



Kazakhstan

# FINAL EVALUATION OF UNDP SEMIPALATINSK PROGRAMME OUTCOMES



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# Contents

<b>1</b>	<b>FOREWORD.....</b>	<b>3</b>
	GLOSSARY OF TERMS / ABBREVIATIONS.....	4
<b>2</b>	<b>INTRODUCTION.....</b>	<b>5</b>
	2.1 Why did UNDP conduct an evaluation? .....	5
	2.2 Key issues to be addressed .....	6
	2.3 Why has UNDP been working in Semipalatinsk? .....	6
<b>3</b>	<b>THE DEVELOPMENT CONTEXT.....</b>	<b>8</b>
	3.1 Socioeconomic situation in the Semipalatinsk region.....	8
	3.2 Level of development and services available .....	9
<b>4</b>	<b>FINDINGS AND CONCLUSIONS.....</b>	<b>12</b>
	4.1 Small Grants Project .....	12
	4.1.1 Background .....	12
	4.1.2 Alleviating poverty and raising living standards .....	12
	4.1.3 Empowerment .....	17
	4.1.4 Conclusions .....	20
	4.2.1 Background .....	21
	4.2 Business Advisory Centre Project.....	21
	4.2.2 Alleviating poverty, raising living standards and empowerment .....	22
	4.2.3 Conclusions .....	25
	4.3 Microcredit for Women Project .....	26
	4.3.1 Overview of current loan status .....	26
	4.3.2 Alleviating poverty and raising living standards .....	27
	4.3.3 Empowerment .....	31
	4.3.4 Conclusions .....	33
	4.4 Key factors affecting the results .....	33
	4.4.1 Small Grants Project.....	33
	4.4.2 Business Advisory Centere Project .....	35
	4.4.3. Microcredit for Women Project .....	36
<b>5</b>	<b>RECOMMENDATIONS.....</b>	<b>38</b>
	5.1 Recommendations and lessons learned for enhancing impact of donor assistance to the region.....	38
	5.2 Key project-related recommendations.....	39
	5.3 Implications for the Kazakhstan Government's poverty alleviation initiatives.....	41
<b>6</b>	<b>ANNEXES.....</b>	<b>43</b>
	6.1 Evaluation methodology.....	43
	6.2 Acknowledgement .....	44

# FOREWORD

The Semipalatinsk nuclear testing site inherited by Kazakhstan from the former Soviet Union was shut down in 1991. Nevertheless, the socio-economic consequences as well as health and environmental implications for people's lives remain a matter of serious concern for the Government and people of Kazakhstan. In November 1998, the UN General Assembly, recognising the problems of the Semipalatinsk region, declared it a zone of heightened attention and appealed to donor countries for assistance.

Upon request from the Government of Kazakhstan, UNDP created an open Trust Fund for the Semipalatinsk Relief and Rehabilitation Programme. The Government of Japan was the first donor, contributing USD 1.1 million in April 2001. This funding was provided to support three projects through UNDP in the Semipalatinsk Region.

The UNDP Semipalatinsk Programme completed its original planned implementation period in 2004, and an external evaluation was carried out in September 2004. As this report concludes, the programme made substantial progress in achieving the outcome of alleviating poverty and raising living standards among targeted groups. However, it still includes an urgent request for all actors to enhance their efforts to support development in the Semipalatinsk region.

This report has been prepared by an international evaluator, Mr Julian Hansen, and a national evaluator, Ms. Elmira Galieva. I would like to take this opportunity to thank the evaluators for their strong commitment and thorough work. Thanks also go to the research company Sange for conducting a sociological survey as part of the evaluation.

It is our hope that this report will promote better understanding of development in Semipalatinsk region as well as the effects of the UNDP Semipalatinsk Programme. As this evaluation concludes, the needs of the vulnerable communities in Semipalatinsk would warrant continued support by donors as well as the Government of Kazakhstan. Only with the right policies and resources will sustainable progress for the people in this severely affected region emerge.

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## GLOSSARY OF TERMS / ABBREVIATIONS

Akim	Village/district leader, town/city mayor, provincial governor
Akimat	Council/Administration (of village, town, city or province)
Aksakal	Elder
BAC	Business Advisory Centre
CBO	Community-Based Organisation
KZT	Kazakhstan tenge
Maslikhat	House of elected representatives at district and province level
Mazhilis	National Parliament
MIS	Management Information System
NGO	Non-Governmental Organisation
Oblast	Province
PRA	Participatory Rapid Appraisal
Rayon	District
SME	Small and Medium Sized Enterprises
Social enterprise	Businesses that are run on commercial principles, but are owned by not-for-profit organisations, which use the profits to meet social needs.
UNDP	United Nations Development Programme

## 2 INTRODUCTION

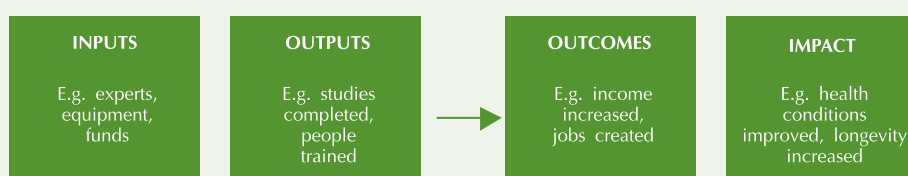
### 2.1 WHY DID UNDP CONDUCT AN EVALUATION?

UNDP launched its Semipalatinsk Programme, consisting of three projects, in April 2002. The programme aimed at alleviating poverty and raising living standards among targeted groups in the Semipalatinsk region (women, small-scale entrepreneurs and rural people). By the end of 2004 the programme had reached its original planned implementation period. For UNDP to learn and for its partners to get recommendations for the future, UNDP set out to evaluate to what extent the planned results were achieved. Two external evaluators, Julian Hansen and Elmira Galieva, carried out the final evaluation of the UNDP Semipalatinsk Programme in September 2004.

In the past, UNDP often evaluated its interventions at the level of inputs and outputs. Today the focus of UNDP is on **outcomes**, because this level of results reveals more about how effective UNDP's actions are in achieving real development changes. Outcomes are developmental changes between the completion of outputs and the achievement of impact, and are achieved in partnership with others. This evaluation followed the UNDP **outcome evaluation** approach.

Figure 1 illustrates how outputs and outcomes interrelate during the process of achieving results.

**Figure 1. The Results Chain**



Source: UNDP Evaluation Office, *Guidelines for Outcome Evaluators: Monitoring and Evaluation Companion Series, #1, 2002*.

Further information about the evaluation process may be found in the Annexes to this report.

## 2.2 KEY ISSUES TO BE ADDRESSED

The main goals of the UNDP Semipalatinsk programme were to alleviate poverty and raise living standards among targeted groups in the Semipalatinsk region: women, small-scale entrepreneurs and rural people. This was to be done through income generation, job creation, and empowerment. There are many ways to define these terms, and therefore different ways to assess results. In this evaluation we define the terms according to the following:

### Poverty

*A human condition characterised 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. (Poverty in Kazakhstan: Causes and Cures, UNDP Kazakhstan 2004).*

Poverty alleviation is thus the mitigation of this human condition. The evaluation terms of reference focus on the tools for alleviating poverty and raising living standards as being income generation, job creation and empowerment. The evaluators have chosen to analyse empowerment as a result in itself rather than simply as a secondary tool for poverty alleviation, because we feel that empowerment is a key to the achievement of sustainable poverty alleviation.

### Living standards

Raising living standards through increase of incomes (income generation) and job creation entails enabling people to consume material and non-material resources at a rate greater than historically defined social consumption norms. The evaluators understand non-material resources to include such things as public and natural amenities, education and health services, and participation in social, cultural, political and economic life. These are as important as more material aspects of living standards such as the standard of accommodation, the level of provision of utilities, income levels, etc.

### Empowerment

The evaluators believe that empowerment in the context of the Semipalatinsk Programme means building people's knowledge and skills, and equipping them materially, to the point that they can identify their needs and find solutions to satisfy them, either individually or with others, relying more on themselves rather than on people in positions of authority.

## 2.3 WHY HAS UNDP BEEN WORKING IN SEMIPALATINSK?

UNDP chose Semipalatinsk City and the rural areas around the Semipalatinsk nuclear testing zone as the target area for the Programme because of the special health, environmental and social problems generated by forty years of underground and atmospheric nuclear weapons testing, as well as economic depression

resulting from closure of the test site in 1991 and the disintegration of supporting industries following the break-up of the Soviet Union.

The General Assembly recognised the seriousness of the situation in the Semipalatinsk region and adopted three resolutions in 1997, 1998 and 2000 which called upon the international community to contribute to the human and ecological rehabilitation, and economic development, of the Semipalatinsk region. On 6-7 September 1999, an International Conference on the problems in the Semipalatinsk region was held in Tokyo. As a result of the conference a range of international organisations and donor governments pledged \$20 million in financial assistance to implement the Semipalatinsk Region Rehabilitation Programme, developed by the Government of Kazakhstan with assistance from UNDP. While pledges of some donors were met and programmes implemented, pledges of many other donors have never been received.

