhstan	1,115
Karagandy	980
East Kazakhstan	878
North Kazakhstan	852

Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

In the context of very low monetary incomes of the rural residents, the **households' land plots** have become an important source of incomes. Generally, 72 percent of respondents pointed to vital importance of household land plots for their households' survival (figure 3.3.4). The least number of such families was identified in Atyrau (20 percent) and South Kazakhstan (23 percent) oblasts. In the regions with lowest estimated monetary incomes such as East Kazakhstan (43 percent), Karagandy (53 percent) and North Kazakhstan (77 percent) oblasts they are even more important for survival.

Figure 3.3.3
Importance of household land plots for rural people



Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

[14] It was defined as average monthly income of a household per one member including, children and dependants, i.e. the total income of a household for the previous month was summed up and then divided by the number of household members.

Table 3.3.2
Importance of household land plots for rural residents by oblasts
(% of respondents having a household plot)

Oblast	Could not survive without it	Very important but could survive without it	Not very important	Not important at all
North Kazakhstan	89%	7%	3%	1%
East Kazakhstan	76%	16%	7%	1%
Karagandy	76%	18%	3%	3%
South Kazakhstan	66%	19%	14%	1%
Almaty	56%	28%	14%	2%
Atyrau	56%	20%	23%	1%

Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

The survey also showed that in most cases agricultural produce from households land plots is consumed by the households themselves. This is typical for more than half of the households (61 percent, table 3.3.3). It should be noted however that some households sell their land plot agricultural produce to intermediaries (private dealers). However, to estimate the actual size of such transactions was not feasible in the survey.

Table 3.3.3
Usage of agricultural produce from household land plots

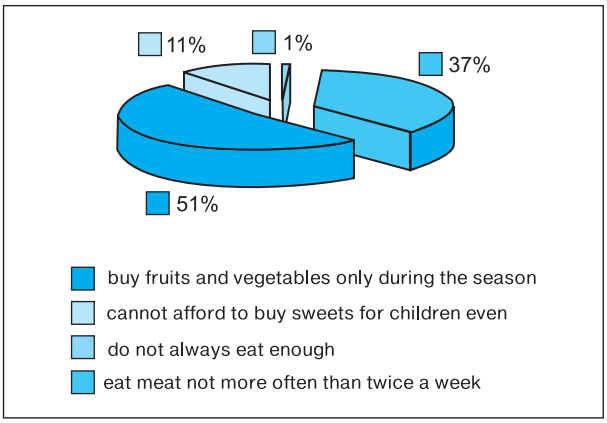
Oblast	Consume themselves	Sell the surplus
Average	61%	26%
Almaty	62%	23%
Atyrau	78%	17%
East Kazakhstan	69%	23%
Karagandy	55%	31%
North Kazakhstan	43%	42%
South Kazakhstan	57%	21%

Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

Thus, a rural household receives additional in-kind income from its land plots. However, with low monetary incomes, it still cannot afford balanced nutrition (figure 3.3.5).

Given the higher poverty incidence in rural areas, the state targeted social assistance is more important for rural than for urban poor. However, the survey also indicates that the proportion of the poor receiving state targeted social assistance has fallen. In 2002 almost half of the applicants (46 percent) for the state social assistance did not qualify. This is linked to the adoption of the Law on 'State Targeted Social

Figure 3.3.4
Nutrition deficiencies of rural people



Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

Assistance in Kazakhstan' in 2001, which poorly defined rules and regulations for provision of the state targeted social assistance as well as introduced tough registration procedures. In addition, the state funding was not sufficient to meet the demand. Furthermore, only 34 percent of respondents knew the content of the Law on 'State Targeted Social Assistance in Kazakhstan'.

The number of people applying for state social assistance has also been declining because of the following reasons:

- lack of trust that the assistance will be granted (55 percent);
- size of the assistance is low compare to 'application' costs, e.g. transport costs due to remoteness of rural settlements from social security agencies located in rayon and oblast centres (40 percent);
- requirement to obtain a number of certificates, which is difficult because of procrastination and bureaucracy (13 percent).

Rural unemployment. In rural areas, the labour force participation rate has been fluctuating over the last three years due to demographic processes and migration. Rural unemployment has significantly undermined the standard of living and quality of life in rural areas, lowered access of rural population to educational and healthcare services, and changed their reproductive behaviour.

According to the survey, 46 percent of rural people are unemployed. One third of the unemployed of working age are looking for a job and 6 percent willing to start up their own business. However, 60 percent of them are neither seeking job nor want to do so because they don't believe in the possibility of finding a job in the rural areas (table 3.3.4). The state is the main employer for rural people as it provides 33 percent of all jobs (table 3.3.5).

The survey identified another important factor that hampers setting up a family or small-scale business or changing life for the better. It is lack of access to education (figure 3.3.5).

Table 3.3.4
Why unemployed people do not seek a job

Oblast	No hope of finding a job	Do not know where and how to find a job	Health problems
Average	40%	23%	6%
Almaty	23%	9%	4%
Atyrau	45%	29%	2%
East Kazakhstan	40%	21%	9%
Karagandy	36%	20%	7%
North Kazakhstan	60%	17%	9%
South Kazakhstan	38%	32%	6%

Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

Table 3.3.5
Main employers in rural areas

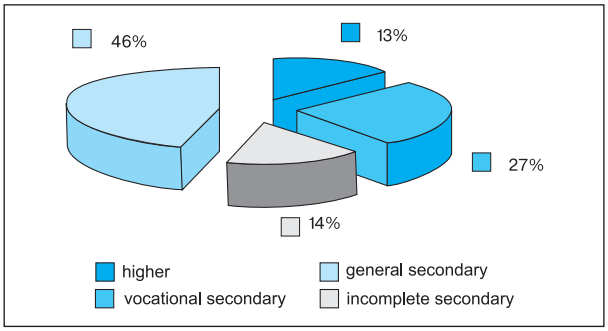
Oblast	Government funded organizations and institutions	Private sector	Farms	Self-employment
Average	33%	29%	22%	16%
Almaty	27%	38%	21%	14%
Atyrau	45%	20%	19%	16%
East Kazakshtan	34%	14%	22%	20%
Karagandy	35%	28%	21%	16%
North Kazakhstan	26%	34%	26%	13%
South Kazakhstan	31%	28%	23%	18%

Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

Access to health care There are a number of factors negatively affecting the health status of rural people, including:

- falling living standard and quality of life;
- limited access to specialized, and sometimes primary health care, of rural residents living in remote areas;
- lack of healthy lifestyle culture;
- malnutrition and lack of balanced nutrition;
- limited access to safe water supply systems;
- poor environmental situation;
- severe climatic conditions.

Figure 3.3.5
Education in rural areas



Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

According to rural residents, the quality of health care continues to fall. In 6 settlements (out of 36 settlements surveyed) there are no medical attendant's service delivery points; in 24 settlements people lack access to emergency health care; in 5 settlements there are no paediatricians; in 13 settlements women lack access to birth delivery attended by skilled medical personnel, which is only available in rayon centres. 23 settlements are located as far as 30 kilometres from the nearest hospital, 35 kilometres from the nearest polyclinic and 20 km away from the nearest medical assistant's services delivery point. 8 settlements do not have pharmacies; hence people cannot buy medicine when needed. Moreover, nearly none of the respondents can afford medicines. Due to lack of access to the specialised medical services,

majority of rural people, especially those living 200-500 kilometers away from oblast/rayon hospitals, have to travel to Astana or Almaty to receive the required specialised medical treatment.

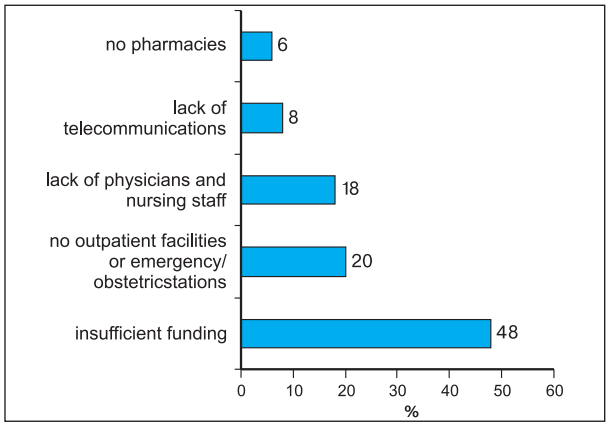
The rural residents seem to be not satisfied with the rural health care system:

- 74.1 percent of respondents cannot access health services;
- 60.5 percent are not satisfied with the quality of health services and qualifications of local medical personnel;
- 70 percent did not receive the guaranteed free-of-charge health care;
- 27 percent received some guaranteed free-of-charge medical care;
- 3 percent received the guaranteed free-of-charge health care.

81 percent of respondents do not know what health services are included in the guaranteed set of free-of-charge healthcare. The figure 3.3.7 indicates the main factors determining the poor status of the rural healthcare.

Figure 3.3.6

Challenges of rural healthcare



Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002.

Access to education. In accordance with national legislation, the free-of-charge pre-schooling for children aged 5-6 is compulsory in Kazakhstan.[15] Types of pre-school establishments include traditional kindergartens, school/nurseries, and schools. According to the survey a number of children aged 1-6 attending pre-school facilities (kindergartens) has decreased. The major causes have been falling birth rates, negative migration processes and consequences of the 'optimisation' of the pre-school education. It is more frequently that children from poor rural families do not go to school because of the low standard of living (62 percent) and insufficient attention of parents towards their children's upbringing (38 percent). The latter may eventually result in child neglect and homelessness.

In rural areas, choices of parents and children are limited: pre-schooling is provided mainly in schools. Despite the efforts to restore the network of pre-school facilities, in the 2002-2003 academic year not all first graders had basic knowledge required for schooling: in Almaty oblast - 30.8 percent of first-graders, in Karagandy oblast - 84.5 percent, in East Kazakhstan - 89.2 percent and in North Kazakhstan - 93.1 percent.

There is lack of school facilities in the rural areas of the surveyed regions. Atyrau oblast needs 18 primary schools in rural areas, North Kazakhstan – 15, Almaty - 6. South Kazakhstan oblast needs 14 schools (4 primary, 1 basic secondary and 9 secondary), Karagandy oblast needs 3 schools (2 primary and 1 secondary). In addition, there is lack of school-based boarding facilities for children from remote and under-populated rural settlements, which either do not have schools of appropriate level or any at all.

The absolute majority of the respondents would like to provide for education of their children. 72

Table 3.3.6

School-based boarding facilities in 2002/2003 academic year

Oblast	Schools with boarding facilities			Students that need to access school-based boarding facilities			Students accessing school-based boarding facilities		
	total	urban settle-ments	rural settle-ments	total	urban settle-ments	rural settle-ments	total	urban settle-ments	rural settle-ments
Almaty	10	3	7	1,091	211	880	759	145	614
Atyrau	25	1	24	1,639	93	1,546	1,518	93	1,425
East Kazakhstan	25	8	17	6,864	2,011	4,853	1,452	624	828
Karagandy	20	4	16	1,008	530	478	857	395	462
North Kazakhstan	18	3	15	2,584	190	2,394	498	149	349
South Kazakhstan	7	3	4	2,722	1,925	797	543	317	226

Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002 (information from Kazakhstan Ministry of Education and Science).

[15] Presidential Decree #3834 dated January 28, 1998 'On Measures to implement the Kazakhstan's 2030 Development Strategy'.

percent of respondents would like their children to receive higher education. Only 28 percent aim for secondary education or vocational training for their children. However, access to higher professional education is restricted for many rural people; hence demand for education cannot be met because of the low living standards. Rural people (67 percent) consider that high tuition fees is the main barrier for education; 8 percent believe their children should work to earn their living; 8 percent do not have 'connections' to access free-of-charge education; 16 percent complained about the low quality of education in rural areas.

