

## Data Sheet

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| <b>USAID Mission:</b>                      | Kazakhstan                                |
| <b>Program Title:</b>                      | Small and Medium Sized Enterprise Program |
| <b>Pillar:</b>                             | Economic Growth, Agriculture and Trade    |
| <b>Strategic Objective:</b>                | 115-0131                                  |
| <b>Status:</b>                             | Continuing                                |
| <b>Planned FY 2006 Obligation:</b>         | \$8,650,000 FSA                           |
| <b>Prior Year Unobligated:</b>             | \$1,043,000 FSA                           |
| <b>Proposed FY 2007 Obligation:</b>        | \$6,662,000 FSA                           |
| <b>Year of Initial Obligation:</b>         | 2001                                      |
| <b>Estimated Year of Final Obligation:</b> | 2007                                      |

**Summary:** USAID's program to improve the business environment for the growth of small and medium enterprises includes training and technical assistance to increase opportunities to obtain business information, knowledge, and skills; to support more responsive financial institutions, instruments, and markets; and to improve the implementation of laws and regulations. Overall USAID's approach seeks to broaden the benefits of growth to reduce income disparities.

### Inputs, Outputs, Activities:

#### FY 2006 Program:

Improve Economic Policy and the Business Environment (\$3,055,583 FSA, \$338,860 FSA carryover). USAID's Economic Policy Reform Project will continue to strengthen the capacity of the Parliament and its staff to conduct economic and policy analysis. USAID will assist the Ministry of Economy and Budget Planning (MEBP) to strengthen program budgeting capacity of MEBP and the line ministries. Work will continue with the Accounts Committee to bring public audits up to international standards over the next five years. USAID-funded consultants will advise the National Bank on monetary policy issues and help the Competition Agency to establish a more competitive market environment supportive of small and medium enterprise (SME) development. Assistance in intergovernmental fiscal finance will start in FY 2006. Principal contractor/grantee: Bearing Point (prime).

USAID's planned new Business Environment Improvement Project will work with business associations, governments, and other stakeholders to increase the effectiveness and sustainability of local institutions and partnerships in their pursuit of improving the business, trade, and legal environment. This work will lead to establishing effective local capacity to monitor the legal and regulatory environment and identify and reduce constraints to business operations, including trade. Principal contractor/grantee: to be determined (TBD) (prime).

Improve Private Sector Competitiveness (\$3,414,245 FSA, \$255,441 FSA carryover). USAID's Enterprise Development Project (EDP) will localize the Regional Trade Promotion network by training eight local partners throughout Kazakhstan and fully commercializing the e-commerce facility currently administered by the project. USAID will shift its work in the area of Small and Medium Enterprise (SME) development from firm-level assistance to strengthening local business service providers so as to increase competitiveness of Kazakhstan's SMEs. Future work will entail provision of technical assistance to SME support institutions within the Government of Kazakhstan, professional business associations, and the private sector. USAID will support implementation of International Financial Reporting Standards through increased sustainability of the professional certification program and professional accounting associations, to improve transparency and competitiveness of SMEs. Principal contractors/grantees: Pragma Corporation and TBD (primes).

Improve Quality of Workforce through Vocational/Technical Education (\$1,439,432 FSA, \$238,500 FSA carryover). USAID will improve the quality of business and economics education at the high school level. Principal contractor/grantee: TBD (prime).

USAID will continue to strengthen the quality of business and economics programs in higher education institutions by helping them to become more responsive to the needs of businesses, creating sustainable faculty development and advocacy mechanisms, and supporting educational institutions to move toward international standards. Principal contractor/grantee: Carana Corporation (prime).

Strengthen the Financial Services Sector and Increase Access to Capital (\$740,740 FSA, \$209,767 FSA carryover). USAID will continue to strengthen the capacity of local banks and microfinance institutions to provide financial services to micro and small entrepreneurs on a sustainable basis. Special attention will be given to expand services to rural areas. Limited support will be provided to the Financial Supervision Agency to strengthen consolidated supervision through the Economic Policy Reform Project. Principal contractors/grantees: Agricultural Cooperative Development International/Volunteers for Overseas Cooperative Assistance, Bearing Point, and TBD (primes).