Upon the request of the Government of Kazakhstan, UNDP created an open Trust Fund for the Semipalatinsk Relief and Rehabilitation Programme. The Government of Japan was the first donor, contributing \$1.1 million to the Trust Fund in April 2001. This funding was provided to support the three Semipalatinsk Programme projects:

- Extension of Small Grants to Non-Government Organisations (NGOs) and Community-Based Organisations (CBOs) (short name used in this evaluation report: Small Grants Project). The main objective of this project is to alleviate social suffering of vulnerable social groups in the target areas of the Semipalatinsk Test Site Territory. This goal was to be achieved through providing local people with opportunities to articulate their needs, start their own sustainable development initiatives, and enhance their implementation capacities, through the provision of small grants to initiative groups in both urban and rural areas. The project was launched in April 2002 with a budget of \$300,000.
- Business Skills and Support Training for Small Businesses (short name: Business Advisory Centre (BAC) Project). The main objective of this project is to promote and support dynamic and efficient SME sector development that contributes increasingly to equitable economic growth, job creation and income generation in Semipalatinsk region. The BAC has been working towards achieving this goal by providing training and advice in areas related to small business start-up, operation and management, among other services. The project was launched in April 2002 with a budget of \$300,000.
- Expanded Micro Credit Support for Women (short name: Micro Credit for Women Project). The Microcredit for Women Project is the second phase of a UNDP / Mercy Corps International / Kazakhstan Government micro-lending initiative started in the region in 1997. The project's main objective is to empower women of the Semipalatinsk region and to alleviate poverty by providing microcredits to entrepreneurs lacking access to traditional sources of financing. For overall welfare purposes as well as entrepreneurship development, its mission is to render economic, social, moral and other forms of support to the people of the Semipalatinsk region. Budget: \$545,000



## 3 THE DEVELOPMENT CONTEXT

### 3.1 SOCIOECONOMIC SITUATION IN THE SEMIPALATINSK REGION

#### Semipalatinsk City

Overall, the socioeconomic situation in Semipalatinsk City has gradually improved over the last three years (the UNDP Semipalatinsk Programme implementation period). The city population is slowly growing: from 295,200 in 2001 to 297,400 in 2004, mostly due to migration from rural areas.

Small and medium enterprises have increased in number, generating employment. As of the beginning of 2004, some 3840 enterprises were registered in Semipalatinsk, 89.7% of which are private enterprises, and 93% small enterprises. The major focus of SMEs is small trading, mainly based on importing goods from China and Russia. Since the beginning of 2004, retail trade generated around KZT 18 million, which is 9.5% higher than during the same period in 2003.

According to the official statistics, there has been 10-12% growth in production since 1997 (including production by SMEs). Production in 2003 was worth KZT 24 billion, one billion of which was produced by SMEs. Some small-scale manufacturing is starting to appear. 69% of production is manufacturing (including 10-12% by SMEs), 10% is ore mining, and 21% is electricity and gas production.

The number of registered unemployed was 4655 as of August 2004, including 1173 people from rural areas around Semipalatinsk. This is an 11.2% decrease from 2003 levels. 66.5% of unemployed people are women; every sixth unemployed woman lives in a rural area. Wages have increased from an average of KZT 6800 in 1996 to KZT 19,100 in 2004. However, the number of people employed in the formal sector has dropped from 88,000 in 1996 to 63,100 in 2004. Despite the official figures, unemployment and underemployment are still significant. Many people are not employed according to their qualifications, and there is a mismatch of qualifications to job requirements. A large section of the population is self-employed, working as traders at markets (there are 32 markets in Semipalatinsk). Market trading is considered to be part of the informal sector, since the traders are not registered as entrepreneurs and it is difficult to track their number.

City infrastructure has improved, such as roads, parks and gardens; unfinished building projects are being completed, and renovation of old buildings is taking place. More cafes, restaurants and recreational facilities have appeared. However, utility provision in the city is still poor, and there is still a need to improve and maintain roads.

Health problems remain serious, and health infrastructure is inadequate. Vulnerable social groups such as disabled, pensioners, orphans, etc, are receiving inadequate social welfare support and social services, and lack opportunities to generate income.

## Rural areas

There is a constant outflow of people from the rural areas to the cities, mostly the young and educated. The rural population experiences serious health problems due to radiation and the general socioeconomic situation. There is a high suicide rate, especially among youth. Village infrastructure has seriously deteriorated. Villages are isolated and very widely dispersed, and in many cases lack telecommunications, although most have electricity. Many people are self-employed, engaged in cattle or sheep-raising and/or subsistence homestead food production for survival. A large proportion of the rural population are on (minimal) social welfare benefits.

## 3.2 LEVEL OF DEVELOPMENT AND SERVICES AVAILABLE

### Level of civil society development

In Semipalatinsk region, of about 40 registered Non-Governmental Organisations (NGOs) only around 10 were active when the UNDP Semipalatinsk Programme started, although now there are a few more. The main factor hindering their development is the lack of funding sources for their activities. The Government's Programme of State Support to NGOs for 2003-2005 has not yet had any significant impact on NGOs in the Semipalatinsk region.

The evaluators do not have specific data on the number and type of Community Based Organisations (CBOs) operating in rural areas when the UNDP Semipalatinsk Programme began, but interviews conducted in rural areas indicate that there were few, mainly consisting of Veterans Councils, Womens Councils, Elders Councils, parent-teacher associations, and a small number of sporting, cultural or religious groups. The evaluators also have no data on CBOs existing in Semipalatinsk City at programme start time, but we surmise based on what exists now that there would have been a similar range of organisations to that in rural areas, plus a number of groupings that provide services for disabled people, pensioners, or orphans, etc (although institutions for such social groups received state funds, these were not sufficient, forcing people to try to support these activities through seeking charitable donations mainly from businesspeople).

### Community mobilisation services

There are several NGO support organisations working in the area around the former nuclear testing site. Apart from these service NGOs, the External Relations Department at the Semipalatinsk City Akimat has a role in assisting NGOs and CBOs. Department staff refer community groupings or individuals needing advice on how to mobilise themselves to the Small Grants Project and to IRIS (local NGO support organization). The Department also organises

monthly meetings with NGOs to discuss priority issues and exchange information. The Akimat sometimes helps NGOs by providing transportation for special events, and helping to coordinate the activities of organisations for these special events.

### **Rural development: the state Aul Programme**

The 3-year State Aul Programme, focusing on economic development in rural areas, has been operating in the Semipalatinsk region for almost two years. The Programme consists of two parts: Agricultural Production and Rural Territorial Development. The top priority of the Semipalatinsk-based programme, according to the City Akimat Agriculture Department, is supporting farm production (especially of livestock). In 2003 the East Kazakhstan Oblast Akimat allocated KZT 17 million to the Semipalatinsk Aul programme, and KZT 32 million came from the Semipalatinsk City Akimat. The City Akimat Department of Agriculture provides three-year, low-interest (8-10%) loans to farmers; in 2003 the Department provided loans to 22 farmers.

A reasonable number of community members interviewed by the evaluators in rural areas indicated that they knew about the existence of the Aul Programme, but few could list any of its activities in their villages. The effectiveness of the Aul Programme is hampered by its exclusive focus on economic development and lack of consideration of social factors which contribute to rural development.

### **Support to the unemployed**

The City Employment Centre provides advice on job opportunities to the unemployed, organises and sponsors internships at different enterprises for youth to acquire practical skills, provides subsidies to employers to hire job seekers, sponsors social workers' employment at NGOs and social government institutions. It has also established a Job Seekers Club to motivate and assist people to look for a job.

### **Level of development of SMEs in the Semipalatinsk region**

The SME sector is playing an increasingly important role in promoting economic growth and reducing unemployment in the Semipalatinsk region. The majority of SMEs in Semipalatinsk City are involved in small-scale trading of basic products such as food and clothing. Small-scale manufacturing of products such as construction materials and furniture is also starting to develop. There are 6078 registered individual entrepreneurs and 3840 registered businesses—mostly SMEs—in the Semipalatinsk region. SMEs provide more than 30,000 jobs. The monthly salary range among SMEs is KZT 6000-12,000.

However, the SME sector in the Semipalatinsk region, as in other regions of Kazakhstan, faces a number of obstacles on its way to further development, such as: inadequate legislation and regulations related to business registration,

taxation and financial reporting; constant changes in the legislation related to entrepreneurship; lack of partnership/collaboration between small and medium sized businesses; lack of education in the field of business management; lack of information on market development and business networks; inadequate technology and institutional support; not easily accessible loan opportunities (interest rates at 20-30%, short periods of lending of only 1-2 years, high collateral and guarantee requirements, bureaucratic procedures in preparation of loan applications to banks, etc).

The Semipalatinsk City Akimat is assigned by the Government to promote the SME sector in its region, with the aim of stimulating economic growth and job creation. The main organ responsible for this task is the Committee for Small and Medium Enterprises and Trade (in this report referred to as the "SME Committee"). The main areas of work of the SME Committee are 1) providing low-interest credit for existing enterprises to expand their business, especially manufacturing enterprises; 2) providing basic information on how to start a business, referring entrepreneurs to the Tax Committee, Customs Department, BAC or other organisations for explanation of regulations and laws; 3) organising tenders for state purchasing; 4) providing support to entrepreneurs to participate in trade fairs; and 5) helping to develop contacts with other enterprises abroad. The SME Committee provides loans from the City Akimat budget at low interest rates starting at 7%; however the loan conditions and disbursement procedures are not very responsive to recipients' needs.

There are five consulting and audit firms operating in Semipalatinsk, but only big companies can afford their services (e.g. one hour of consulting costs about 2000 KZT). The Semipalatinsk City Tax Committee provides consultations on tax regulations, but their consultations are often followed by an inspection aiming to fine the client organisation.

Three microfinance institutions are operating in Semipalatinsk: the Asian Credit Fund, the Kazakhstan Small Business Programme, and the Small Business Development Fund<sup>1</sup>.

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<sup>1</sup> The Asian Credit Fund provides specific consultations on financial analysis and business management to its clients. Its loans range in size from \$300 to \$25,000, at annual interest rates of 12-28%. There is a collateral requirement in the form of real estate. The branch office operates only in Semipalatinsk City. 75% of the ACF's clients are women entrepreneurs, mostly engaged in trading. ACF has a social programme, which includes humanitarian assistance to schools, organising paid internships at client companies, and scholarships.

The European Bank of Reconstruction and Development's Kazakhstan Small Business Programme offers loans through second-tier banks and range between \$100 and \$200,000, with interest rates of 16-33%, for a period of 3 to 48 months. Loans require collateral, such as real estate. Some 80% of EBRD clients are small- to medium-size traders. EBRD credit specialists help their clients to develop business plans and give other specific consultations free of charge. Currently there are no loans for starting entrepreneurs (3 months or more of business experience is required) but it is planned to provide these in future.