The survey showed that in rural areas, there is lack of primary professional education institutions. Not every rayon centre has professional schools and lyceums. In Almaty oblast there are 12 professional schools, Atyrau - 5, East Kazakhstan - 13, Karagandy - 6, North Kazakhstan - 17 and South Kazakhstan - 10. At the same time, the labour market of those oblasts need specialists to work in cattle breeding and land cultivation.

Rural children have less access to out-of-school education than their urban peers, which is required for development of children's creative abilities, for vocational guidance and for adapting to social life. In rural areas, there are only musical and sports schools. None of the rural rayons surveyed has art clubs, classes for young mechanics/naturalists/ tourists. The year-round camp operates only in South Kazakhstan oblast.

Table 3.3.7

Specialised schools and out-of-school establishments

Oblast	Out-of-school establishments		Types of establishments specialised schools			
			musical		sports	
	total	in rural settlements	total	in rural settlements	total	in rural settlements
Almaty	9	1	11	6	13	4
Atyrau	3	2	19	12	9	4
East Kazakhstan	10	4	26	13	24	11
Karagandy	11	2	17	3	26	3
North Kazakhstan	3	1	4	3	14	5
South Kazakhstan	10	9	22	10	-	-

Source: Findings of the sociological survey of rural rayons by UNDP Kazakhstan, 2002 (information from Kazakhstan Ministry of Education and Science).

Social and political life in rural settlements. Majority of respondents (65 percent) are unaware of the work by local authorities: rural people do not perceive local authorities as advocating their interests and do not apply to them for help. 34.6 percent of respondents believe that to improve their well-being they should rely on themselves and on their family members, 21.2 percent hope for support from central authorities and 8 percent rely on the work of local authorities. 51 percent of respondents are convinced that local authorities do not have means to help the rural population; hence each household has to survive on its own.

34 percent of respondents do not believe that traditional community based organizations such as council of *aksakals,*[16] etc. play a role in their lives, 29 percent - play a moderate role, and only 7 percent appreciate work of such organisations. In this context, alternative organizations helping both preserve traditions and addressing the most acute rural problems are religious organizations. 72 percent of respondents evaluate performance of religious organizations positively. There are more religious than any other types of non-governmental organisations (NGO) in rural areas. For example, in rural areas of Almaty oblast there are 7 branches of political parties, 88 social movements, 34 rayon cultural centres and 462 religious organisations.[17]

Rural NGOs constitute only 8 percent of registered NGOs in Kazakhstan (3,500 in 2001) with only one third of them actually working[18]. The scarcity and underdevelopment of NGOs in rural areas can be explained by the following:

- lack of information about NGOs in rural areas;
- many rural settlements are remote from cities, which makes it difficult to register an NGO;

[16] Aksakals refer to the elderly of a settlement perceived as informal community leader.

[17] Atlas: Rural Development in Kazakhstan. UNDP Kazakhstan, 2003.

[18] Information from Ministry of Culture, Information and Public Accord.

· there are no adequate physical, financial and other conditions for full-fledged operation of NGOs in rural areas.[19]

✦ ✦ ✦

As mentioned earlier, there are significant differences in poverty incidence in rural and urban areas in Kazakhstan. In 2002 the rural poverty level was twice as high as urban poverty. However, the profile of urban and rural poverty is similar. Regardless of the place of residence, the poor are children, unemployed and employed people with low salaries and wages as well as the elderly.

Income poverty in urban areas is lower than in rural areas because of the relatively high incomes and educational levels of urban residents. However, income disparities among urban households are more evident than in rural areas. Urban poverty is most deep and persistent in so-called company towns, where it causes destitution and personal degradation.

The transition caused major changes in the life of rural residents and brought about a range of new socio-economic problems. Rural poverty, as is the case generally in the country, is caused primarily by unemployment and low incomes. The number of extended families with many dependents is another factor of rural poverty. The remoteness of most rural settlements from oblast and rayon centers and the poor integration of local economies into national economic and social processes have further aggravated the challenges of rural development.

Employment opportunities are scant in rural areas, in particular for young people. The state still provides most rural jobs, which are in the social sector. Given the scarcity of jobs available for rural residents, job-hunting fails in most cases. In this context, household land plots have become an important means of survival for rural families. In most cases the rural household itself consumes most of the produce from the household land plot and only a small portion is sold. However, self-produced food is still not sufficient for adequate nutrition.

Other factors negatively affecting the living standards of rural residents are degraded physical and social infrastructure, the lack of safe drinking and irrigation water, and environmental deterioration. The dilapidated state of rural roads inhibits the economic development of many rural settlements. Shrinking social infrastructure (schools, hospitals, cultural and sports facilities) imposes restraints on the access of rural poor to those services, particularly in remote areas. Rural people perceive higher education as an important social goal; still, most of them cannot afford adequate schooling for their children.

The rural population is largely unaware of major national policies, laws and regulatory instruments affecting their lives. Local authorities appear unable to represent their constituencies in addressing rural development issues. Moreover, rural residents do not take active political or social stands and opt instead for a “wait-and-see” position.

[19] National Human Development Report 2002 ‘Rural Development in Kazakhstan: Challenges and Prospects’. UNDP Kazakhstan, 2002.

CONCLUSIONS AND RECOMMENDATIONS

Poverty is a multidimensional phenomenon that has deep socio-economic, cultural and psychological roots. It is conditioned by time and location. Historical developments within individual countries must be taken into account when measuring poverty. Poverty remains a serious problem for Kazakhstan. Despite the impressive economic performance since 1999, every fourth person in the country lives in poverty and is deprived of opportunities and choices for human development. The recent economic growth fail to change lives of the majority of Kazakhstani population for the better. The social consequences of transition affected negatively the quality as well as access to health care and educational services regardless of where people live: urban or rural area, southern or northern part of the country. With the impressive economic growth since 1999, there are now the necessary conditions for sustained solution of social problems.

Recognizing the poverty problem, the Government of Kazakhstan has committed itself to address the issue. Back in 1997 with the adoption of the 'Long-term Development Strategy 2030', 'public health, education and well-being of Kazakhstan citizens' were declared among seven national development challenges. The Poverty Reduction Programme for 2003-2005 was approved. It considers poverty in the human development perspective and aims at poverty reduction through creating conditions for economic growth, productive employment, increased population's incomes, improved poor people's access to healthcare and education, social protection of the population, increased efficiency of civil service with civil society participation in decision making. The Programme is implemented in line with other national and sectoral programmes, i.e. 'Education', 'Health of the Nation', "Rural Development Programme 2004-10', 'Drinking Water 2002-2010', 'Programme for Counteracting HIV/AIDS for 2001-05', and others. Currently, the Government of Kazakhstan is formulating mid-term programmes in the field of health care, education and social security, which aim at improving the funding schemes in these areas.

As many other countries, Kazakhstan has signed the UN Millennium Declaration committing itself to the achievement of the Millennium Development Goals (MDG). The country has already achieved two of the Millennium Development Goals: to provide universal primary education and to provide equal access to education for boys and girls. Two other goals – halving the proportion of people (a) living below the subsistence minimum and (b) without access to safe potable water – will probably be met by 2015. Other MDGs remain major development challenges for the nation including reducing maternal mortality by three-quarters, reducing under-five mortality by two-thirds, reversing the spread of HIV/AIDS, and ensuring environmental sustainability. This report has been prepared in support of the 2002 MDG Report for Kazakhstan attempting to provide in-depth analysis of the MDG 1 on poverty and other relevant targets.

Poverty in Kazakhstan as in other CIS countries is caused in part by the transition: economic recession, adverse conditions in the labor market and inequalities in the distribution of national wealth, which were triggered by geopolitical and economic turmoil during the initial period of independence and restructuring. The social security systems failed to effectively mitigate poverty. Other challenges are falling quality of health care and education services, demographic and migration processes as well as gender, regional and environmental concerns. The report provides a comprehensive account of those factors to analyse the causes of human poverty and identify possible cures to remedy the situation.

ECONOMIC GROWTH AND HIGHER INCOMES

As mentioned earlier, the recent years have seen significant economic growth in Kazakhstan. The GDP per capita reached the level of USD 1,520 in 2002. Notable poverty reduction at every percent of economic growth (in 1999-2002 this proportion was 0.65 percent per 1 percent of economic growth) was conducive to poverty reduction and achieving goals and targets set by the national Poverty Reduction Programme and the 1st Millennium Development Goal on halving poverty by 2015. Over the period from 1996 to 2002 the income poverty level fell from 34 percent in 1996 to 24 percent in 2002.

However, 24 percent of Kazakhstani population in 2002 was still living below the subsistence minimum of 4,761 tenge, or 31 US dollars per month. More than half of the population was at poverty risk with low incomes, which were not sufficient for

sustaining people's physical and intellectual capacities needed for the decent standard of living.

The main causes of such situation are unemployment and low wages. The report indicates that the situation on the labor market is not conducive to poverty reduction despite increasing employment and average incomes. The relatively high proportion of low-paid employees remains more or less constant. In 2002 over 44 percent of employees received low wages, which did not provide for adequate standard of living neither for the employees nor to their families. Only in the finance sector and oil, gas and mining industries were decent salaries earned. Despite falling unemployment rates, the problems of unemployment among the youth and women, unemployment in rural areas, and chronic long-term unemployment for many people remain. Currently, the long term unemployed constitute 70 percent of all unemployed. The proportion of self-employed persons has now increased to 40 percent. This significant increase in the number of self-employed people brings additional development challenges such as the low wages they typically earn and insufficient coverage by social security schemes.

In other words, the recent economic growth driven primarily by the oil and gas sector has positively affected only a small part of the Kazakhstani population in terms of increased incomes and employment opportunities. For further reduction of poverty Kazakhstan has to achieve pro-poor sustainable economic growth leading to expanding productive employment opportunities. Major prerequisites for this are continuing restructuring of the economy beyond oil, gas and mining as well as consistent growth of processing industries and economic sectors producing goods and services for the population.

The other major challenge is the need for substantial increase in salaries and wages for at least half of the employees. This is an indication of disproportions in the final uses of GDP and the state budget resources. The low wages are paid in education, healthcare and social security as well as in civil service, which testifies to the unattractiveness of those vital sectors to qualified personnel. Government policy then should aim at raising the real wages in education, healthcare, social security and civil service in the first place. Minimum sector-specific wages for major professions can be set up taking into account job qualities, family structures and regional living standards. The government employment policy also should envisage introduction of incentives for the employers, e.g. tax breaks, subsidies, etc., to create jobs in such sectors as agriculture, forestry, processing industries and economic sectors producing goods and services for the population. This will lead to expansion of productive employment opportunities throughout the country and help the vulnerable groups of population. A national employment programme would prompt the above. Resolving the issue of increased number of the self-employed, which earn relatively low incomes and are not fully included in the social security system, requires actions aimed at facilitating entrepreneurial activities and enhancing effectiveness and access to credit and micro-credit resources.

The employment programme should pay special attention to long-term unemployed and young people. However, traditional employment measures (unemployment benefits, training and retraining programmes for the unemployed, micro-crediting) are not sufficient to solve the problem of the long-term unemployment. Taking into account other countries experience, it is recommended to establish employment agencies that can provide consulting, psychological and social rehabilitation services, promote initiative groups of the long-term unemployed to enhance their skills and knowledge in effective job-hunting, as well as provide for quality professional training and retraining. The issue of youth unemployment is important to address as it may lead to persistent poverty in future.

In most sectors earnings of employees do not reflect their qualifications and professionalism, thus undermining incentives for better performance. The majority of qualified graduates do not enjoy adequate pay-offs in comparison with personal and government investment in their education. Analysis of relationship between the level of education and qualification and remuneration of employees can become another tool for formulation of state's income-generation policy.

Measures aimed at small and medium enterprise development are also crucial within the employment policy. Entrepreneurs can be supported through the improved legislation, taxation mechanisms, accessible credits, less bureaucracy and other measures. Labour market diversification will also significantly promote entrepreneurship.

Last but not least, the expenditure on GDP at the current rate of the gross capital formation needs to be looked into because it is important that the production investments do not restrict, to the extent possible, the social sphere development, including the already low individual incomes, primarily salaries and wages.