**FY 2007 Program:**

Improve Economic Policy and the Business Environment (\$3,373,512 FSA). USAID's Economic Policy Reform Project will finalize its assistance to Parliament to strengthen its analytical capacity. USAID will continue assistance to MEBP to strengthen program budgeting capacity. Work will continue with the Government in public sector audits and competition policy. Further work will be conducted with business associations and national and local government bodies across Kazakhstan to improve the environment for businesses. USAID will initiate assistance in the area of local economic development through strategic partnerships between local government, the business community, and NGOs. Principal contractors/grantees: Bearing Point and TBD (primes).

Improve Private Sector Competitiveness (\$2,514,550 FSA). Support will be provided to expand opportunities for businesses to grow and become more competitive. USAID will continue its work on accounting reform. Principal contractors/grantees: TBD (primes).

Strengthen the Financial Services Sector and Increase Access to Capital (\$773,938 FSA). Continued assistance will be provided to the Financial Supervisory Agency and financial entities to improve financial markets. USAID will continue to support further expansion of access to finance for micro and small entrepreneurs through banks and/or microfinance institutions. Principal contractors/grantees: Bearing Point and TBD (primes).

**Performance and Results:** USAID's program assists small and medium enterprises to strengthen their competitiveness, supports policy and legal changes to improve the environment for doing business in Kazakhstan, and increases responsiveness of financial institutions and markets. Cumulative sales of the 496 firms assisted through the USAID firm-level assistance program reached \$564 million, or 1.4% of Kazakhstan's \$40.7 billion GDP in 2005. Since 2002, the USAID-supported Quality Management Center provided services to 72 clients of which 12 became fully ISO 9001 certified in FY 2005, bringing the total number of certified companies to 30 and creating over 1,000 new jobs. With the assistance of business advisors, 112 trade deals worth over \$19.7 million were completed during FY 2005. Training programs in a methodology to reduce investment constraints were provided to 13 government and non-government partners in 10 cities. Partners in eight cities successfully reduced constraints related to 20 processes that resulted in annual savings of more than \$10 million to local entrepreneurs. In FY 2005, mortgage lending surpassed \$1.4 billion, a \$580 million increase from the previous year. The issuances of mortgage backed securities increased to \$585 million, up from \$160 million one year ago. As a result of a USAID-funded loan officers' training program implemented by the European Bank for Reconstruction and Development, the cumulative outstanding micro and small lending portfolio grew by 65% to \$389 million, and the number of outstanding loans grew from 44,517 to 50,370. By program's end, small and medium enterprises will be more competitive, and reforms to the regulatory and legal environment will help foster their further development. Entrepreneurs will have greater access to credit, modern business skills, and up-to-date information and knowledge for existing enterprises and start-up businesses. There will be greater economic diversification and reduced disparity between urban and rural areas and across regions of Kazakhstan. Business associations will serve as an effective arm for policy change and be capable of providing quality services to their members. Kazakhstan will have the tools and improved capacity to conduct sound economic policy and the Government will become more accountable to the public.

## US Financing in Thousands of Dollars

Kazakhstan

|  |        |
|--|--------|
| 115-0131 Small and Medium Sized Enterprise Program | FSA    |
| <b>Through September 30, 2004</b>                  |        |
| Obligations  | 38,764 |
| Expenditures                                       | 30,139 |
| Unliquidated                                       | 8,625  |
| <b>Fiscal Year 2005</b>                            |        |
| Obligations  | 9,100  |
| Expenditures                                       | 0      |
| <b>Through September 30, 2005</b>                  |        |
| Obligations  | 47,864 |
| Expenditures                                       | 30,139 |
| Unliquidated                                       | 17,725 |
| <b>Prior Year Unobligated Funds</b>                |        |
| Obligations  | 1,043  |
| <b>Planned Fiscal Year 2006 NOA</b>                |        |
| Obligations  | 8,650  |
| <b>Total Planned Fiscal Year 2006</b>              |        |
| Obligations  | 9,693  |
| <b>Proposed Fiscal Year 2007 NOA</b>               |        |
| Obligations  | 6,662  |
| Future Obligations                                 | 8,600  |
| Est. Total Cost                                    | 72,819 |