The Small Business Development Fund, which has been operating in Kazakhstan for seven years already with the support of the European Bank of Reconstruction and Development and the Asian Development Bank, has in the last two years developed a network of twelve oblast branch offices and five representative offices, including one in Semipalatinsk. The size of loan ranges from KZT 300,000 to 5 million, interest rates are 10-12%, and the loan period is up to five years. Farmers may also borrow from this fund.

## 4 FINDINGS AND CONCLUSIONS

### 4.1 SMALL GRANTS PROJECT

**Table 1: Assessment of Small Grants Project results**

	Rating Criteria	Rating
Outcomes	Poverty alleviation	Positive change
	Raising living standards	Positive change
	Empowerment	Positive change
	Income generation	Unchanged overall, but some small-scale individual successes among grantee projects
	Job creation	Positive change
Other factors	Sustainability of progress towards achieving outcome	Unsustainable in current form
	Cost-effectiveness of progress towards achieving outcome	Yes

#### 4.1.1 Background

The Small Grants Project successfully mobilised many communities to conduct community consultations of their priority needs, to form initiative groups, and to generate project ideas. Around 2550 people became members of initiative groups. 365 projects were submitted, and 149 projects were considered by the Grant Committee, of which 103 projects had been approved as of September 2004, implemented by a total of 81 initiative groups and 16 NGOs. Projects are being implemented in 50 out of a total of 178 communities in the project area, which in the view of the evaluators is a quite successful result indicating a wide impact. There are around 48 initiative groups which the Small Grants Project Manager believes will continue their activities after UNDP grants are no longer available.

#### 4.1.2 Alleviating poverty and raising living standards

Most respondents of the survey, conducted by the Sange research agency, said that their quality of life had improved in the last few years, on average by about 20 percent. They also felt that the lives of people in their community as a whole had improved overall. Respondents said that among the main indicators of improvement were better infrastructure and more employment, which are aspects to which grant projects contributed to some degree.

Estimated number of beneficiaries (of a selection of 22 grant projects): from under 200 people to the whole village or town. There are in many cases a lot of indirect beneficiaries as well.



## CASE STUDY 1

**Water supply project, Egindybulak, Karaganda Oblast**

**Akniet Initiative Group**

**Group Leader: Mamilya Nasharbayeva**

*This project was initiated to provide residents of Egindybulak township with clean water through the renovation of the town water supply. The old water system was dilapidated and many bores and hand-pumps were out of order, leaving many*

*residents without easy access to water.*

*Thirty or forty people-mostly pensioners-attended the community meeting to discuss Small Grants Project. Eight initiative group members were chosen at the meeting, including three pensioners, two teachers, an engineer, a doctor and one unemployed person.*

*Akniet initiative group studied the town map and decided which areas most needed water wells. Then the group members, with the help of an Akimat specialist, drafted a project proposal in Kazakh. In October 2003 the project was selected for funding, and in April 2004 Akniet received the grant.*

*Despite some difficulties, four water pumps, four water meters and ten hand-pumps were successfully installed in various areas. As a result of the project, around a quarter of the 3700 town residents got easy access to clean water, which has improved hygiene and reduced the incidence of gastro-intestinal diseases. Residents are now able to water their animals and grow vegetable gardens much more easily, enabling them to provide for their household needs and even generate some surplus for sale. The water meters help to save water and money for all users.*

*Akniet group members' authority in the community has increased and they are very satisfied with their achievements, which has motivated them to further develop the water project (by planting trees and flowers around the bores, lobbying for water tower construction, and installing hand-pumps in other parts of the township). They also plan to initiate other projects.*

*Due to a number of factors, such as lobbying by Mazhilis Deputies, the government Clean Water programme, and confidence in Akniet's water project, the Islamic Development Bank has granted 62 million KZT to the rayon Akimat to build a water tower and replace old water pipes to cover the rest of Egindybulak township.*

Although some small grant projects met the needs of quite small numbers of people and were initiated by just one or two people, their impact has often been high. For example, the project of the NGO Semipalatinsk Invalids Society, which purchased sewing machines, set up a small sewing workshop, and paid for raw materials, provides just 12 jobs for disabled people, but has helped to give them some hope in their lives, made them more active, given them new skills, increased their income, and improved their status in their families by increasing their independence.

The estimated number of permanent jobs created as a result of grant projects implemented to date is 173. It should also be noted that in some infrastructure-type projects, significant numbers of people offered their voluntary labour.

A quantitative assessment of the impact of all projects on poverty and living standards was not possible due to the lack of detailed monitoring data. The evaluators have therefore qualitatively assessed the impact of the main different types of projects that are implemented by grantees, below.

### **Medical equipment and services, social services**

- The improved health services and equipment provided through UNDP grant projects improved the general health of the population, especially vulnerable groups<sup>2</sup>, making them more able to function effectively and support their families.
- Medical equipment and services benefited remote rural areas by increasing accessibility of commonly required diagnostic and treatment equipment. Rural people now do not have to travel to major cities to receive some services, which saves them time and money.
- Medical and social services provided for institutionalised persons have improved their mental and physical health and quality of life.
- Very few jobs have been created by projects with this orientation; there was no income generation because medical services are provided free of charge.
- The level of community participation in these project types was very low, but usually the impact on beneficiaries was widespread.

### **Water supply**

- Grant projects which provided access to clean water improved the sanitation and general health of rural populations, and reduced the rate of infectious disease, especially of the digestive tract.
- Supply of water to streets or homes has made it easier for people to maintain home gardens and water their animals, which has increased their

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<sup>2</sup> The vulnerable groups included: disabled adults, children and their families; isolated elderly pensioners; institutionalised adults and children; orphans living with foster families; poor families with five or more children; single female-headed households; women of childbearing age; adolescents of both sexes; street children and homeless adults; prisoners and ex-prisoners.



ability to achieve subsistence food production and generate a surplus for sale, thereby generating additional income for their households.

- Some temporary employment was provided during implementation of water supply projects (often with the support of the Employment Centre through provision of unemployed people on unemployment benefits), but very few (if any) permanent jobs were created by projects with this orientation.
- Income is in some cases being generated by water utility bodies, where water services are charged for. This ensures steady employment for a number of people in the water utility body, and more importantly, enhances the financial and therefore operational sustainability of such services.
- Depending on the scale of the project, the number of people involved in implementing projects was low to moderate, but the impact of such projects was widespread, benefiting large parts of rural communities or even whole communities.

### **Communications**

- The installation of TV and radio transmitters increased the access of rural populations to information, which may help them to find employment, get social assistance, obtain an education, and make more informed decisions. The installation of radio telephones enabled rural populations to obtain information, arrange social and health services, maintain links with relatives and other communities, and conduct business.
- No data was obtained on income generation or job creation by these projects, and in any case, a direct relationship would be rather difficult to prove.
- For such projects, there was a low level of involvement by communities in project implementation, but the project impact was widespread.

### **Vocational training**

- It is mainly vulnerable groups which have been targeted, such as people with disabilities, orphans, women, youth; such training has improved their ability to find employment or become self-employed. Target groups have in some cases increased their income, and can better support their families.
- Only a moderate number of jobs have been directly created, but there is quite high cost-effectiveness for provision of these services, considering the funds invested (e.g. for a \$4800 outlay, 12 jobs have been directly created by a sewing workshop for disabled people in Semipalatinsk). (See Case Study 3).
- Only a small number of people were generally involved in project implementation, and the impact was generally on a small number of people.



### Entrepreneurial activity, income generation

- Income-generating activities generally involved a small number of people and in some cases had only a weak link to community organisations such as schools or state institutions which provide services to vulnerable population groups (e.g. quail-raising enterprise in Abraly associated with local school and individual disabled children). There is no real guarantee that such entrepreneurial activities will continue to meet the needs of these vulnerable social groups in the future, unless community monitoring and accountability mechanisms operate effectively on an ongoing basis.
- Some new entrepreneurs have inadequate skills and knowledge about how to manage a business successfully, and lack specific technical knowledge relating to their field of activity (e.g. Karaul chicken-raising project), putting the sustainability of these enterprises in doubt.
- Only a small number of jobs have been created per project; the sustainability of many of these enterprises is uncertain due to underdeveloped business management skills, a heavy tax burden, and a lack of knowledge among project implementers about the appropriate type of legal entity they should adopt to operate (e.g. as many of these enterprises redistribute their profits to provide social services, it would be advantageous for many entities to register as NGOs rather than operate as private businesses). Some starting social enterprises have been rendered financially unviable due to high taxes and have had to be stopped (e.g. a school-based hairdressing salon and the sale of handicrafts in Toktamys).
- Some social enterprise projects do have good prospects for sustainability and will have a wide impact. For example, the pedigree cattle breeding project in Abraly is projected to increase dairy milk production from 2-3 litres per day per cow, to around 15 litres, and to increase the live weight of cattle from 300 kg to around 500 kg. This will allow farmers to produce a greater surplus and earn more income from their production.

### CASE STUDY 2

**Handicraft training for school pupils, Toktamys village, Abai Rayon, Semipalatinsk Oblast**

**Dulyga Initiative Group**

**Group Leader: Bolat Karibayev**

*The aim of Dulyga initiative group is to assist poor villagers through the regeneration of folk art and crafts. The Project started in spring 2004. As a result of the project, a joiner's shop and a blacksmith's shop were renovated where children learn basic work skills. The project participants*



*also teach children to build and repair yurts and create simple crafts from wood and leather.*

*Four Dulyga group members were involved in project planning and around 40 people are involved in project implementation. The school provided the premises for the group's operations. Village farmers continuously contribute wool for yurt construction.*

*Dulyga group members felt an increased sense of responsibility and self-esteem through participation in the project, and the child trainees are highly motivated. The group leader Bolat was elected a member of Abai Rayon Maslikhat after the group received their grant, reflecting the community's respect for him.*

*Dulyga believes their project will be sustainable because the village school where the project operates has developed art and crafts as its field of specialisation. If the school receives government funds to support this specialisation, the craft workshops will continue operating. In future, the group would like to open a tourism business, building infrastructure, ensuring adequate sanitary conditions and selling crafts at a local historical site-an ancient cave-which already attracts many tourists.*

### **4.1.3 Empowerment**

Empowerment in the context of the Small Grants Project had the potential to be felt among different target groups: initiative group members, beneficiaries of grant projects, and the local authorities. Below we discuss the level and nature of empowerment in relation to these different groups, where relevant.