Given the current national economic needs vis-a-vis labour market as well as the continuing out-migration from Kazakhstan, government is trying to attracked qualified people to immigrate to Kazakhstan especially targeting advanced qualifications is topical for Kazakhstan. Efficient support in immigrants' settlements, specifically addressing housing and access to land is to be provided. Internal migration should also be optimised.

Gross regional product per capita as well as poverty incidence varies from region to region in Kazakhstan. However, regions with relatively higher gross regional product per capita do not necessarily have lower poverty levels. Both regions with relatively higher GRP (Atyrau and Mangistau oblasts) and less developed ones (Almaty, South Kazakhstan, Zhambyl and Kyzylorda oblasts) are among the regions with highest incidence of poverty in the country. In the former, the redistribution of revenues from oil and gas extraction to benefit the entire local population, including the poor, should become a key strategy for poverty reduction. In less developed regions with high poverty levels, state interventions should aim at accelerating economic growth. In both cases, productive employment opportunities, enhanced social security systems, improved social infrastructure and solutions to environmental problems are key elements in reducing poverty.

To address the issue of regional disparities, formulation and effective implementation of integrated regional development programmes are essential. Furthermore, reallocation of resources between regions is instrumental to support the regions lagging behind.

Both women and men were affected by the transition. However, women are at higher poverty risk because, first, they constitute a larger proportion of the overall population and, second, they are subject to persistent social and economic inequalities. Gender inequality is reinforced by traditional stereotypes restricting women's roles to reproductive functions coupled with hidden discrimination in employment. The state should pay special attention to gender issue by formulating and implementing gender sensitive legislation and programmes.

Poverty assessment and monitoring as important part of poverty reduction should not be restricted to income poverty measurement but be broadened to include the human poverty indicators. In this perspective, indicators reflecting human development (life expectancy, unemployment, infant mortality, maternal mortality and others) are used to measure poverty along with traditional measures of income poverty such as income levels, subsistence levels, and purchasing power. In fact human development indicators include the whole range of Millennium Development Goals and targets.

In summary, the recent economic growth driven by the oil and gas sector has positively affected only small part of the Kazakhstani population in terms of increased incomes and employment opportunities. To ensure the sustainable impact of economic growth on people's well-being, national revenues should be used more prudently. To that end, the country's economy should be directed toward securing productive employment and decent wages. Given the favourable macroeconomic situation in Kazakhstan, increased public spending on education, health care and social security should become another important component of national social policy.

The Report does not address the issue of physical infrastructure. Nevertheless, it is one of the major factors affecting poverty in this country, since inadequate infrastructure aggravates living conditions of people, particularly the poor. The Government should commit itself to its solution.

POVERTY AND EDUCATION

Education has a clear and comprehensive effect on quality of life. A higher education level in the country - with other factors being equal - should lead to higher labour productivity, increased GDP and reduced poverty. Education provides opportunities for people to realise their capabilities more fully, promoting better prospects for employment, better financial position and reducing the risk of poverty.

Kazakhstan has achieved the Millennium Development Goals of universal primary education and gender disparity in primary and secondary education. However, incomplete enrolments in schools are emerging, and the lack of schools and teachers has become a problem, particularly in remote rural areas. The quality of education including curricula, textbooks, and teacher qualifications as well as learning achievements requires urgent attention. Since quality education should not only provide pure theoretical knowledge but also prepare a person for living in real world, interacting freely with other people and being a good citizen, it is important to pay special attention to life skills development. To reach this goal, the new educational concept should help inject professional creativity and desire for self-education throughout the entire life of a citizen. Given Kazakhstan's desire to create a state with advanced and innovative technologies, it is also necessary to focus on the use of ICT tools and ICT education. Linked to the quality of education, there is a need for improving the monitoring system to oversee the schools' performances.

Educational system in Kazakhstan should match the country's changing needs and be integrated into global educational framework. Poverty reduction depends primarily on decreasing the unemployment. In this context, wider access to quality education should increase the number of specialists who will be able to satisfy the needs of labor market. Today, the vocational education system fails to supply the economy with qualified workers. Therefore one of the priorities is to increase the number of graduates with vocational education as well as development of the network of vocational schools and colleges.

At present the involvement by private sector in education is very limited but the natural interest the business has in quality and competitive specialists must be utilized to a greater extent. The connections between employers and higher educational institutions can be reinforced through research of the labour market demand as well as internship opportunities at the would-be jobs. The employers also should promote on-the-job training, which could be stimulated by the state through a system of incentives.

In the field of education there are many challenges for the poor. While some of these problems could be resolved through building new schools and repairing existing ones, the overall problem is in development of a comprehensive strategy with feasible financial mechanism for its implementation. Within the current educational framework, oblasts are responsible for education management. However, the lack of coordination between levels of authority leads to various problems constantly faced by students and their parents. It is extremely urgent to analyze and reform the infrastructure with special focus on rural/urban and regional misbalances. Only a sound decentralized system of education management will provide for a successful solution of existing problems and implementation of the education reform on a regional level.

The envisaged reform of education will be also aimed at improving management capacities through introduction of democratic principles such as accountability, effectiveness and transparency in decision-making and implementation. The role of civil society in ensuring these principles at all levels of education is underestimated in Kazakhstan. The growing role of parent councils, boards of trustees will help to ensure better quality of education as well as taking care of social needs of children: nutrition, access to schools, etc.

To increase the access of the poor to education the state should further develop the system of grants and credits, since high tuition fees are limiting for the poor, as well as more opportunities to combine studies and work, e.g. through correspondence or evening courses. The education sector problems will not be overcome unless the public spending on education is increased significantly. In the developed countries it constitutes 5-6 percent of GDP.

POVERTY AND PUBLIC HEALTH

The poor also face serious challenges related to health. The recent deterioration of many health indicators in Kazakhstan was caused by the following factors: reduced public spending on health care, decreasing numbers of qualified physicians, deteriorating health care facilities, insufficient preventive measures, general impoverishment of the population, environmental degradation, and low cultural commitment to healthy lifestyles.

During transition, government healthcare expenditure has reduced almost two times. As a result, the network of healthcare facilities was restructured and 'optimized' by reducing the number of medical establishments, including primary medical care. The number of physicians and nurses also has fallen. This negatively affected the quality of medical care and reduced access to medical services, especially for the poor, especially from remote rural areas. Addressing the challenges in the healthcare sector is one of the most effective ways to preserve and enhance human capital as well as to reduce poverty.

Currently, state funded healthcare facilities provide only the minimum set of free-of-charge medical services. The need to pay for many vital healthcare services seriously limits the access to the qualified medical care for people with low incomes and the poor. There is a severe lack of preventive measures and insufficient healthy lifestyle culture. It is critical that the awareness on reproductive health practices of general population is increased. On top of these, most people are not satisfied with the quality of medical services provided by the medical personnel.

Related to poverty is the issue of malnutrition, which currently affects more than 1 million people in Kazakhstan. The proportion of people with incomes below the food-basket has been increasing only slowly, signaling the continuing threat of malnutrition. There is relatively high prevalence of anaemia, especially among women as well as iodine deficiency undermining mental health. The prevalence of underweight, stunting and wasting children under age of five is also a big concern.

Environmental quality has plummeted, affecting people's health and well-being. There have been two interconnected environmental problems: environmental degradation undermining people's health and aggravated environmental problems due to poverty. High morbidity rates are in part conditioned by the lack of potable water as well as poor conditions in many water supply systems. Potable water supply stands high on the national development agenda. Consumption of drinking water of insufficient quality especially in the rural areas should be halted and reversed.

Improved public health, longer life expectancies, and decreased mortality rates, including infant and maternal mortality rates, should become priorities in state policy. However, to resolve the above issues, the substantially increased funding is needed for the health sector. Increased public spending on healthcare from 2 to 5-6 percent of GDP would match the spending in developed countries. Private medical insurance schemes can provide an additional source of funding for the health sector.

THE ROLE OF SOCIAL PROTECTION IN POVERTY REDUCTION

Subsistence minimum is an important instrument of the state social policy when fighting poverty. It is actually used worldwide as a criterion of absolute poverty and called 'poverty line' as it corresponds to the minimum level of income that satisfies very basic human needs. In Kazakhstan it is also used to measure the poverty incidence. However, the current proportion of food (70 percent) and non-food (30 percent) items in the subsistence minimum does not reflect the actual ratio between household expenditures for food and non-food goods and services. At present, even the poor households spend more than 30 percent of their income on the non-food items. It is also recommended to separate the housing expenses. The report therefore suggests that the subsistence minimum needs to be revised to include the food basket and non-food items and services at the recommended ratio of 60:40. Currently, the subsistence minimum is calculated based on a combined (normative and statistical) approach. Another consideration for the future is to use a normative approach for the calculation of the overall subsistence minimum (that goes beyond the food basket). The subsistence minimum will then be based on the food basket and a set of non-food goods and services identified, based on the normative consumption.

Kazakhstan's social security system is on the edge. The pension system does not provide decent living standards for its beneficiaries. Both categorical social benefits and new targeted assistance schemes have been so low therefore were not sufficient for lifting people out of poverty. All these undermine social security for people facing social risks.

Currently, state benefits and targeted social assistance do not provide for decent living standards for their beneficiaries. In order to reduce the poverty risk faced by people the social security system, including the pension system, needs to be improved in terms of targeting and efficiency. Further, in the future a number of activities needs to be implemented, including increasing the size of social payments.

Compulsory social insurance should become the major form of social protection of the population. Social policy should also target gender equality vis-a-vis socio-labour relations. Special attention should be paid to large families, especially those residing in rural areas, single-parent families, lonely older people, people with disabilities, including creating conditions for them to reduce their social isolation; to immigrants, especially *oralmans*, refugees and forced migrants for them to settle into the new location and more effectively use their professional capacities. State targeted social assistance (in cash) can be combined with in-kind benefits of food, non-food items and services for the poor families, particularly the children.

Social protection legislation should be supportive to family formation to address demographic factors of poverty. Increased care for the family and motherhood as well as childhood benefits are needed. Government measures to systematically provide young families with support measures such as housing allowances and access to mortgage.

The system of social workers applied in many countries can be introduced in Kazakhstan. It would narrow the targeting and flexibility of poverty reduction measures, since it presupposes immediate access to the poor and the vulnerable including orphans, homeless children and unattended minors. To that end, necessary legislation should be passed, capacity of local governments built, educational programmes majoring in 'social work' introduced in vocational and higher education.

The social services institutions have to be promoted and quality of their services improved, especially services for the family and children (family planning and reproduction centers), as well as social services for the youth. Targeting programmes to re-integrate the disabled people into the labour force will reduce their dependency on social assistance and raise spirit.

If the international definition of the poverty line is accepted, then the necessary changes should be made to national legislation to set the criteria for the state targeted social assistance. As the minimum food basket is the most essential part of the subsistence minimum, it is recommended that its value serve as criterion for the state targeted social assistance. Indeed persons/households living below this level need some type of assistance from the state until they can improve their standard of living

CHALLENGES OF RURAL AND URBAN POVERTY

In Kazakhstan, as in many other countries, the risk of poverty is higher for rural than for urban residents. The rural poverty incidence was 34.7 percent in 2002, which is twice as high as in urban areas (15.6 percent). This was conditioned by relatively higher incomes and better education of urban residents. However, income disparities among urban households are more evident than in rural areas. The profile of urban and rural poverty is similar. Regardless of the place of residence, the poor are mostly children, unemployed and employed people with low salaries and wages.

Urban poverty is most deep and persistent in so-

called company towns, where it causes destitution and personal degradation. On top of the general poverty factors (unemployment and low wages) poverty in company towns persists due to a declining labour force, low educational levels, lack of entrepreneurial skills, poor healthcare and crumbling infrastructure. In many cases poverty aggravates pessimism in the younger generation, undermining their hopes for a better future.