#### **Village meetings and other community consultations**

The Small Grants Project was successful in stimulating communities to conduct community consultations, called Participatory Rapid Appraisals (PRAs), of their priority needs. In total, around 150 rural settlements out of 178 conducted PRAs. The number of people participating varied widely-for example, as few as 35-40 people out of a total population of about 3700 in Egindybulak took part in the PRA for the water supply project, while in Karaterek 638 people attended out of a total population of around 1300 to discuss the proposal to renovate the heating system for their Cultural Centre. There was also wide variation, however, in the level of open discussion of community priorities. In some cases, a number of different ideas were proposed by community members, there was active discussion of the merits of each idea, and then priorities were established. On the other hand, however, a quite common practice was for Akims or elders to propose their own ideas and seek support from the community, rather than really promoting consideration of different alternatives proposed by the general population.

There was, overall, equal involvement of the genders in the PRAs, and in general, women were very vocal, depending on the region's local traditions. In some areas around 80% of members of initiative groups were women, while in

other areas around 80% were men. Men took part more in the actual implementation of projects than in the PRA process.

As a result of the PRA process, many village or rayon Akimats learned more about the PRA's value as a tool for identifying community needs, and are now adopting a more consultative approach to decision-making. A tendency can be observed that after the formation of initiative groups from the more active members of the community (especially after they have gained experience in implementing a grant project), Akims or other Akimat staff tend to invite members of initiative groups especially (in addition to holding village meetings) to discuss how to resolve other community problems. It was observed by the Small Grants Project Manager that many rural Akims now have a lesser tendency to make decisions by themselves without consulting their community because they realise that implementation of initiatives is more successful if there is greater community support and participation.

### **Project planning and implementation, and impact on initiative groups in terms of empowerment**

Initiative group members were more empowered than anyone else in their communities from their involvement in the Small Grants Project. This was especially true for group leaders, as in many cases they were the main project designer/writer and driver of the grant project.

Most initiative group members developed networking skills which helped them to get greater participation and contributions from the community, including local Akimats, farmers and business people. The requirement by the Small Grants Project for grant projects to obtain co-financing from their local community, as well as get the written support of community members and local authorities, helped to systemise the development of such relationships.

Initiative group members, especially leaders, also developed their project planning, proposal writing, fundraising and project implementation skills. Many noted the very helpful role of workshops organised by the Small Grants Project which addressed these issues. Some initiative groups intended to or actually made use of donor lists specifying donors' funding priorities to submit other project proposals. Some groups learned how to develop their own projects and get assistance from local authorities and businesses despite their projects not being approved for funding by the Small Grants Project.

Most members of initiative groups stated that they became more confident in their own ability to resolve community problems, gained more authority and respect in their community, and improved their organisational skills as a result of involvement in the grant project.

As a result of the greater respect and authority they gained, initiative group members became more involved in local politics. For example, one initiative group leader in Abraly was appointed village Akim as a result of community members recommending him to the Semipalatinsk City Akimat because of his

demonstrated activeness in the community in initiating a water pump project, and in a number of cases group members were elected as Rayon Maslikhat deputies (e.g. in Toktamys).

### **Community members' empowerment from the project planning and implementation process**

As a result of being involved in PRAs, and then later in assisting with project implementation, in some communities people have become more focussed on achieving an objective, and understand that they can change their own lives. They are tending to take on greater ownership of their own problems, become involved in their resolution, and not just wait for someone in authority to solve them. Before the advent of PRAs or village meetings, people would talk about problems in general, but often did not seek solutions and organise themselves to actually solve them. Now in many cases they have learned to focus on specific issues and solve them one by one.



"The most important thing is to get disabled out of their four walls, let them interact with other people", Yermek, Apprentice

### **CASE STUDY 3**

**Sewing workshop & shoe repair project,  
Semipalatinsk City  
Semipalatinsk Voluntary Network Society of  
Disabled, Leninsk Branch**

**Chairperson: Akhan Yerikhanov**

*The Society of Disabled is an NGO operating in the Semipalatinsk region. The Leninsk branch has around 2,200 disabled people registered. Its activities include distribution of humanitarian aid (400 people served in 2003), legal advice, financial assistance, and preparation*

*of appeal letters to help its members solve issues related to health and education.*

*During Soviet times the Society used to have a sewing workshop, a confectionery plant and a shoe repair workshop. With the collapse of the Soviet Union, all the workshops stopped operating.*

*The Society Chairperson, Akhan, learned about the Small Grants Project from a newspaper advertisement. He enrolled in a workshop on how to write grant proposals organised by the Small Grants Project. The Civil Society Support Centre at the NGO IRIS helped Akhan and his accountant to develop a proposal. Small Grants Project staff provided advice and helped Akhan with office services (e.g. printing, typing, etc).*

*The Society received a grant of \$4800. The aim of the project was to create jobs for disabled people through the creation of a sewing workshop and a shoe repair workshop, and organising sewing classes. Using the grant funds, the Society purchased 13 sewing machines. The project has been operating for over a year.*

*Currently, there are four people working at the small sewing workshop, and eight people working from home. The Society staffs deliver sewing orders to those who work from home. Orders come mostly from factories, hospitals and other similar institutions (uniforms, bedding, etc). Each person involved in sewing receives 7000-8000 KZT a month (depending on the production volume) in addition to their disability pension (around 3,000 KZT). Two apprentices are being trained by a professional seamstress working at the workshop.*

*As soon as they get bigger premises from the Akimat, the Society is planning to organise six-month sewing courses for people with disabilities. The City College of Light Industry has agreed to provide trainers for the courses and give professional certificates to the graduates. It is estimated that in the course of a year 12 people will be trained. Murager sewing factory agreed to employ a certain number of trained people with disabilities.*

*To date, as a result of project implementation, 14 people have been employed and are able to earn a living. They have become more active and less depressed, and have improved self-esteem from being able to help support their families.*

#### **4.1.4 Conclusions**

As a result of the Small Grants Project poverty alleviation and raising living standards have taken place or seem likely to take place in most grantee projects, mostly due to infrastructure development (especially water supply); or provision of medical services or equipment, and of social services. Most grantee projects will likely have only a medium-term effect on this outcome (2-5 years), although a small number of projects may have a longer-term effect if managed effectively. Income generation, unchanged overall, has mostly been dependent on social enterprises established by the grantee projects, but these enterprises have overall not yet shown much success in generating profits and sustainability is uncertain although for some it is too early to tell because they are in early stages of implementation. There has been positive change in the area of job creation, with most jobs being created by social enterprises or the renovation / construction of cultural and recreational facilities. Many of these jobs are temporary, created for the specific purpose of implementing a project - especially construction and renovation activities. However, some are permanent, such as new staff for cultural centres or social enterprises.

There has been positive change in levels of empowerment, especially among initiative group members and village and rayon Akims and Akimat staff, but also among beneficiaries of some grantee projects. This has been the result of joint involvement in initiating, planning, mobilising resources for and implementing grantee projects. However, unless there is funding for additional community initiatives to sustain this momentum, there is a risk that the gains in empowerment will gradually fade.

Despite the sustainability of certain grantee projects the overall progress towards achieving the results is unsustainable in its current form, as without an ongoing source of funds, initiative groups will find it difficult to start further development plans. Without initiatives it is likely that the people who have been mobilised will gradually lose their cohesiveness and motivation and therefore many results will have less potential for being sustained. The progress towards achieving the outcome is cost-effective, as in many cases grantee projects have achieved substantial benefits for large numbers of people with very limited resources, and their impact has been greatly enhanced by voluntary contributions of labour and materials.

## 4.2 BUSINESS ADVISORY CENTRE PROJECT

**Table 2: Assessment of Business Advisory Centre Project outcome and other factors**

	Rating Criteria	Rating
Outcomes	Poverty alleviation	Unchanged
	Raising living standards	Unchanged
	Empowerment	Positive change
	Income generation	Unchanged overall, but some individual successes
	Job creation	Unchanged overall, but some individual successes
Other factors	Sustainability of progress towards achieving outcome	Too soon to tell
	Cost-effectiveness of progress towards achieving outcome	No

### 4.2.1 Background

The BAC provided services to a total of around 2650 clients between August 2003 and August 2004. The majority (63%) of clients were accountants, while 17% were individual entrepreneurs and managers of SMEs, and 14% were unemployed. Students comprised 4% of clients and 2% were staff of companies, government institutions and NGOs. During August 2002 and April 2003, 576 people attended trainings and seminars, but data is not available on their occupations.

Between August 2003 and August 2004, a large proportion of clients (45%) came to the BAC for training or consultations on accounting and tax return preparation; while 50% were clients who attended a Job Fair organised by the BAC in November 2003 (876 people) or training sessions (60 people) and consultations on job seeking, CV preparation, and job interviews (200 people). Other types of trainings accounted for 5% of clients. These included such topics as financial management, international financial reporting standards,



preparation of accountants certification examinations, leasing, changes in tax legislation, customs regulations, business plan development, starting your business, funding and loans, basics of marketing, etc.

The BAC also provided consultations to 208 clients on a range of issues, mostly on accounting and taxes, and how to register and start businesses or wind them up. Other activities carried out by the BAC included business plan development for entrepreneurs, defence of clients in the Ust-Kamenorgorsk Economic Court, and providing legal advice through the Jurist legal database.

The Business Advisory Centre has been operated by two separate project teams during the project period, due to the resignation of the staff in the first project team. The first project team was not appropriate for the task, and a lot of time was lost between winding down that team and assembling a new project team. It is difficult to assess the achievements of the original BAC project team because of the evaluators' lack of access to these people and to information about their work. Therefore, this evaluation concentrates on assessing the work of the current project team, which started its work in November 2003.

#### **4.2.2 Alleviating poverty, raising living standards and empowerment**

As the Business Advisory Centre has only been operating in its current form for less than a year, it is difficult to see a very significant effect on raising incomes and living standards. However, there are some initial indications of how the BAC is benefiting individual businesses or persons.

The BAC was originally intended to provide services mainly to SME entrepreneurs; however, it was difficult to attract many individual entrepreneurs or managers of small to medium-size companies to trainings or courses because they had little time available. This has limited the ability of BAC services to contribute to poverty alleviation, because they have not been reaching many of the people who have the most impact on the management and growth of businesses. However, recently the BAC has conducted more trainings of value and interest to managers (such as leasing, accounting standard #23, foreign currency management), which has attracted more managers.

During the last year, the most topical issue affecting SMEs was changes in accounting procedures and tax reporting requirements, because this was causing many businesspeople a lot of problems with the Tax Committee, with penalties and fines being levied which seriously affected the viability of businesses or in some cases led to bankruptcy. Therefore, the BAC focussed efforts on these issues, and was successful in attracting the interest of accountants of enterprises, in large numbers. Many businesses received significant benefits from their accountant's participation in the BAC's trainings, seminars and consultations, because as a result, accountants were able to protect their companies from being subjected to penalties and fines from tax authorities (saving a minimum of 10,000 KZT per penalty and in many cases a lot more). However, because accountants do not have much input into the overall

management of businesses, the benefits to businesses from training accountants were quite narrowly confined to mainly tax-related issues.

Small-scale entrepreneurs often do not have sufficient revenue to employ their own accountant—a qualified accountant costs a minimum of 400,000 KZT (around \$2941) per year. Many small entrepreneurs received free accounting advice from the BAC which helped them to fill out tax returns themselves, saving them money on accounting services, as well as avoiding penalties and fines.



#### CASE STUDY 4

##### Individual Entrepreneur (medium-sized enterprise)

##### Rafael

*Rafael started his career as an entrepreneur in 1987. He was the first owner of a cooperative in Kazakhstan.*

*Today, Rafael's main business is provision of waste disposal services in Semipalatinsk. He also owns a small pig farm and a small greenhouse. The Business Advisory Centre helped Rafael to develop a business plan for his pig farm, which he needed to receive a bank loan.*

*Rafael has a four-hectare block of land, with a large building which he rents out to twelve other individual entrepreneurs at concessional rates. Four accountants provide services to Rafael and these entrepreneurs. The accountants are regularly informed of and participate in trainings organised by the BAC.*

*Rafael recently started leasing some waste disposal trucks after attending a seminar on leasing organised by the BAC. Rafael learned that leasing equipment qualifies him for a substantial tax cut (e.g. for equipment worth \$200,000 one can save \$30,000 in taxes). As a result, Rafael was able to save KZT 984,000 (\$7235) in taxes.*

*Rafael suggests that the BAC should take the lead in organising entrepreneurs, providing them with the opportunity to share information on new business opportunities and technologies and share their business experience. Rafael is ready to share his experience and skills with others. He is also willing to provide his premises to starting entrepreneurs for free for the first three months.*



As training and consultations by the BAC were free, businesspeople were able to improve their business skills without having to pay large fees. However, free services seriously limited the ability of the BAC to become sustainable.

The BAC helped a number of businesses to find loan finance for expanding their activities, from banks and the City Akimat SME Committee.

Many local businesspeople also established informal contacts with each other as a result of attending BAC seminars and courses, and often call or meet each other for advice and experience exchange. One result of such contacts was the establishment in April 2004 of an initiative group of accountants. The BAC plans to help the group to create an Accountants Association in the near future.

Another significant target group that benefited from the activities of the BAC were unemployed people. BAC gave a major boost to unemployed people in November 2003 by organising a Job Fair in cooperation with the KIMEP Career and Employment Centre. This event had the participation of fourteen of the largest enterprises in Semipalatinsk (41% of the total in the city), nine SMEs and branch offices of companies, and five companies from other regions; and more than 1000 members of the public. The participating enterprises advertised over 130 vacancies, and more than 500 resumes were received by companies and the KIMEP Career and Employment Centre.

Prior to the job fair, the BAC organised a seminar on preparing CVs and cover letters, attended by 60 job seekers, and in the following week the BAC gave consultation to 200 more people on this topic. It is not known how many of the vacancies were filled as a result of the job fair, but judging by the level of participation, it was likely a significant number.

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## CASE STUDY 5

### BAC Clients-Unemployed

#### Gulmira and Raisa

*Gulmira is a recent graduate. She saw a TV advertisement about a Job Fair organised by the Business Advisory Centre, and came to the BAC to learn more about its activities. Later she participated in training for job seekers on how to write a resume, how to prepare for an interview, etc. She also participated in the Job Fair. Unfortunately the employment opportunities presented at the Job Fair did not match Gulmira's qualifications but her friend who also participated in the Job Fair was able to find a job. Gulmira considers the skills learned through BAC training very useful in her current job seeking.*

*Raisa learned about the BAC from an advertisement on local TV. She got very interested in its trainings and later participated in training for job seekers, a seminar on financial management and other trainings. She commented that "resume-writing techniques are very useful for us middle-aged people, because we don't have such skills and usually we are the people who lose jobs these days".*

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### **4.2.3 Conclusions**

Poverty alleviation and living standards remained essentially unchanged as a result of the BAC project, mainly because 1) the first project team was not appropriate for the task, and a lot of time was lost between winding down that team and assembling a new project team; 2) there was too much concentration on consultations and training for accountants (63% of the BAC's clientele), who do not make a substantial difference to the overall management of the businesses in which they were employed and therefore the businesses' growth; and 3) a relatively small number of individual entrepreneurs and managers of enterprises received BAC services, and in general the assistance they received was on a small number of specific issues rather than covering a comprehensive range of topics, and was not over a sufficient duration to make a substantial difference to the growth of their business.

There was positive change in the level of empowerment of BAC clients (mainly accountants but also individual entrepreneurs), especially in terms of dealing with the Tax and Customs authorities, as clients were given the information and advice they needed to defend their interests and avoid penalties and fines. The level of income generation was unchanged overall, as the number of businesses achieving additional income generation was small. However, there were quite a number of cases of businesses obtaining loans for business expansion as a result of assistance with business plan development. There was no real evidence of substantial job creation as a result of BAC assistance to clients; however, the BAC did act as a major facilitator for employers and unemployed people to fill existing vacancies.

It is too soon to tell whether the progress towards achieving the outcomes will be sustainable, as the current BAC team had been working for less than a year as of September 2004.

The progress towards achieving the outcome has not so far been cost-effective, largely due to 1) the difficulties in finding and retaining suitable project staff, which lost time, affected productivity, and resulted in lack of continuity in project activities; 2) the inability to attract enough of the most targeted clients (managers of SMEs), who could have the most impact on achieving the outcome; and 3) the late introduction of charging for services (prior to this, all services were free of charge), which increased operating costs.

## 4.3 MICROCREDIT FOR WOMEN PROJECT

**Table 3: Assessment of Business Advisory Centre Project outcome and other factors**

	Rating Criteria	Rating
Outcomes	Poverty alleviation	Positive change
	Raising living standards	Positive change
	Empowerment	Positive change
	Income generation	Positive change
	Job creation	Positive change
Other factors	Sustainability of progress towards achieving outcome	Sustainable
	Cost-effectiveness of progress towards achieving outcome	Yes

### 4.3.1 Overview of current loan status

The total number of clients currently holding loans in the Bereke and UNDP credit lines was 3882 as of the end of August 2004. An average of 30,250 KZT (approximately \$222) was borrowed by each client during the period 1 January - 31 August 2004. During that period, around 84% of the total amount of money lent from the Bereke credit line was for group loans, while 16% of funds were lent to individual borrowers.

Table 4 shows the breakdown of Bereke's different loan types.

**Table 4: Breakdown of Bereke's Loan Types**

Type of Loan	Loans disbursed 1 January - 31 August 2004					
	UNDP credit line (n=1964 loans)		Bereke credit line (n=2165 loans)		Combined UNDP and Bereke Credit Lines*	
	% of total number of loans	% of total funds lent	% of total number of loans	% of total funds lent	% of total number of loans	% of total funds lent
Consumer loans	72%	53%	0%	0%	34%	21%
Trading	24%	37%	87%	85%	57%	66%
Agriculture	1.4%	5.5%	5.4%	6.5%	3.5%	6.1%
Services	2.3%	3%	5.6%	6.9%	4%	5.4%
Manufacturing	0.4%	1.2%	1.8%	1.9%	1.1%	1.6%

\* i.e. the total credit funds available for lending through Bereke

Loans for trading activities make up two-thirds of all loan funds disbursed, but this share is gradually decreasing. The number of consumer loans in the UNDP credit line has been increasing, now accounting for around one-fifth of all funds lent. Loans for agriculture, services or manufacturing together account for only around 13% of all funds disbursed.

Thirty percent of UNDP credit line clients are in four rural rayons, and 70% are in Semipalatinsk rayon. For the Bereke credit line, 13% are in four rural rayons, and 87% are in Semipalatinsk. Overall, around one fifth of all clients are in rural rayons.

Around 98% of all Bereke clients are women, mostly with average or below-average income. Bereke intends to lower the proportion of women to about 80% of the total, in order to be able to serve a wider range of needy clients in both urban and rural areas. Group loan clients are mostly women-there are only 5 mens groups out of more than 200 groups. Individual loan clients are more than 60 percent women. Most consumer loan clients are women civil servants. In rural areas, there is a higher proportion of male clients.

#### 4.3.2 Alleviating poverty and raising living standards

The following small studies conducted by or on behalf of Bereke provide some quantitative data on changes in the economic situation of micro-credit clients:

- In 2000 a study by Yasushi Tairo concluded that clients on average increased their profit by 4215 KZT over the period of each credit cycle, their wages rose on average by 39.5 KZT per hour, and they often had more personal savings than non-clients.
- A Bereke survey conducted in 2004 of 70 clients found that 87% of clients reported that the profitability of their business had grown, and 13% said

that it had stayed the same over the period that they had been taking loans from Bereke (none said it had worsened). Twenty-three percent of clients reported that the number of permanent jobs in their business had increased over the period that they had been borrowing from Bereke (74% stayed the same)<sup>3</sup>.