As mentioned earlier, the rural poverty incidence is higher than the urban. The remoteness of most rural settlements from oblast and rayon centres and the poor integration of local economies into national economic and social processes have further aggravated the challenges of rural development. Rural poverty, as is the case generally in the country, is caused primarily by unemployment and low incomes. Apart from economic factors, demographic factors also affect rural poverty such as the prevailing number of large extended families with high numbers of dependents.

Given very low incomes, household garden plots have become an imperative means of survival in rural areas. In most cases the rural household itself consumes most of the produce from the household garden plot and only small portion is sold. This, however, does not suffice for adequate nutrition. Employment opportunities are scant, in particular for young people. The state still provides most rural jobs, which are in the social sector. Given the scarcity of jobs available for rural residents, job-hunting fails in most cases.

Other factors negatively affecting the living standards of rural residents are degraded physical and social infrastructure, the lack of safe drinking and irrigation water, and environmental deterioration. The dilapidated state of rural roads inhibits the economic development of many rural settlements. Shrinking social infrastructure (schools, hospitals, cultural and sports facilities) imposes restraints on the access of rural poor to those services.

State support to rural development should be aimed at reviving traditional economic activities such as livestock breeding, land cultivation as well as public and civil service. To that end, the additional public investments are needed. In addition, taxation policy should be made conducive to agricultural development. The issue of the state purchasing system for agricultural produce needs to be looked into. The state has to create a framework for easy access to credit resources, including micro-lending, for the agricultural producers to raise the profitability of the agricultural production. Apart from credits, consulting in veterinary, zoo-technical, agronomic, marketing and information services will be of help. In the long run, this will change rural residents' lifestyles, enlarge employment base and foster self-employment of the rural poor.

INSTITUTIONAL FRAMEWORK FOR POVERTY REDUCTION

A concerted effort by the government and a clear-cut distribution of roles are prerequisites for effective poverty reduction. At the central level, basics for the poverty reduction policies should be laid down, sources and mechanisms of funding defined, legislative framework developed, and common monitoring mechanisms to measure poverty from the human development perspective applied. At the local level, clear mechanisms of national poverty reduction policy implementation should be set forth including efficient resource allocation. State taxation policy is an important mechanism of national wealth redistribution. The state shall provide the taxpayers with information on how the revenues generated through taxation are re- allocated.

Civil society organizations should take an active stance along with the government in addressing poverty reduction issues. These include research institutes and non-governmental organizations as well as religious organizations. Setting up a research center on poverty reduction under the government would be a justified measure. Charity organizations, traditional charity activities on the part of religious organizations, non-governmental organizations participation in discussions on poverty issues, trainings, pro-poor social projects and others measures would foster national initiatives on poverty reduction. An important role should be given to developing civil dialogue and promoting trade unions: socio-labour relations should be stipulated via agreements between trade unions, employer associations and the government. The mass media is an important vehicle for increased transparency and democratic participation. Donor assistance in terms of credits and technical support will enlarge the funding base and build on civil society capacities by referring to international experience in poverty reduction. Efficient local government based on material and financial resources matching spending authority with profitable resources. Both poor and non-poor people's social involvement, local community mobilization, initiative groups and self-help groups' promotion are prerequisites for inclusive decision-making, which would ultimately affect people's living standards.

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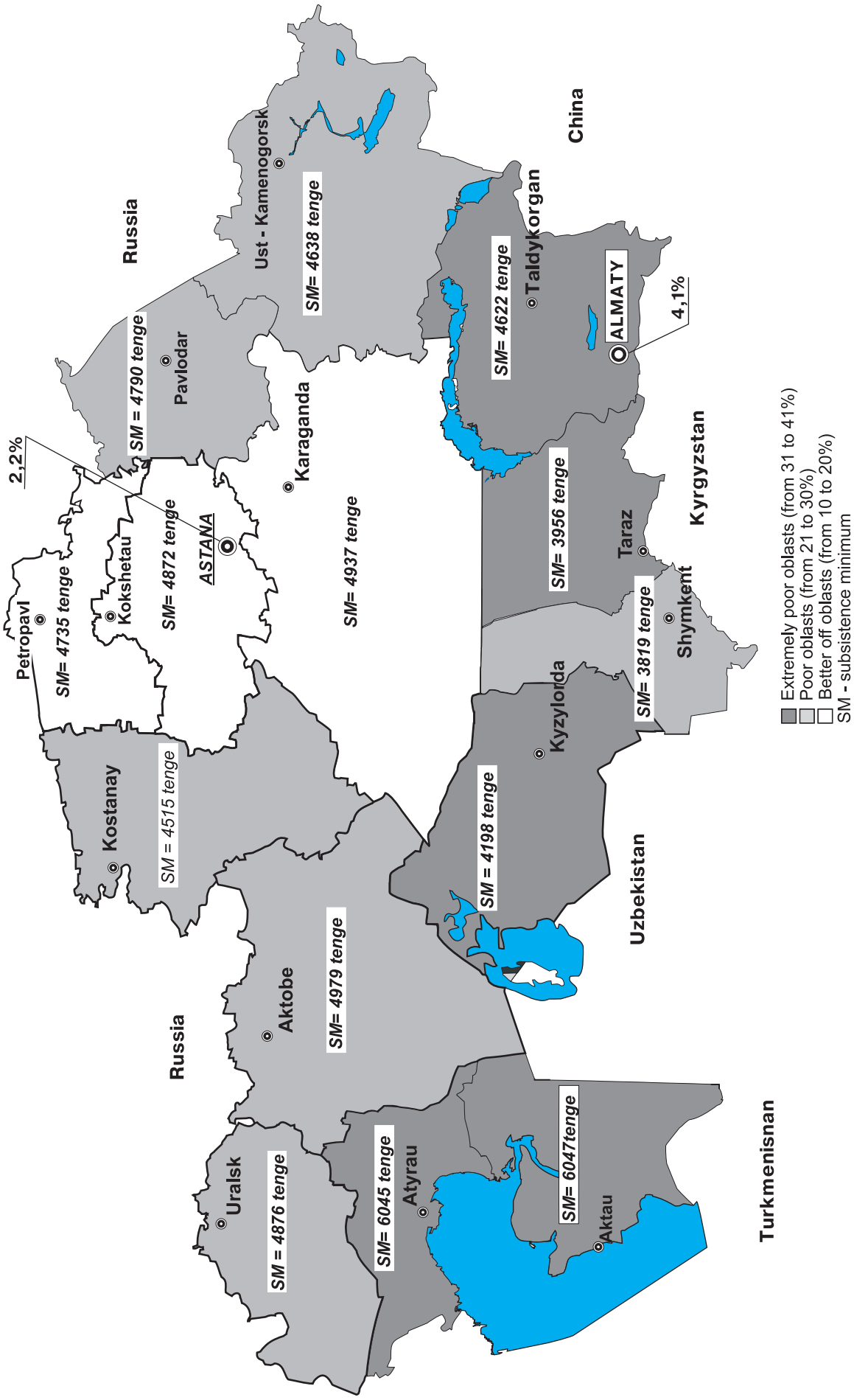
ANNEXES

POVERTY IN KAZAKHSTAN, 2002



Annex 1

GLOSSARY ON POVERTY

1. POVERTY AND ITS MEASUREMENT

Poverty	A human condition characterized by sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights. According to the *absolute approach*, poor people are those who have less than a certain absolute minimum. In other words, the concept of absolute poverty is based on establishing a list of a persons minimum basic needs (for example, the minimum consumer basket or the subsistence minimum), and the amount of resources needed to satisfy these needs. In particular, to determine needs for grocery items, physiological norms for calorie, protein, fat and carbohydrate intake are used. According to the *relative approach*, wealth indicators for defining poverty are related to the predominant level of material wealth in a given country, rather than to minimum needs. In other words, people who have less than others are considered to be poor. In practice, according to this concept the relative poverty line is established as relative percentage of household's average or median income. *The subjective approach* is based on the peoples subjective assessment of their living standards, it gives a possibility to the people themselves to judge if they are poor and if their income is enough to live a normal life. In this regard, this concept is closely connected with the principles of freedom and dignity of the human being and its rights to decent living standards, standard nutrition, access to health care services, education and other social and economic achievements of society. The subjective approach is widely used for qualitative analysis along with quantitative analysis.
Poverty Headcount Ratio (or Incidence of Poverty)	The incidence of poverty, expressed as a headcount ratio, is simply an estimate of the percentage of people with income below the subsistence minimum. It does not indicate anything about the depth or severity of poverty and thus does not capture any worsening of the conditions of those already in poverty.
Subsistence Minimum	Subsistence level is the value of goods and services at prevailing prices necessary to meet the basic requirements of a human being for supporting life. The subsistence minimum in Kazakhstan is an objectively determined level of income (expenditure) proportionate to the value of goods and services included in the consumer basket.
Minimum Consumer Basket	The minimum consumer' basket includes goods and services necessary to meet the basic requirements of a human being to support life. The consumer's basket consists of food basket, which includes foodstuff necessary to meet a certain nutritional intake expressed by calorie intake (2172 kcals), and 30% added for essential non-food items and services that comprise a minimum requirement; such as clothes, shoes, housing and different kinds of services.

Poverty Depth Index	Poverty depth index shows how poor are the poor and it measures average consumption/income shortfall of poor population expressed as a proportion of absolute poverty line (subsistence minimum in Kazakhstan). Poverty incidence is considered as deep if average income (consumption) of the poor is far below the poverty line (subsistence minimum in Kazakhstan).
Poverty Severity Index	Poverty severity index shows how poor are the poorest of the poor, i.e. income inequality among the poor. Poverty severity is an additional characteristic of poverty, when the poverty headcount ratio and poverty depth index don't change. The higher value of the poverty severity index means more severe conditions of poverty.
Food Basket Cost	The food basket cost in Kazakhstan is calculated in order to meet a certain nutritional intake of an individual expressed mainly by calorie intake. The food basket contains the items at the per-capita level of 2172 kcals per day, which refers to the WHO standard. The food basket also considers local/national food habits and the availability of the goods in the local market.
Incidence of Food Poverty (or proportion of population with income below food basket cost)	Incidence of food poverty is measured as proportion of the population with income/consumption levels below a food basket cost.
Human Poverty Index (HPI)	A comprehensive aggregate index reflecting various aspects of deprivation in a person s life in all three main elements reflected in the Human Development Index (HDI): longevity, knowledge and decent standard of living. The difficulty of measuring other components of human development, such as political freedom and personal safety, makes it impossible to include them in the poverty indices. a) *HPI-1 for developing countries* was for the first time calculated in the Global Human Development Report for 1997 via the following formula: $HPI-1=\left[\left(P_1^3+P_2^3+P_3^3\right)/3\right]^{1/3}$, where P_1 the percentage of people not expected to survive to the age of 40; P_2 percentage of illiterate adults; P_3 the percentage of people without access to safe water, health care services, and percentage of underweight children under age of 5. b) In the Global Human Development Report for 1999 *HPI-2 for developed countries* was calculated via the following formula: $HPI-2=\left[\left(P_1^3+P_2^3+P_3^3+P_4^3\right)/4\right]^{1/4}$, where P_1 the percentage of people not expected to survive to the age of 60; P_2 the percentage of functionally illiterate people; P_3 the percentage of people with income below 50% of the average disposable personal income in the country; P_4 the level of long-term unemployment (unemployment for 12 months or more) c) The *HPI-3 for Kazakhstan* was calculated in 2000 via the following formula: $HPI-3=\left[\left(P_1^3+P_2^3+P_3^3+P_4^3\right)/4\right]^{1/3}$, where P_1 - the percentage of population not surviving till the age of 60; P_2 - the percentage of 16-year olds dropping out of school;

	P_3 - the percentage of population with consumption below the subsistence minimum; P_4 - the general unemployment level.
Human Development Index (HDI)	Human Development Index was developed by UNDP in the early 1990s. It is a composite index measuring average achievement in three basic dimensions of human development a long and healthy life (life expectancy at birth rate), knowledge (adult literacy rate and the combined primary, secondary and tertiary gross enrolment rate) and decent standards of living (GDP per capita, PPP US$).

2. EMPLOYMENT AND UNEMPLOYMENT

Labour Force	Labour force refers to part of country's population (labour supply available for production of goods and services) including those employed (people above a specific age who, during the reference period, were in paid employment at work, self-employed or with a job but not at work) and unemployed (people above a specific age who, during the reference period, were without work, currently available for work and seeking work).
Labour Force Participation Rate	Provides an indication of the relative size of the country s labour supply available for the production of goods and services. It is expressed as a percentage of the number of persons in the labour force in the total number of working-age population.
Employment	Labour activity , which brings to a person income or remuneration, necessary to meet their humanneeds; *Full* employment refers to a situation when everyone who wants a job is employed, all labour resources of a country are fully utilized. Frictional unemployment is not taken into account. It is suggested that such a situation means full use of all labour resources of the country. *Self-employment* - an occupation in which remuneration idepends on profit raised from production of goods and services (and the persons own consumption is considered as part of profit).
Employment Rate	Shows share of the total number of employed as a percentage of the labour force.
Unemployment	A social and economic phenomenon determined by lack of demand on the labour market for a part of labour force; a condition in which people are willing and able to work, but cannot find a job. *Unemployment* (g*eneral)* is determined on the basis of the Labour Force Survey by Statistics Agency in compliance with the ILO requirements. A person is called unemployed if the following criteria are met: a) does not have a job/income b) actively seeks a job c) is willing to start a job in a certain period of time (as a rule, within two weeks). *Official (registered)* total number of registered/recorded unemployed without consideration of seasonal fluctuations. This indicator does not show hidden unemployment. *Hidden* unemployment covers the employees, who are considered by official statistics as employed, however, in fact they are in forced leaves or work reduced working hours. *Long-term* unemployed are the unemployed for 12 or more months.
Unemployment Rate	*Unemployment rate (general)* refers to a proportion of unemployed in total labour force. The general unemployment rate is calculated based on the Labour Force Survey by the Kazakhstan Statistics Agency using ILO methodology. A person is considered employed if (s)he works at least an hour a week. *Official (registered) unemployment rate* refers *to a* proportion of

	unemployed, registered in state employment bodies, in the total labour force.
Unemployment by Age	Unemployment among the labour force categorized by different age groups. It is a percentage distribution of the unemployed by age groups. In Kazakhstan the indicator refers to the proportion of unemployed at a given age to the total number of population at the same age.
Unemployment by Level of Education	Unemployment categorized by different levels of educational attainment. Specifically the indicator is a percentage distribution of the unemployed by levels of schooling. In Kazakhstan the indicator refers to the proportion of unemployed with a given level of education in the total number of people who have the same level of education.
Youth Unemployment	For the purpose of this indicator the term youth covers persons aged 15 to 24 years; the term adult refers to those aged 25 and over. (a) youth unemployment rate (youth unemployment as a percentage of the youth labour force); (b) ratio of the youth unemployment rate to the adult unemployment rate; (c) youth unemployment as a proportion of total unemployment; and (d) youth unemployment as a proportion of the youth population.
Average Unemployment Duration	Number of months during which a person was unemployed.
Minimum Wage	Minimum wage is a minimum monetary payment guaranteed by Constitution to all employees irrespective of the ownership (state or private) of the employer.
Nominal Wage	Nominal wage refers to any monthly remuneration, including basic wages, wage supplements, bonuses, premiums and one-time payments.
Real Wage Index	Real Wage Index refers to the nominal wages index adjusted for the changes in purchasing power measured by the consumer price index.

3. INCOME AND INEQUALITY

Inequality	This is the difference in income and living standards between the different groups of population, which are caused by a number of reasons of economic, regional, social, cultural and political nature.
Gini Coefficient	Gini coefficient, which is one of the income differentiation indexes, measures the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution. A value of 0 represents perfect equality, a value of 1 perfect inequality.
Assets Coefficient (Richest-to-Poorest Ratio)	Assets coefficient reflects the income gap between the richest and the poorest population of a country. It is calculated as correlation between total incomes of the richest 10% of population and total incomes of the poorest 10% of population. Belongs to a group of income concentration indices.
Consumer Budgets System	A system of social standards, measuring different levels of well-being among the population: - Subsistence Minimum (SM), - Minimum Consumer Budget (MCB) and - High Income Budget (HIB). *The subsistence minimum* (SM) is a measure of absolute poverty . It refers to the monetary income a person needs to purchase goods and

	services in a minimum consumer basket would satisfy basic human needs, at the level accepted by society at a particular stage of its development. A normative-statistical approach is used to calculate the subsistence minimum in Kazakhstan. *Minimum consumer* budget is equal to twice the subsistence minimum. It refers to the higher levels of income compared to the subsistence minimum that provides better living conditions as well as better quality of life. It provides for the comfortable level of consumption. *High-income budget* is equal to seven times the subsistence minimum. This social standard provides for an advanced level of consumption. This system was introduced by specialists of Russian Living Standards Centre in 1993.
Populations Purchasing Power	Refers to the correlation between an average income and the subsistence minimum. It defines how many sets of goods and services of the subsistence minimum can be obtained for the populations' incomes. *Low* - the value of the income purchasing power index is less than two. *Average* - the value of the income purchasing power index is higher than two, but less than seven. *High* - the value of the income purchasing power index is higher than seven.
Average Household Income	Incomes obtained by household members, such as wages, incomes from entrepreneurial activity, pensions, stipends, benefits, compensations and other payments (including charity), dividends, rents and other incomes from property, income from household production and other monetary incomes. Incomes can be *nominal* (not excluding taxes and other mandatory payments) and *disposable* (excluding above mentioned payments). *Average income* is calculated by dividing the total amount of income by the total population. *Real income* adjusted for changes in consumer prices. It is a ration between monetary income and the consumer price index. *Real disposable income* income, excluding mandatory payments and taxes, taking into account changes in consumer prices.

4. SOCIAL SECURITY IN KAZAKHSTAN

Minimum Pension	Minimum amount of pension defined by the State under the provisions of pension legislation.
Average Pension (Assigned)	Average monthly amount of pension per pensioner. It is calculated as a correlation between the total sum of assigned monthly pensions to all registered pensioners and their number at the end of the year.
Social Benefit on disability, loss of breadwinner and old age	Regular monetary transfers to citizens who need them due to disability, loss of breadwinner and old age.
Social Benefit to former recipients of in-kind benefits	Monetary transfer to those who need special social protection - a monetization of former in-kind additions to the pension or salary. It is given regardless of other types of allowances. Persons eligible for the benefit include participants and disabled of the World War II, families of dead military personnel/policemen, persons rewarded with orders and medals of the Former Soviet Union for their hard work during the World War II, etc.
Social Benefit to those who worked in former List #1 jobs	Monetary transfer to those who worked underground and open mining, in jobs with harmful and/or especially work conditions for men (List #1). The eligibility criteria are: men at the age of 53 who have 20 years work experience, including at least 10 years in jobs on the List; women

	at the age of 48 who have at least 10 years of work experience, of which 7 years must have been in jobs on the List. The benefit is given regardless of the workers wage. After reaching pension age, the recipients decide whether to continue receiving the benefit, or start receiving a pension.
Housing Allowance	Housing benefit is a monetary transfer to low-income residents who own or rent housing to cover housing costs and/or utilities. Housing benefit is determined and paid from local budget.
State Targeted Social Assistance	State targeted social assistance is a monetary transfer to poor persons (families) with incomes below the poverty line established quarterly for each oblasts, Almaty and Astana cities. The poverty line in Kazakhstan is established annually as percentage of the subsistence minimum (minimum consumer basket), defined depending upon availability of budget financial resources. In 2002 the poverty line was fixed at 40% of the subsistence minimum.
Poverty Line as criteria for state targeted social assistance (in Kazakhstan)	The poverty line in Kazakhstan is used specifically as criteria for the state targeted social assistance. It is established annually as percentage of the subsistence minimum (minimum consumer's basket), defined depending upon availability of budget financial resources. In 2002 the poverty line was fixed at 40% of the subsistence minimum.

5. MACROECONOMIC INDICATORS

Gross Domestic Product (GDP)	-Macroeconomic indicator representing the total output of goods and services for final use produced by an economy, by both residents and non-residents, during a given period of time, regardless of the allocation to domestic and foreign claims and is calculated without making deductions for depreciation. There are three methods of GDP calculation: *Production method* calculates and sums up the gross value added created in all industries or sectors of the economy, provides data for analysis of the industrial and sector structure of the economy. *Income distribution method* calculates and sums up the components of income paid to all institutional units engaged in the production of goods and services; yields the data required to analyze the structure of the income originating in the process of GDP production remuneration, operating surplus, production and import taxes, etc. *Final expenditure method* comprises the total expenditure of all units on final consumption, gross capital formation (investment) and exports, provides data for an analysis of the structure of the overall GDP, establishing the ratio between final consumption and capital formation, between the consumption of goods and services by households (individual consumption) and by general government bodies (collective consumption). *GDP by industrial origin* refers to the breakdown of GDP by sectors of economy, such as industry, agriculture or services as defined according to the International Standard Industrial Classification (ISIC) system. *Industry* refers to the mining and quarrying, manufacturing, construction and public utilities, including gas, water and electricity. *Agriculture* refers to agriculture, hunting, fishery and forestry. *Services* refer to wholesale and retail trade; restaurants and hotels; transport, storage and communications; finance, insurance, real estate and business services; and community, social and personal services.
Real GDP Growth	Refers to the annual changes in GDP output as a percent to the previous year.
Gross National Product, or Gross National Income (GNP, or GNI)	A macroeconomic indicator reflecting the final product produced by an economy during a given period of time, calculated at market prices. GNP includes both cost of the products produced in the country and outside the country using industries belonging to the country.

Gross Regional Product (GRP)	Macroeconomic indicator showing aggregate value of goods and services produced during a given period of time in a certain region of the country.
GDP per Capita	Refers to the GDP value divided by the average annual population of the country.
Consumer Price Index (CPI)	The consumer price index measures changes over time in the general level of prices and services that a reference population acquires, uses or pays for. A consumer price index is estimated as a series of summary measures of the period-to-period proportional change in the prices of a fixed set of consumer goods and services of constant quantity and characteristics, acquired, used or paid for by the reference population. Each summary measure is constructed as a weighted average of a large number of elementary aggregate indices. Each of the elementary aggregate indices is estimated using a sample of prices for a defined set of goods and services obtained in, or by residents of, a specific region from a given set of outlets or other sources of consumption goods and services.
Inflation Rate	Refers to the rate of increase of the level of prices (measured by the consumer price index) during a given period.
Purchasing Power Parities (PPP)	The number of units of a country's currency required to purchase the same representative basket of goods and services (or similar basket of goods and services) that a US dollar (the reference currency) would buy in the United States.

6. DEMOGRAPHIC INDICATORS AND REPRODUCTIVE BEHAVIOR

Life Expectancy at Birth	Life expectancy at birth is a widely used measure of general level of mortality in a country. This is a theoretical number of years a new-born would live if the age-specific mortality rates in the year of birth are taken as constant.
Rate of Natural Population Increase	Rate of natural population increase is the difference between the number of births and the number of deaths during the given year divided by mid-year population.
Rate of Children Involved in Divorce	The rate of children involved in divorce shows the number of children aged 0-17 involved in divorces per 1,000 people aged 0-17.
Total Fertility Rate	Total fertility rate is the overall measure of fertility, which represents an average number of children a woman would bear during reproductive period (15 to 49) if the age-specific fertility rates remained unchanged during her lifetime.
Crude Birth Rate	Crude birth rate measures the frequency of childbirths in a population. It represents a number of life births per 1,000 mid-year people. -
Birth Rate by Age	Birth rate by age measures the frequency of childbirths among women of a certain age group. It represents a number of life births among women of a certain age group per mid-year female population in the same age group.
Life Births	There are two definitions of the live birth notion. WHO standard definition refers to the live births include all births, with the exception of stillbirths, regardless of the size, gestation age, or viability of the newborn infant, or his or her death soon after birth or before the required birth registration date. The *Soviet* concept excludes infants born with no breath, but with other signs of life (stillbirths in the Soviet concept) and infants born before the end of the 28th week of pregnancy at a weight under 1,000 grams or a length under 35 centimeters and who die during the first seven days of life (miscarriages). In Kazakhstan the *Soviet* concept is used to define live births.