- In 2002 a similar survey conducted by Bereke of around 96 clients found that 49% of clients planned to use Bereke loans to expand their business (while 44% planned to use them to maintain their business at the current level). The 2004 survey found that this figure had increased to 57% of clients, which appears to reflect that clients' businesses have improved.

The quantitative evidence indicates that the economic position of clients has improved as a result of borrowing from Bereke. The evaluators found that the qualitative evidence also supports this trend.

As part of this evaluation, the research agency Sange conducted qualitative interviews with 25 Bereke clients. Sange reported that Bereke clients stated that their quality of life had improved on average by 37 percent (ranging from 20 to 70 percent) during the last three years. The Sange survey also reported that clients' businesses increased their turnover between two and seven times, and their profitability between 10 and 70 percent, since they started borrowing from Bereke. One cannot, of course, attribute these improvements exclusively to the Bereke loans, but as most clients are the main breadwinners for their families, Bereke credit likely made a significant contribution to their overall improvement in wellbeing (especially if it is taken into account that according to Bereke's 2004 survey of clients, Bereke credit comprised up to 50% of business capital for 77% of clients, and between 50% and 70% of the capital for 20% of clients).

Interviews conducted by the evaluators with credit specialists as well as clients showed that most clients (mainly women small-scale traders in markets) use short-term loans to increase the quantity, quality and variety of their stock. Better and more merchandise attracts more customers and increases turnover. This is the primary means by which most Bereke clients achieve greater profitability in their businesses. For example, a Bereke client interviewed by the evaluators, who sells shoes in a Semipalatinsk market, reported that Bereke loans allowed him to buy better quality, more expensive shoes which he can sell for a higher profit per unit, and which attract more customers.

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<sup>3</sup> The Director of Bereke estimated during her interview with the evaluators that on average there have been an increase of around 1.5 jobs per client business in addition to the client's own position.

## CASE STUDY 6

### Group borrower

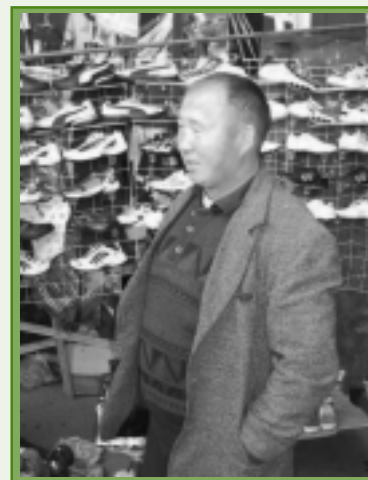
#### Murat - market trader

*Murat was invited by a group of women borrowers at the market to join their group. He decided to take a loan from the Microcredit Project so that he could purchase more stock and offer a better selection of products than his competitors. He is the only man in the group. The group has been borrowing for three years already. Its members have developed a sense of mutual trust and support.*

*Before joining the group Murat borrowed from a bank but he felt that the lending procedures at the bank required too much paperwork. In addition, he complained that the bank interest rates grow constantly.*

*Murat's business is doing well: sales reach 10-15,000 KZT a day (approximately \$74-110). He now can afford to buy a wider variety and higher quality of goods for selling. His turnover and profits have increased substantially.*

*Now Murat is thinking about applying for an individual loan since he needs a larger amount of money to purchase a car.*



According to credit specialists, most clients (mainly women market traders) have not changed the fundamental nature of their business. This is confirmed by the 2004 Bereke survey, which shows that only 3% of respondents planned to change the sphere of business in which they work. Bereke credit especially that disbursed as group loans rather than individual loans, is not sufficient to fund major expansions or changes in people's businesses. Typically, traders have been able to improve turnover and profitability to the point that they can afford to hire salespersons either part- or full time (on average 1-2 employees per microcredit client), which allowed them to concentrate more on the overall management of the business, including buying more stock, doing the accounting, etc. However, a small number of clients were able to expand their business to several market stalls, and in some cases, open their own shop in another location. The 2004 Bereke survey indicated that 14% of interviewees planned to obtain an additional business.

Some group borrowers have been able to expand their businesses to the point that they can graduate to individual loans provided by Bereke. At the time of the evaluation, 78 women and 45 men had taken out individual loans (not all of them were previously group borrowers, however). These group borrowers-turned-individual borrowers are willing to provide collateral because as a result of developing financial management skills to repay group loans, they feel more confident that they can pay off individual loans. The individual loans allow them to borrow larger amounts, which mean that they can expand their

businesses more quickly. However, it should be noted that most women borrowers still prefer group loans because of the lower financial risk and the non-material benefits they receive from interacting with others in the group. There are very few cases of women borrowers applying to second-tier banks for individual loans.

Bereke clients reported to the evaluators that part of the profit generated as a result of greater turnover in their businesses was often used for personal needs, education fees for their children, or making large and small purchases for their households.

The above analysis has identified many positive impacts on poverty and living standards as a result of clients taking out loans from Bereke. However, there have been some detrimental effects as well. In a very small number of cases, borrowing becomes a burden because a member of the group cannot repay and the other members of the group have to make the repayments instead. In some cases the other group members either cannot or will not cover for the defaulting group member, so the whole group becomes delinquent and is then blacklisted so they cannot receive any further credit from Bereke. However, these cases are very few, and overall it can be said that the group mutual assistance system works well, as long as the members of the group know each other well, have a strong enough sense of responsibility to each other, and trust each other sufficiently.

A less positive aspect of the Bereke project, which was not foreseen, is that clients are becoming too dependent on Bereke for their credit. Many (especially group) clients keep on borrowing repeatedly, and few even consider going for assistance to second-tier banks, which offer larger, collateral-secured loans at lower interest rates, for longer terms. This means that people, who may already be creditworthy, experienced in managing finances and their business, and with potential to expand their businesses further, are underachieving their potential.

There are a number of different reasons for this dependence. One is loyalty. Factors influencing this loyalty to Bereke include the interpersonal relationships that clients develop with group members and with credit specialists, the lack of bureaucracy, quick processing of loan applications, and no collateral requirement.

Other factors contributing to dependence on Bereke are that in many cases Bereke clients are engaged in business not because they prefer this occupation, but because they have few other employment options. They are generally content just to be able to provide for their family needs at a satisfactory level rather than aspiring to be highly successful businesspeople.

Although Bereke credit is easy to receive, it is relatively expensive. The effective interest rate for individual borrowers in the Bereke credit line if they borrow for the most common periods of 6 or 12 months is around 28.9% or 27.8% p.a., respectively. For group borrowers, for the most popular loan periods of 3 or 4 months, the effective interest rate is around 40.1% or 37.9%



p.a., respectively. While it cannot be denied that the Bereke loans have a net positive impact on the turnover and profitability of clients' businesses, the high interest rates must have a damping effect on their profits and therefore household income and living standards.



## CASE STUDY 7

### Individual borrower

#### Zhanar - cafe owner

*In August 1997 Zhanar together with her brother and sister-in-law opened a small shop. Zhanar became a member of a microcredit borrowers group and started receiving credit from the Microcredit project in 1999. In 2002 the family opened a cafe and hired four staff members. The loans received by Zhanar were used to purchase the equipment for the cafe-they helped to more quickly develop the business.*

*Recently Zhanar applied for an individual loan because she needed a bigger amount to purchase a block of land and build a shop and a cafe in addition to the existing ones. She received an individual loan of KZT 750,000 (around \$5515) for a period of 12 months. This covers about 50% of the amount required.*

*According to Zhanar: "individual loans are better because you depend only on yourself, but in groups you don't need collateral and don't notice that interest rates are high because of the short term of the loan." Zhanar is considering the possibility of borrowing from a bank at lower interest rates.*

### 4.3.3 Empowerment

The evaluators found clear evidence, as a result of group and individual interviews with Bereke clients and credit specialists, that Bereke clients are empowered in a variety of ways by being involved in the Bereke microcredit scheme.

Many women (and men) clients found that running a small business helped to develop their own potential as individuals. Previously most clients had been civil servants or factory employees, in a work environment in which they had little scope for making their own decisions. However, running a small business meant that they had to make such decisions as how much money to keep in reserve for stock purchase, what stock to purchase, where to sell it, how to present it, whether to employ salespersons, etc.

As a result of success in running their business and repaying their loans, women clients especially became more confident in their own abilities and gained greater self-esteem. Many Bereke clients became the main breadwinners



in their family, which increased their authority in, and gained the respect of, their family and community.

Not all of the impact of improved business was positive for women, however. In addition to running more demanding businesses and generally being busier, many women still have to do many of the household tasks as well, so they often have a greater work burden than before. Business competition is getting tougher as well, with the number of small businesses in Semipalatinsk constantly expanding, and customers becoming more discerning and demanding, which makes their business harder to run and therefore more stressful.

The experience of borrowing in a group was overwhelmingly positive for most women, and for most, the preferred option. Apart from the practical advantage of not having to provide collateral for group loans, they received many other, more intangible benefits. As a result of borrowing in a group, women developed more social networks. The Bereke requirement that group members take joint responsibility for repayments increased members' trust in each other and increased all members' sense of responsibility to others-when they kept up their commitments to each other (in the great majority of cases).

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## CASE STUDY 9

### 21st Century Group Market traders

*This group of five women market traders has been borrowing from the Microcredit for Women Project for four years. All group members are from neighbouring markets; two of them are widows with children.*

*They started borrowing at \$25 and increased their loans to an amount equal to several hundred dollars (loans are provided in KZT). They have never borrowed from banks and do not know bank loan procedures but they know that some of their fellow traders have not been able to meet the bank requirements.*

*When group members receive loans they leave 10% of their loans in a special reserve account at the bank. This helps them to feel more secure, in case they have any problems making loan repayments. They have been able to increase their turnover, and now can afford to purchase and sell more expensive goods.*

*The ladies enjoy being in the group, communicating with each other, and helping each other when needed. Every time they receive loans they celebrate together in a cafe.*

*Four days before loan repayments are due, the group members gather together to collect money and discuss issues of concern. In the past some members of the group have experienced problems with loan repayments but now they are able to meet the requirements. However, the group would be pleased if the Microcredit Project lowered its interest rates.*

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#### 4.3.4 Conclusions

There has been positive change in terms of poverty alleviation and raising living standards as a result of this project, as most Bereke<sup>4</sup> clients' businesses have increased their turnover (income generation) and become more profitable, making it possible for Bereke<sup>4</sup> clients to better support their families, pay for their children's education and other services, and improve their homes. With the expansion of Bereke clients' businesses, there has also been significant job creation for mainly low-income women salespersons.

The sustainability of progress seems assured, as Bereke reached the point of financial self-sufficiency in 2004, being able to cover all operating expenses through interest earned on loans; and the organisation is mostly remaining focussed on serving its main target groups: small-scale (mostly women) entrepreneurs, as well as rural businesses and some farmers (although the provision of consumer loans to civil servants is not in line with the target groups). The cost-effectiveness of progress towards achieving the outcome is good, as a large number of clients, their families and employees benefit from Bereke credits at the same time as the organisation continually builds up its credit fund so that it can serve more clients.

### 4.4 KEY FACTORS AFFECTING THE RESULTS

#### 4.4.1 Small Grants Project

Awareness-raising activities. Key to the achievement of the results was effective and wide-ranging awareness-raising activities about the existence of the project and its objectives. All of these activities ensured that in most areas people knew about the Small Grants Project, how to apply, and what kinds of projects were appropriate in terms of the objectives of the Small Grants Project.

Business and technical training. An important contributing factor was training, advice and support from UNDP staff to plan projects, prepare project documentation, and implement the projects. However, some projects needed more technical advice during the planning stages in order to properly implement them, and were therefore not properly thought through (e.g. some equipment was not included in the budget, suppliers of equipment were not clearly identified, extra funds were needed for transport). Some implementers of social enterprise or business-oriented projects needed more support in business planning and management-there is a risk of failure of a number of such projects due to insufficient business experience on the part of project implementers.

Another important factor contributing was training, advice and support from

<sup>4</sup> The UNDP Microcredit for Women project was registered as the public foundation "Bereke" in May 2003.

UNDP Small Grants Project staff to plan projects, prepare project documentation, and implement the projects.

Creation of an open and participatory project consideration process contributed to initiative groups having a greater understanding of the key objectives of the Small Grants Project and how their project should contribute to those objectives, and feeling greater responsibility and accountability to their community and UNDP for achieving results.

Scope of project, number of beneficiaries. Projects which were best able to achieve the above outcome were those which impacted on the greatest number of beneficiaries, and which can have a multiplier effect. These included:

- Infrastructure projects providing facilities which are used by a large proportion of the community, or especially vulnerable groups of the community. Water projects were especially effective because of their impact on health, food production and animal raising. The renovation or buildings of cultural and sporting centres were also very important because these projects improved the general morale and social life of communities and helped to build social networks important for further collaborative action.
- The pedigree bull project in Abraly is another excellent project model, because if managed well, it will have a long-term multiplier effect on improving the gene stock of the whole community's cattle.

Relevance of projects to beneficiaries. As in most cases the community consultation (PRA) process identified projects which were of high priority to communities, the projects developed were mostly relevant to their needs. However, the process of identifying priority projects was not always very participatory, resulting in some projects being approved which provided benefits to a relatively narrow range of people.

Co-financing from local authorities and private sector, level of voluntary labour. This helped to magnify the effect of projects and gain greater community ownership, promoting increased sustainability and therefore longer-term impact. Higher levels of voluntary labour (another form of in-kind assistance) helped in the same way. Many projects had significant co-financing or assistance.

### **Key factors affecting the level of empowerment**

The level of involvement of community members, and thus the degree of potential for their empowerment, depends on many factors, some key aspects of which are discussed below.

The nature of the project (especially whether it is labour- and resource-intensive, and how many people it will benefit).

The role of the Akim. In rural areas, the level of the Akimat's (especially the Akim's) active involvement and interest in a project, and the way they were

involved, had a major impact on the degree of empowerment of the community that was achieved. Especially important was whether the Akim or Akimat facilitated the activities of the initiative group, or tried to control them.

The social status and personal skills and qualities of the initiative group members (i.e. to what degree they are respected/senior members of the community, how participatory their approach is, how good they are at social networking, etc). There was a quite clear difference in the level of empowerment of the community depending on the above factors. Initiative groups comprising senior and respected members of the community tended to get more public support and therefore greater involvement, contributing to greater empowerment of community members. Initiative groups consisting of more junior members of the community tended to conduct their project activities in a less inclusive fashion, tending to rely on the assistance of the Akim when support in terms of human or material resources needed to be mobilised.

The existing culture/history of community initiatives, and strength and breadth of social networks, in the community. Some communities had a pre-existing history of joint community activities to resolve common problems (largely a result of the level of activity and initiative of the Akim), thus they had greater capacity to mobilise their populations for UNDP grant projects.

#### **4.4.2 Business Advisory Centere Project**

Professional and interpersonal skills of the current staff were key to the achievement of the results by the project. Each staff member in the current team has their own area of specialisation, and is well respected by clients and peers in their field. Staff had existing well-developed networks in the business community which enabled rapid establishment of awareness and credibility in the market.

Collaboration with Tax Committee and Customs staff in explaining tax and customs regulations to entrepreneurs and accountants generated a less confrontational attitude on the part of the government agencies, and made this knowledge more widely available, which helped enable entrepreneurs and accountants to defend themselves when unfairly penalised or fined for alleged transgressions.

Key factors hindering the achievement of the outcomes included the following:

Selection of a too-narrow customer base to achieve sustainability - starting and small-scale enterprises which are sole operators or have only a few staff, concentrating on accountants and individual entrepreneurs. These clients have low ability to pay for services.

The relatively narrow range of services limited the clientele and the potential impact on enterprises, because other important business skills were not covered (such as business management, marketing research, customer service,

etc). However, given the small number of staff and the need for operational efficiency, some specialisation is understandable.

Free services made them more accessible to target groups in the short term, but in the long term this is not sustainable if the BAC is to continue without-or with less-donor funding. The BAC in September 2004 started to implement a fee system which will cover some organisational costs, but if the current clientele is maintained and no other income streams are developed, these fees will be insufficient to generate enough income to cover staff salaries and staff training costs, or to maintain the informational resources of the BAC at a sufficient level to ensure that knowledge is updated. To continue to meet the needs of its target groups, the BAC will be forced to provide paid services for larger enterprises, and/or to develop an additional income source such as leasing services, in order to cross-subsidise unprofitable services provided to SMEs.

#### **4.4.3. Microcredit for Women Project**

A number of key factors have contributed to achieving the outcomes. Among the factors impacting positively are the following:

Appropriate market niche. Semipalatinsk City's economy is dominated by small traders, who are mostly women of average or below-average income who cannot easily get credit from banks. Bereke achieved growth and reached financial sustainability mainly based on working with these clients. No other financial institutions are serving this clientele to any substantial degree, which means that Bereke has a clear market niche and has therefore provided opportunities to clients which were not available to them before. Now this core client base is helping to subsidise expansion into rural areas, where banks do not operate, to serve small entrepreneurs and farmers.

Professional and interpersonal skills of Bereke credit specialists. Clients feel they can trust and rely on the credit specialists, and often request informal advice on aspects of how to manage their finances and develop their business. All clients interviewed expressed their admiration and appreciation of their credit specialists. This human factor has a great impact because it attracts and retains clients, developing a custom and practice of borrowing.

Credit type and services. Clients commented on the advantages of short-term credit, due to the seasonality of their business, which allows them to meet urgent needs and repay debt quickly, minimising the total amount of interest. Group borrowing without collateral is also very convenient to borrowers, as it increases availability of credit when clients would not have sufficient collateral; minimises the risks of borrowing to individual clients; and reduces default, which enables clients to apply for more loans. Fast service and minimal red tape in processing loan applications ensures that loans are received when clients most need them.

Effect of competition. Banks in Semipalatinsk are now more flexible with their lending policy than before, as a result of competition from the microcredit institutions, including Bereke. They are now allowing clients to borrow smaller sums, at lower rates of interest, and in some cases without collateral. At first banks were very sceptical about non-collateral loans, but after they saw the success of Bereke's non-collateral scheme, they decided in 2002 to change their policy. This is benefiting small and medium entrepreneurs in Semipalatinsk in general.

The regular informational seminars which are organised for potential clients (new groups) help to ensure that they understand Bereke's main objectives (alleviating poverty and raising living standards), how to work as a group, the roles of group members, etc. Credit specialists also provide some training to clients in profit and loss accounting so that they can track the progress of their business and meet repayments.

A number of factors which are lessening the achievement of impact are described below.

Lack of business skills and training. In most cases Bereke clients do not have the necessary advanced business skills and training in business planning, management, marketing, etc, that would give them the confidence to do business at a higher level of complexity and sophistication. Most clients are not really changing the nature of their business very much-just increasing turnover, or points of sale. Bereke limits its training/advice mainly to the basics of financial management and accounting necessary for clients to keep track of their finances and meet their repayments. Bereke has not conducted any training needs assessment of clients to ascertain what other skills and knowledge they need, to more successfully conduct their businesses. Bereke is also not providing or arranging such training for its clients, and few Bereke clients are attending training organised by the Business Advisory Centre.

Geographical reach. Bereke is only serving four rural rayons closest to Semipalatinsk. Other more distant rayons are not able to access Bereke credit.

Consumer loans. The provision of consumer loans to civil servants (mainly teachers and hospital workers) only offers temporary financial support for urgent expenditure, rather than expanding clients' capacity to generate income. Providing credit for this purpose may help to temporarily improve clients' quality of life, but the extra debt burden does not improve their overall economic situation.