Contraceptive Prevalence Rate	Contraceptive prevalence rate measures the percentage of women aged 15-49 who are practicing, or whose partners are practicing, any form of contraception whether modern or traditional.
Contraceptive Prevalence Rate (among married women)	Contraceptive prevalence rate measures the percentage of married women aged 15-49 who are practicing, or whose partners are practicing, any form of contraception whether modern or traditional.
Abortion Rate	Abortion rate refers to the number of abortions per 100 live births and it includes early fatal deaths and excludes spontaneous abortions.

7. HEALTH INDICATORS

Infant Mortality Rate (IMR)	The IMR is a measure of the frequency of deaths of infants between birth and 1 year of age. It represents the annual number of deaths of infants under 1 year of age per 1,000 live births during the same period.
Under 5 Mortality Rate (U5MR)	Measures the probability of dying between birth and age 5. It represents the annual number of deaths of children under age 5 per 1,000 live births. In this case the U5MR had been calculated by comparing the number of under-5 deaths to the number of live births in the current year rather than in the year the deceased children were born.
Maternal Mortality Rate (MMR)	The MMR refers to the annual number of deaths of women due to pregnancy or childbirth-related causes per 100,000 live births.
Mortality Rate	The mortality rate measures the frequency of death in population. It represents the number of deaths per mid-year population.
Birth Attended by Skilled Personnel	The births attended by skilled personnel refer to the percentage of deliveries attended by a doctor, nurse or mid-wife or trained traditional birth attendant in total number of births in certain period.
Infants under Qualified Medical Personnel Care	The indicator refers to the proportion of newborns under patronage of medical personnel in total number of newborns.
Prevalence of Wasted Children (Low Weight-for-Height among Under-fives)	Wasting or thinness indicates in most cases a recent and severe process of weight loss, which is often associated with acute starvation and/or severe disease. It is calculated as a proportion of under-fives falling below minus 2 or minus 3 standard deviations from the median weight-for-height of the reference population.
Prevalence of Stunted Children (Low Height-for-Age among Under-fives)	Stunted growth reflects a process of failure to reach linear growth potential as a result of suboptimal health and/or nutritional conditions. On a population basis, high levels of stunting are associated with poor socioeconomic conditions and increased risk of frequent and early exposure to adverse conditions such as illness and/or inappropriate feeding practices. Similarly, a decrease in the national stunting rate is usually indicative of improvements in overall socioeconomic conditions of a country. It is calculated as a proportion of under-fives falling below minus 2 and minus 3 standard deviations from the median height-for-age of the reference population.
Prevalence of Underweight Children (Low	Weight-for-age reflects body mass relative to the chronological age. It is influenced by both the height of a child (height-for-age) and his or her weight (weight-for-height), and its composite nature makes interpretation complex. In the absence of significant wasting in a community, similar in formation is provided by weight-for-age and height-for-age, in that both reflect the long-term health and nutritional experience of the individual or population. In general terms, the worldwide variation of weight-for-age and its age distribution are similar to those of low height-for-age. It is calculated as a proportion of under-

Weight-for-Age among Under-fives)	fives falling below minus 2 standard deviations (moderate underweight) and minus 3 deviations (severe underweight) from the median weight-for-age of the reference population.
Tuberculosis Prevalence Rate	Tuberculosis prevalence rate refers to the number of TB morbidity cases, including first registered as well as earlier known chronic and long lasting cases, according to certain year data calculated per 100,000 people.
Tuberculosis Incidence Rate	TB incidence refers to the number of new TB cases. A tuberculosis case is defined as a patient in whom tuberculosis has been bacteoriologically confirmed or diagnosed by a clinician.
Number of Cured from Tuberculosis	Number of patients checked out from health centers as fully cured from TB, a qualified physician should confirm this.
Tuberculosis Mortality Rate	TB mortality rate refers to the number of death cases from Tuberculosis per 100 000 people.
Iodine Deficit Prevalence Rate	Iodine deficit morbidity rate refers to the number of iodine deficit cases, including first registered as well as earlier known chronic and long lasting cases, according to certain year data.
Sexually Transmitted Diseases (STD) Prevalence Rate	STD prevalence rate refers to the number of STD morbidity cases, including first registered as well as earlier known chronic and long lasting cases, according to certain year data calculated per 100,000 people.
Sexually Transmitted Diseases (STD) Incidence Rate	Newly registered cases of *syphilis*, *gonorrhoea* per 100,000 people.
HIV Incidence	Cumulative number of registered HIV cases.
Health facilities	Number of operational hospitals and health care clinics in a country as of the end of the year.
Hospital Beds per 10,000 population	Number of beds per the number of the population as of the end of the year.
Physicians per 10,000 population	Average number of doctors per average annual number of population in a certain year.
Paramedical Specialists per 10,000 population	Average number of paramedical specialists per average annual number of population in a certain year.
Medical Visits per 10,000 population	An indicator of outpatient's departments/health clinics' capacity. Ratio of the number of the medical attending per shift to the number of the population as of the end of the year.
Population per Physician	Population per physician shows annual average population per number of doctors.
Population per Para-Medical Specialist	Population per para-medical specialists shows the annual average population per number of paramedical personnel.

8. EDUCATION

Adult Literacy Rate	Adult literacy rate refers to the percentage of population, 15 years old and over, who can, with understanding, both read and write a short, simple statement on their everyday life as percent of population, aged 15 and above.
Pre-primary Education Enrolment Rate	According to the International Classification System of Educational Levels (ISCED97), pre-primary enrolment rate generally covers children in the 3-6 age group and excludes nursery provision for the 0-2 age group. It is calculated as percent of children aged 3-6.

Basic Education Enrolment Rate	Basic education often called compulsory schooling or elementary schooling normally lasts from age 6 or 7 to age 14 or 15. This is often divided into primary (to age 10) and lower secondary levels.
General Secondary Education Enrolment Rate	According to the ISCED97 general secondary education in CIS countries typically comprises the two or three upper classes of the comprehensive school. It is calculated as a proportion of children aged 11-17 enrolled in secondary school of all kinds in total number of children aged 11 - 17.
Higher Education Enrolment Rate	According to the ICSED07 tertiary enrolment provides a non-doctorate-related university degree or recognized equivalent.
Students per Teacher	Shows the workload of the teacher. Ratio of total number of students to the total number of teachers.

9. PHYSICAL INFRASTRUCTURE

Access to Safe Water	Population with access to safe water is the share of the population with reasonable access to an adequate amount of safe water (including treated surface water and untreated but uncontaminated water such as springs, sanitary wells, and protected boreholes).
Proportion of water supply from stand-alone sources, with quality below microbiological standards	Stand-alone water supply sources are wells, springs, and artesian wells without distribution networks.
Proportion of rural settlements not connected with roads	Percentage of the rural settlements that are not connected with roads of general use.
Phone Sets	Number of phone sets in households per 100 households as defined based on household budget survey by Statistics Agency.
Personal Computers	Number of personal computers in households per 100 households as defined based on household budget survey by Statistics Agency.
Internet Users (registered)	Number of Internet users in households per 100 households as defined based on household budget survey by Statistics Agency.
Motor Vehicles in Personal Use	Number of motor vehicles in households per 100 households as defined based on household budget survey by Statistics Agency.

10. DRUG CONTROL AND CRIME PREVENTION

Alcoholism Morbidity Rate	Alcoholism morbidity rate refers to the number of alcoholism morbidity cases including first registered as well as earlier known chronic and long lasting cases, according to certain year data.
Drug Addiction Morbidity Rate	Drug addiction morbidity rate refers to the number of morbidity cases from drug abuse including first registered as well as earlier known chronic and long lasting cases, according to certain year.
Crime Rate	The percentage of the population who perceive that they have been victimized by certain types of crime in a preceding year.

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23. Office of High Commissioner on Human Rights. www.ohchr.org.

Annex 2

MILLENNIUM DEVELOPMENT GOALS AND TARGETS

MDG 1: Eradicate extreme poverty and hunger

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

MDG 2: Achieve universal primary education

Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary education

MDG 3: Promote gender equality and empower women

Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015

MDG 4: Reduce child mortality

Target 5: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate

MDG 5: Improve maternal health

Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio

MDG 6: Combat HIV/AIDS, malaria and other diseases

Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

MDG 7: Ensure environmental sustainability

Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
Target 10: Halve by 2015, the proportion of people without sustainable access to safe drinking water
Target 11: Achieve by 2020, a significant improve in the lives of at least 100 million slum dwellers.

MDG 8. Develop global partnership for development

Target 12. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.
Target 13. Address the special needs of less developed countries.
Target 14. Address the special needs of landlocked developing countries.
Target 15. Dear comprehensively with the debt problems of developing countries through national and international measures.
Target 16. Develop and implement strategies for decent and productive work for youth.
Target 17. Provide access to affordable essential drugs in developing countries.
Target 18. Make available the benefits of new technologies, especially information and communications.

POVERTY MONITORING INDICATORS FOR KAZAKHSTAN

MDG Reference	#	Poverty Indicators	Measure-ment unit	1996	1997	1998	1999	2000	2001	2002	Source
1	2	3	4	5	6	7	8	9	10	11	12
Income Poverty											
MDG 1, Target 1	1	Poverty Headcount Ratio (or Incidence of Poverty)	%	34,6	38,3	39,0	34,5	31,8	28,4	24,2	2
		male	%	…	…	…	…	…	48,4	61,3	3
		female	%	…	…	…	…	…	51,6	38,7	3
		rural	%	…	46,0	47,7	37,1	34,2	38,0	34,7	2
		urban	%	…	32,7	38,5	32,9	30,0	20,4	15,6	2
	2	Subsistence Minimum	tenge	2 821	3 120	3 336	3 394	4 007	4 596	4 761	2
	3	Poverty Gap Index	%	11,4	12,1	12,8	13,7	10,3	7,7	6,1	2
	4	Average Consumption Shortfall		32,9	31,6	32,8	39,7	32,4	27,1	25,2	
	5	Poverty Severity Index	%	5,2	3,1	3,8	5,5	4,0	3,0	2,2	2
		rural	%	…	…	…	…	…	4,4	3,4	2
		urban	%	…	…	…	…	…	1,9	1,3	2
MDG 1, Target 2	6	Incidence of "Food" Poverty (or proportion of population with income/consuption below "food basket" cost)	%	…	14,3	18,0	14,5	11,7	11,3	8,9	2
	7	Food Basket Cost	tenge		2 184	2 335	2 376	2 805	3 217	3 333	2
Income Inequality											
	8	Gini Coefficient	index	0,319	0,338	0,347	0,340	0,343	0,348	0,312	2
	9	Assets Coefficient	one	9,8	10,2	11,3	11,0	11,9	11,3	9,8	2
Labour and Employment											
	10	Labour Force	thousand people	7489,5	7 440,1	7 052,6	7 055,4	7 107,4	7 479,1	7399,7	3, 4
	11	Labour Force Participation Rate	%	68,7	68,8	65,9	66,0	66,0	70,2	70,1	2
		urban	%	72,8	71,3	69,2	70,0	68,8	66,5	66,8	2
		rural	%	62,8	65,3	61,2	60,4	62,2	75,5	74,8	2

1	2	3	4	5	6	7	8	9	10	11	12
	12	Employment Rate	%	87,0	87,0	86,9	86,5	87,2	89,6	90,7	4
		male	%	…	…	54,2	52,4	52,5	91,1	92,5	4
		female	%	…	…	45,8	47,6	47,5	88,0	88,8	4
		rural	%	86,1	86,4	86,1	85,8	86,5	92,2	92,6	2
		urban	%	87,6	87,4	87,4	87,0	87,7	87,4	89,1	2
	13	Employment Ratio	%	69,5	69,8	67,0	67,0	67,8	72,8	…	10
	14	Unemployment Rate (General)	%	13,0	13,0	13,1	13,5	12,8	10,4	9,3	2
		male	%	…	…	…	…	…	8,9	7,5	4
		female	%	…	…	…	…	…	12,0	11,2	4
		rural	%	13,9	13,6	13,9	14,2	13,5	7,8	7,4	2
		urban	%	12,4	12,6	12,6	13,0	12,3	12,6	10,9	2
	15	Average Unemployment Duration	months	5,9	6,0	6,0	7,4	7,5	7,9	6,1	2
		male[a]	months	5,9	5,9	7,0	7,2	8,4	8,6	…	
		female[a]	months	6,0	6,1	7,6	7,7	8,8	8,9	…	
	16	Unemployment by Level of Education[b]	%	…	…	…	…	…	10,4	9,3	5
		tertiary	%	…	…	…	…	…	6,1	5,4	5
		incomplete tertiary	%	…	…	…	…	…	13,1	9,4	5
		secondary vocational	%	…	…	…	…	…	10,1	8,6	5
		primary vocational	%	…	…	…	…	…	10,3	9,2	5
		general secondary	%	…	…	…	…	…	12,5	12,1	5
		basic secondary	%	…	…	…	…	…	12,2	10,7	5
		primary	%	…	…	…	…	…	7,4	6,1	5
	17	Unemployment by Age[b]	%	…	…	…	…	…	10,4	9,3	5
		15 years	%	…	…	…	…	…	10,0	13,7	5
		16-19	%	…	…	…	…	…	24,6	20,6	5
		20-24	%	…	…	…	…	…	16,9	16,0	5
		25-29	%	…	…	…	…	…	11,9	10,6	5
		30-34	%	…	…	…	…	…	9,8	8,9	5
		35-39	%	…	…	…	…	…	9,2	8,4	5
		40-44	%	…	…	…	…	…	8,5	7,7	5
		45-49	%	…	…	…	…	…	7,7	7,5	5
		50-54	%	…	…	…	…	…	7,2	7,5	5
		55-59	%	…	…	…	…	…	7,0	6,4	5
		60-64	%	…	…	…	…	…	5,0	3,7	5
		65-69	%	…	…	…	…	…	2,6	0,3	5
		70 years and over	%	…	…	…	…	…	1,4	…	5

1	2	3	4	5	6	7	8	9	10	11	12
Social Security											
	24	Minimum Pension	tenge	…	580,0	2 395,0	3 000,0	3 500,0	4 000,0	4 336,0	2
	25	Average Pension (Assigned) rural[a] urban	tenge tenge tenge	… … …	3 283,0 … …	3 554,0 3 537,0 …	4 213,0 3 571,0 …	4 270,0 3 877,0 …	4 462,0 4 380,0 …	4 947,0 5 153,0 …	2
	26	State Social Benefit (bread-winner loss, disability, old age)[d]	tenge	…	…	…	3 558	3 556	3 730	4 178	8
	27	Number of Beneficiaries of the State Social Benefit (bread-winner loss, disability, old age)[d]	thousand people	…	…	…	674,5	681,7	649,1	650,0	8
	28	Special State Benefit (former in-kind benefits)[e]	tenge	…	…	…	1280	1250	1331	1413	8
	29	Number of Beneficiaries of the Special State Benefit (former in-kind benefits)[e]	thousand people	…	…	…	1020,2	1 174,8	1036,8	1008,3	8
	30	State Special Benefit (for people worked at the underground mines and mining works, former List #1)[f]	tenge	…	…	…	…	5 260	4 963	6 255	8
	31	Number of Beneficiaries of the State Special Benefit (for people worked at the underground mines and mining works, former List #1)[f]	people	…	…	…	…	1495	5 669	6 803	8
	32	Housing Allowance[j]	tenge	…	…	…	…	…	…	664	
	33	Poverty Line (as eligibility criterion for State Targeted Social Assistance in Kazakhstan)[g]	tenge	…	…	…	…	1508	1707	1904	9
	34	State Targeted Social Assistance (average)[h]	tenge	…	…	…	…	…	…	998,0	9
	35	Number of Beneficiaries of State Targeted Social Assistance[h]	thousand people	…	…	…	…	…	…	1 137,0	9
Economy											
	36	Gross Domestic Product (GDP)									

1	2	3	4	5	6	7	8	9	10	11	12
		at current market prices	bln. tenge	1415,7	1672,1	1733,3	2016,5	2600,0	3250,6	3776,3	1
			bln. USD by exchange rate	21,0	22,2	22,1	16,8	18,3	22,2	24,6	1
	37	GDP by Industrial Origin	thosand tenge	1415,7	1672,1	1733,3	2016,5	2600,0	3250,6	3776,3	1
		Industry share in GDP[a]	thosand tenge	300,0	357,5	422,5	569,1	864,7	997,1	1113,0	
		Agriculture share in GDP[a]	thosand tenge	172,0	190,7	148,5	199,4	210,9	283,6	301,9	
		Services share in GDP[a]	thosand tenge	...	...	983,4	1057,5	1257,9	1604,9	1905,9	
	38	Real GDP Growth	%	100,5	101,7	98,1	102,7	109,8	113,5	109,8	1
		Industry[a]	%	100,3	104,1	97,6	102,7	115,5	113,5	110,4	
		Agriculture[a]	%	95,0	99,1	81,1	121,7	96,8	117,1	103,2	
		Services[a]	%	...	...	100,3	99,6	108,4	112,3	109,8	
	39	GDP per Capita	thousand tenge	90,9	109,1	115,0	135,1	174,8	218,8	254,2	1
			USD by exchange rate	1350,7	1445,9	1468,8	1129,1	1230,2	1493,7	1645,8	1
	40	Consumer Price Index (CPI)	%	139,3	117,4	107,1	108,3	113,2	108,4	105,9	2
Public Expenditures on Education, Health and Social Security											
	41	Public Expenditures on Social Security, as % of GDP	%	0,6	1,6	3,1	7,9	6,6	5,7	5,4	2
	42	Public Expenditures on Education, as % of GDP	%	4,6	4,4	4,0	3,9	3,3	3,3	3,2	2
	43	Public Expenditures on Health, as % of GDP	%	2,5	2,1	1,5	2,2	2,1	1,9	1,9	2
Demography											
	44	Total Population	mln. people	15,7	15,5	14,9	14,9	14,9	14,8	14,8	1
		male	mln. people	7,6	7,5	7,2	7,2	7,2	7,1	7,1	1
			%	48,4	48,4	48,3	48,3	48,2	48,0	48,1	1
		female	mln. people	8,1	8,0	7,7	7,7	7,7	7,7	7,7	1

1	2	3	4	5	6	7	8	9	10	11	12
			%	51,6	51,6	51,7	51,7	51,8	52,0	51,9	1
	45	Urban/Rural Population Ratio	%	...	55.8	...	55.9	55.9	55.8	57.4	3
					44.2		44.1	44.1	44.2	43.6	
	46	Life Expectancy at Birth	years	63,6	64,0	64,5	65,5	65,4	65,6	65,8	2
		male	years	58,0	58,4	59,0	60,3	59,8	60,2	60,6	2
		female	years	69,7	69,9	70,4	71,0	71,3	71,1	71,3	2
	47	Rate of Natural Population Increase	per 1,000 population	5,6	4,8	4,6	4,6	4,7	4,8	5,3	2
		rural	per 1,000 population	10,4	8,8	7,9	7,9	7,9	8,0	8,0	2
		urban	per 1,000 population	1,8	1,8	1,8	2,0	2,3	2,4	3,3	2
	48	Average Household Size	persons	3,6	3,5	3,5	3,4	3,4	3,7	3,6	2
		rural	persons	4,2	4,1	4,3	4,2	4,1	4,6	4,4	2
		urban	persons	3,1	3,0	3,0	3,1	3,1	3,2	3,1	2
	49	Proportion of Households, consisting of:	%	...	100	100	100	100	100	100	3
		1 person	%	...	10	10	11	10	13	12	3
		2 persons	%	...	18	18	19	19	19	19	3
		3 persons	%	...	22	24	25	25	20	20	3
		4 persons	%	...	26	25	26	26	21	22	3
		5 and more persons	%	...	24	23	19	20	27	26	3
	50	Proportion of Households headed by:	%	...	...	...	...	...	100,0	100,0	3
		male	%	...	...	...	...	...	53,2	61,0	3
		female	%	...	...	...	...	...	46,8	39,0	3
	51	Proportion of Households with:	as % of households with children								3
		1 child	as % of households with children	...	28	31	32	32	42	45	3
		2 children	as % of households with children	...	24	22	21	20	35	34	3

1	2	3	4	5	6	7	8	9	10	11	12
		3 children	as % of households with children	...	9	8	7	6	14	14	3
		4 and more children	as % of households with children	...	4	4	3	2	9	7	3
	52	Rate of children involved in divorce	per 1,000 population aged 0-17	7,1	6,8	7,2	5,2	5,6	6,1	...	10
Reproductive Behaviour											
	53	Total Fertility Rate	%	2,0	1,9	1,8	1,8	1,8	1,8	1,9	2
	54	Crude Birth Rate	per 1,000 people	16,3	15,2	14,8	14,2	14,6	14,8	15,3	2
	55	Birth rate by age[1]	live births per 1,000 women								2
		under age of 20	live births per 1,000 women	44,6	39,2	36,5	35,2	32,6	29,7	27,0	2
		20-24 years	live births per 1,000 women	149,8	136,6	131,1	132,3	131,7	128,4	129,6	2
		25-29	live births per 1,000 women	116,4	112,6	107,8	99,1	103,9	104,3	109,2	2
		30-34	live births per 1,000 women	60,9	58,1	59,4	59,4	63,5	65,3	69,8	2
		35-39	live births per 1,000 women	26,0	25,4	25,3	26,1	28,1	29,9	33,1	2
		40-44	live births per 1,000 women	5,6	5,9	5,6	5,6	6,0	6,3	6,9	2
		45-49	live births per 1,000 women	0,6	0,5	0,5	0,5	0,6	0,5	0,4	2

1	2	3	4	5	6	7	8	9	10	11	12
		15-49	live births per 1,000 women	60,7	56,6	54,7	51,1	52,3	52,0	53,7	2
	56	Live Births		253,2	232,4	222,4	216,0	220,4	219,3	227,2	7
	57	Contraceptive Prevalence Rate	% of women aged 15-49	…	38,9	…	32,9	32,4	35,9	37,4	2
	58	Contraceptive Prevalence Rate among married women	% of married women aged 15-49	…	…	…	66,1	…	…	…	10
	59	Abortion Rate	abortions per 100 live births	76,7	67,5	67,1	65,2	61,7	63,3	…	10
Health											
MDG 4, Target 5	60	Infant Mortality Rate (IMR)	per 1,000 born alive	25,4	24,9	21,6	20,7	19,6	19,4	17,0	2
	61	Under-five Mortality Rate (U5MR)[c]	per 1,000 born	33,2	32,6	28,9	26,8	25,4	22,8	21,7	10
MDG 5, Target 6	62	Maternal Mortality Rate (MMR)[c]	per 100,000 population	52,9	59,0	54,8	49,6	44,2	49,2	51,9	2
	63	Births Attended by Skilled Personnel	%	98,1	97,6	98,0	97,8	98,3	98,5	98,9	
	64	Mortality Rate	per 1,000 population	10,7	10,4	10,2	9,8	10,1	10,0	10,0	2
	65	Infants Under Qualified Medical Personnel Care	%	100,0	100,0	100,0	100,0	100,0	100,0	100,0	2
	66	Prevalence of Wasted Children (Low Weight-for-Height among Under-fives)	%	…	…	…	1,8	…	…	…	11
	67	Prevalence of Stunted Children (Low Height-for-Age among Under-fives)	%	…	…	…	9,7	…	…	…	11

1	2	3	4	5	6	7	8	9	10	11	12
	68	Prevalence of Underweight Children (Low Weight-for-Age among Under-fives)	%	…	…	…	4,2	…	…	…	11
	69	Prevalence of Anemia among Women	% of female population	…	…	…	35,5	…	…	…	11
	70	Prevalence of Anemia among Pregnant Women	% of pregnant women	48,0	49,4	52,6	49,7	53,5	57,5	54,5	6
MDG 6, Target 8	71	Tuberculosis Incidence Rate	new cases per 100,000 population	87,3	93,9	122,7	141,3	153,1	155,4	164,8	2, 3
	72	Tuberculosis Prevalence Rate	cases per 100,000 population	313,3	344,3	393,8	322,8	327,1	353,4	414,5	1
		male[a]	cases per 100,000 population	…	113,0	146,0	166,2	182,3	184,1	193,0	
		female[a]	cases per 100,000 population	…	76,1	101,2	117,6	126,2	128,5	138,6	
		rural[a]	cases per 100,000 population	…	…	…	124,1	136,7	147,0	149,6	
		urban[a]	cases per 100,000 population	…	…	…	154,4	166,3	162,0	176,4	
	73	Percentage of Cured from Tuberculosis	% of registered patients	24,0	23,8	26,4	49,0	32,5	30,8	26,4	2
	74	Tuberculosis Mortality Rate	per 100,000 population	34,6	37,7	38,4	30,7	26,4	24,5	…	2
	75	Iodine Deficit Prevalence Rate	per 100,000 population	21,9	26,6	33,1	39,9	42,8	60,2	68,5	2

1	2	3	4	5	6	7	8	9	10	11	12
	76	Sexually Transmitted Diseases (STD) Incidence Rate[a]	newly registered cases of syphilis and gonorrhea per 100,000 population	360,0	370,1	239,1	320,6	322,9	315,5	…	10
	77	Sexually Transmitted Diseases (STD) Prevalence Rate	per 100,000 population								2
		Syphilis, all forms	per 100,000 population	231,2	268,9	231,4	182,2	161,4	140,6	123,2	2, 3
		rural[c]	per 100,000 population	…	…	…	…	104,6	90,0	79,1	2
		urban [c]	per 100,000 population	…	…	…	…	206,3	180,0	157,0	2
		Gonorrhoea	per 100,000 population	110,0	91,1	81,9	81,9	88,2	89,5	86,6	2, 3
		rural[c]	per 100,000 population	…	…	…	…	31,8	32,9	31,5	2
		urban[c]	per 100,000 population	…	…	…	…	132,8	133,4	129,0	2
MDG 6, Target 7	78	HIV Incidence	people	79	437	815	1000	1347	2 522	3 257	7
		male	people	…	…	…	…	269	950	554	7
		female	people	…	…	…	…	78	225	181	7
	79	Health Facilities	units	1 244,0	1006,0	991,0	917,0	938,0	981,0	1005,0	2
	80	Hospital Beds per 10 000 population	beds to 10,000 population	100,3	89,8	79,6	72,6	72,1	74,4	75,3	2
	81	Physicians per 10 000 population	persons to 10,000 population	37,4	35,3	35,6	34,3	33,9	34,6	36,1	2
	82	Paramedical Specialists per 10 000 population	persons to 10,000 population	90,5	85,0	77,7	74,1	71,8	73,8	76,3	2
	83	Medical Visits per 10 000 population	medical visits per 10,000 population	199,0	182,0	181,0	173,0	170,0	166,0	168,5	2

1	2	3	4	5	6	7	8	9	10	11	12
	84	Population per Physician	persons	269,0	281,0	283,0	295,0	304,0	289,0	277,0	2
	85	Population per Para-Medical Specialist	persons	105,0	118,0	125,0	135,0	140,0	136,0	131,0	2
Education											
MDG 2, Target 3	86	Adult Literacy Rate male[a] female[a]	% % %	98,9 99,7 99,7	99,1 99,7 99,8	99,3 99,8 99,9	99,5 99,8 99,3	99,5 99,9 99,9	99,5 99,9 99,9	... ...	4
	87	Pre-Primary Education Enrolment (net rates)	% of population aged 3-6	...	12,3	12,5	10,5	11,9	13,9	...	10
	88	Basic Education Enrolment (gross rates)	% of relevant population	94,7	94,2	94,1	94,3	99,6	100,1	...	10
	89	Upper Secondary Education Enrolment (general and vocational/technical; gross rates)	% of population aged 15-18	57,3	57,4	59,8	59,6	52,1	54,5	...	10
	90	Higher Education Enrolment (gross rates)	% of population aged 19-24	16,2	18,7	21,1	24,1	29	33,4	...	10
	91	Students per Teacher	persons	12,8	12,4	12,4	11,8	11,6	11,2	13,5	2
MDG 2, Target 4	92	Girls to Boys Ratio, all levels enrolment[a]	%	...	...	1,01	1,02	1	1,01	1,02	
	93	Girls to Boys Ratio, Primary Level Enrolment[a]	%	0,98	0,98	0,97	0,97	0,96	0,95	0,96	
	94	Girls to Boys Ratio, Secondary Level Enrolment[a]	%	1,09	1,05	1,09	1,09	1,1	1,1	1,09	
	95	Girls to Boys Ratio, Tertiary Level Enrolment[a]	%	...	...	1,15	1,02	1,07	1,07	1,07	
Housing											
MDG 7, Target 10	96	Population using improved water sources	%	...	58,3	61,4	63,1	67,8	52,5	52,8	12
	97	Proportion of water supply from stand-alone units, with quality below microbiological standards	%	9,0	12,6	7,7	7,7	8,0	...	...	12

1	2	3	4	5	6	7	8	9	10	11	12
MDG 7, Target 10	98	Proportion of water supply from stand-alone units, with quality below chemical standards	%	11,8	10,3	8,5	8,9	11,1	…	…	12
	99	Proportion of households equipped with improved sewerage system	%	…	45,0	…	45,6	…	44,1	…	2
		urban	%	…	70,3	…	71,5	…	68,9	…	
		rural	%	…	5,0	…	4,5	…	9,5	…	
	100	Proportion of households equipped with water supply	%	…	58,8	61,4	67,0	68,5	52,9	53,3	2
		urban	%	…	88,0	87,6	86,8	87,2	79,5	79,3	2
		rural		…	19,9	21,5	22,0	19,3	7,7	8,9	2
	101	Proportion of households supplied with central heating system	%	…	48,8	51,7	56,8	57,5	43,8	42,4	2
		urban	%	…	…	81,8	79,9	77,5	68,4	66,2	2
		rural		…	…	6,0	4,3	5,0	1,9	1,8	2
	102	Proportion of households supplied with gas	%	…	65,7	68,3	73,9	83,9	37,2	35,9	2
		urban	%	…	…	76,0	78,4	82,3	53,8	51,4	2
		rural	%	…	…	56,6	63,8	88,1	8,9	9,4	2
	103	Proportion of households equipped with hot water supplies	%	…	38,7	39,8	44,4	45,4	34,8	34,2	2
		urban	%	…	…	64,1	63,6	62,4	54,5	53,8	2
		rural	%	…	…	2,8	0,7	0,6	1,2	0,9	2
	104	Proportion of households supplied with electricity	%	100,0	100,0	100,0	100,0	…	99,7	99,9	2
		urban	%	…	…	…	…	…	99,8	99,9	2
		rural	%	…	…	…	…	…	99,6	99,8	2
	105	Proportion of rural settlements without communication along the hard surface roads of general purpose	%	…	36,8	36,8	27,5	…	76,1	76,0	2
	106	Phone Sets	units per 100 households	…	…	41,6	47,0	51,7	42,8	45,3	2
	107	Personal Computers	units per 100 households	…	…	…	…	…	1,0	1,4	2

1	2	3	4	5	6	7	8	9	10	11	12
	108	Internet Users (Registered)	units per 100 households	...	...	885,0	11823,0	302400,0	652712,0	...	2
	109	Motor Vehicles in Personal Use	units per 100 households	62,0	61,0	62,0	64,0	65,0	66,0	...	2
Drug Circulation Control and Criminality											
	110	Morbidity Rate (Alcoholism)	per 100,000 population	97,0	246,0	215,0	192,0	215,0	258,0	349,1	2
		male[a]	per 100,000 population	...	465,0	407,0	360,0	396,0	469,0	618,6	
		female[a]		...	41,0	37,0	36,0	47,0	61,0	98,7	
	111	Morbidity Rate (Drug Addiction)	per 100,000 population	23,5	60,1	65,5	64,5	80,0	84,2	...	2
	112	Crime Rate	crimes per 100,000 population	11,0	8,1	9,1	9,3	10,2	10,3	9,1	2

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Notes

[a] Figures were estimated by Kazakhstan Statistics Agency upon request from UNDP Kazakhstan.

[b] The indicator is calculated since 2001, when Kazakhstan Statistics Agency started Labour Force Survey.

[c] 2002 figures are estimated by Kazakhstan Statistics Agency upon request from UNDP Kazakhstan.

[d] Law on State Social Benefit was introducd in 1999.

[e] Law on Special State Benefit was introduces in 1999.

[f] Law on State Special Benedits was introduced in 2000.

[g] The "poverty line in Kazakhstan was introduced by Law on Subsistence Minimum which became effective since January 1, 2000. It serves as eligibility criterion for state targeted social assistance and equals to 40% of subsistence minimum (as of 2002).

[h] In Kazakhstan the state targeted social assistance was introduced in 2002 by Law on State Targeted Social Assistance.

[i] 2002 Figures published in 2003 Kazakhstan Statistical Yearbook by Kazakhstan Statistics Agency.

[j] Data from Information and Analysis Centre of Ministry of Labour and Social Protection, 2004.

Annex 4

UNDP KAZAKHSTAN – LIST OF THEME REPORTS FOR 2002-2004

Published Reports

1. Non-Governmental Organizations of Kazakhstan: Past, Present, Future. UNDP Kazakhstan, 2002 (in Russian, English and Kazakh)
   http://www.undp.kz/library_of_publications/center_view.html?id=107
2. Rural Areas of Kazakhstan: New Aspects of Typology. UNDP Kazakhstan, 2002 (in Russian)
   http://www.undp.kz/library_of_publications/center_view.html?id=336
3. Donor Assistance to Kazakhstan. An Overview – 2002. UNDP Kazakhstan, 2003 (in English)
   http://www.undp.kz/library_of_publications/center_view.html?id=321
4. Perception of Corruption in Kazakhstan by Public Officials, Private Business and Civil Society. UNDP Kazakhstan, 2003 (in Russian and English)
   http://www.undp.kz/library_of_publications/center_view.html?id=384
5. Environment and Development Nexus in Kazakhstan. UNDP Kazakhstan, 2004 (in Russian and English)
   http://www.undp.kz/library_of_publications/center_view.html?id=2147
6. Water Resources of Kazakhstan in the New Millennium. UNDP Kazakhstan, 2004 (in Russian and English)
   http://www.undp.kz/library_of_publications/center_view.html?id=2496

Reports to be published

1. Small Business in Kazakhstan: Tendencies and Perspectives (in Russian and English)
2. Microcrediting in Kazakhstan: Facts and Figures (in Russian, English and Kazakh)
3. Status of Oralmans in Kazakhstan (in Russian, English and Kazakh)
4. Women in Kazakhstan (in Russian, English and Kazakh)
5. Kazakhstan's Trade and Implications of WTO Accession (in Russian and English)
6. Status of Information and Communication Technologies in Kazakhstan.
7. Democratic Reforms in Kazakhstan (in Russian, English and Kazakh)
8. Kazakhstan's Agriculture – Status and Needs
9. Kazakhstan's Industrial Development – Status and Needs

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