## 5 RECOMMENDATIONS

### 5.1 RECOMMENDATIONS AND LESSONS LEARNED FOR ENHANCING IMPACT OF DONOR ASSISTANCE TO THE REGION

Semipalatinsk region has a range of development issues which need to be addressed in order to effectively alleviate poverty and raise living standards. The oblast and city Akimats, in coordination with the Kazakhstan Government, need to develop a clear strategy for addressing these issues, and allocate funds to implement it, which can be supplemented by donors. Special emphasis needs to be placed on assisting the regeneration of rural areas in the region. Donors are now requiring greater political and financial commitment from the Kazakhstan Government before they are ready to commit more funds to the region.

In Semipalatinsk City there seems to be a lack of real consultation and collaboration on the part of the City Akimat with other actors such as NGOs, donors, educational institutions and the private sector to resolve important development issues. This situation needs to be rectified through the development of effective mechanisms for consultation and for joint implementation of targeted development programmes and activities. There is a role for donors in sharing international experience as well as experience from other areas in Kazakhstan to help develop such local mechanisms. The creation of, for example, a regular Poverty Forum / Working Group involving these different sectors of Semipalatinsk society, could be a useful mechanism to seek solutions for poverty alleviation and raising living standards. Such a forum might become a useful tool in itself for advocacy, awareness raising, mobilising resources, building local capacity and expanding collaboration between actors which otherwise might come into little contact with each other.

It is important to keep local government staff well informed and sensitised as to the aims of the donor intervention, as well as involve them directly in a meaningful way in the project implementation process, in order to enhance the prospects of local government adoption of best practice and provision of financial and human resource support for ongoing project activity. The Small Grants Project's involvement of City Akimat representatives in the Grants Committee, and of rayon and village Akims in PRAs and other aspects of grant project implementation, were good examples of such cooperation. The Business Advisory Centre's involvement of Tax Committee and Customs Department staff in training sessions and meetings with entrepreneurs was another quite good example. However, these efforts at collaboration did not go far enough, as no mechanisms for sustainability was developed in these projects, which might have been at least partially achieved through collaboration with the City Akimat. The Microcredit for Women Project did not need the participation of local government for achievement of sustainability, but could have helped to



raise awareness of the advantages and disadvantages of their approach to microfinance if they had shared their experience with, for example, the SME Committee.

Sustainability must be made a key objective of donor projects from the very start. A clear, realistic and achievable action plan and timetable for achieving institutional and operational sustainability needs to be established before starting a project, and early and continuous efforts need to be made to implement it, with flexibility for adjustments as necessary. Otherwise the impact of projects is fleeting and may be counterproductive, raising expectations or hopes which can subsequently not be satisfied. The evaluators would also recommend, where appropriate, the establishment of social enterprises to support future donor projects in the region, which can generate revenue streams to subsidise activities and enhance the sustainability of projects which by their nature generate no or insufficient revenue to be sustainable. (Social enterprises are businesses that are run on commercial principles, but are owned by not-for-profit organisations which use the profits to meet social needs). In the case of the current UNDP Programme, the Small Grants Project could, for example (if Kazakhstan legislation allows it), operate a charitable lottery which could be used for community grants; or the BAC could provide computer training, language classes, temping and/or leasing services, for example.

## **5.2 KEY PROJECT-RELATED RECOMMENDATIONS**

UNDP has demonstrated the value and effectiveness of small grants and microcredit for poverty alleviation and raising living standards in the region, and given more time, will likely demonstrate the same in terms of SME business advisory services. There is now the need to share experience and lessons learned with the city and oblast Akimats (through workshops and discussions, preparation of discussion papers, etc) and make efforts to obtain their support for further development of these projects.

Key recommendations relate to achieving sustainability in each of the UNDP Semipalatinsk projects:

The Small Grants Project aimed to achieve a level of community mobilisation that would continue to generate community-based initiatives and would lead to the growth of NGOs. Mobilisation was in large part achieved, but few-if any-sustainable organisations were created. More needs to be done to ensure that these achievements were not in vain.

Alternative sources of funding for community grants need to be developed (e.g. the City and Oblast Akimats, the Aul Programme, the private sector, charitable donations / lotteries); plans should be made to transform the Grants Committee into a legal entity possibly in the form of a Public Foundation involving members of the public, NGO representatives, Akimat and private sector representatives; and there needs to be a follow-on phase for building the



institutional strength of CBOs following their initial mobilisation, in cooperation with Counterpart Consortium's Community Action Grants scheme and Civil Society Support Centres in Pavlodar, Ust-Kamenogorsk, Karaganda and Semipalatinsk. The evaluators recommend that donors support the Small Grants Project for 2-3 more years in order to build on the project's achievements, and develop a sustainable structure for its continued operation, which includes a sustainable mechanism for funding community initiatives that in the near future will not be reliant on international donors. However, this should only occur on the condition that the Kazakhstan Government or the Semipalatinsk authorities make a commitment to provide a steadily increasing share of grant funds.

It is important to involve as many people as possible in the process of identifying priority needs (Participatory Rapid Appraisal). A quite common practice was for Akims or elders to propose their own ideas and seek support from the community, rather than really promoting consideration of different alternatives proposed by the general population. Small Grants Project staff or partner NGOs should be directly involved in the PRA process and it is important to emphasise to participants the selection of initiatives which involve a wider section of the community in planning and implementation, and to ensure that the participants understand the goals of alleviating poverty, raising living standards and achieving empowerment.

In the case of the Business Advisory Centre Project, charging for services and registration as an NGO were introduced very late, and no alternative income sources were established, allowing insufficient time for sustainability to be achieved. In the BAC case, the time frame allowed for achieving sustainability was probably too short, especially given the problems arising out of a complete change of project staff. The evaluators recommend a further 1-2 years of support for the Business Advisory Centre (now the NGO Kenes), with gradually decreasing financing as the BAC develops alternative income streams (e.g. from leasing).

The evaluators recommend a further 1-2 years of support for the Business Advisory Centre (now the NGO Kenes), with gradually decreasing financing as the BAC develops alternative income streams (e.g. from leasing).

In the case of the Microcredit for Women Project, a plan for achieving sustainability was developed and enough time allowed achieving it. The evaluators thus have no recommendations relating to this aspect of the project.

### 5.3 IMPLICATIONS FOR THE KAZAKHSTAN GOVERNMENT'S POVERTY ALLEVIATION INITIATIVES

Over the last two and a half years, the UNDP Semipalatinsk Programme has demonstrated three project models aimed at alleviating poverty, raising living standards, and empowering people to be involved in finding solutions to their own problems. The projects have generated some valuable experience and lessons which the Kazakhstan Government might wish to take into consideration for its own poverty alleviation initiatives.

The Small Grants Project has demonstrated that with relatively small amounts of capital, communities can be mobilised to initiate poverty alleviation activities which meet their priority needs in a cost-effective way, with the involvement of Akimats, active community members, and local businesses and farmers. People are willing to volunteer their time and effort for their communities if they are given the opportunity and tools to do so; and their involvement generates a sense of ownership of their solutions which promotes greater sustainability. This is preferable to the traditional model whereby government agencies make decisions on what assistance to provide with minimal community consultation and without community participation in implementation (e.g. the current Aul Programme), which tends to result in lack of transparency, dependency, passivity, and interventions which do not necessarily meet priority needs.

There is great potential for the Government to adopt a similar approach to the Small Grants Programme in many regions of Kazakhstan, whereby funds would be provided, for disbursement by Grant Committees representing different sectors of society in a transparent process, to community groups and NGOs responsible for implementation of projects aiming at alleviating poverty. This model would generate grassroots-initiated solutions which would complement the implementation of the Government's own sub-contracted programmes under the planned State Social Contracting scheme. Such a system would help to fill gaps remaining in government social interventions. Funds provided by the Government could be augmented by donors, tax-deductible charitable donations from business and the public, as well as charitable lotteries and other fundraising efforts.

Important to the implementation of such a model would be establishing a system for institutional strengthening of Community-Based Organisations and NGOs, either through sub-contracting existing NGO Support Centres or through setting up a specialised body in each region of implementation which would be responsible for administering the grants and for training and supporting these organisations.

The Business Advisory Centre Project has shown that there is a real need for business advisory services that are affordable and relevant to individual

entrepreneurs and small and medium enterprises. Most services provided by the BAC to these types of clients in Semipalatinsk would normally not be provided by commercial firms in the market due to clients' low ability to pay and the existence of more profitable clientele (larger enterprises). However, individual entrepreneurs and small and medium enterprises need to be supported, to promote more equitable and widespread income and employment growth in the economy. The provision of such services by Business Advisory Centres is unlikely to achieve full cost-recovery, however, unless 1) services are also provided to larger enterprises with greater ability to pay, or 2) other, more profitable income streams are created in the form of social enterprise (e.g. leasing services). Such additional income streams would help to fund the core costs of Business Advisory Centres (e.g. rent of premises, staff salaries, staff training) as well as cross-subsidise services to smaller entrepreneurs.

The Government could fund, with co-financing from donors if necessary, the establishment and initial period of operation of Business Advisory Centres in other regions, until they reach a point where they can survive on their own. These could operate as NGOs in order to ensure that they maintain their social, not-for-profit orientation.

The Microcredit for Women Project has demonstrated that the provision of microcredit for starting or small-scale entrepreneurs, especially women, is an effective way to promote the growth of small businesses, expand employment opportunities, and to strengthen the ability of these vulnerable population groups to provide for their families. Microcredit is also a valuable tool to assist farmers and businesses in rural areas to develop their income-generating capacity. However, there is also a need for microcredit services to be accompanied by appropriate training in business development and operation to ensure that businesses develop to their full potential.

The Microcredit for Women Project has shown that short-term, non-collateral (mostly group) loans are in high demand by women and other small entrepreneurs, and provide a very low-risk means to build up a microcredit institution's sustainability in a relatively short time, provided that there is disciplined management of client repayment. Individual soft-collateral loans are also in demand, especially in rural areas where there is little credit available from banks and other lending institutions. However, a certain critical mass of initial capital is required to achieve financial sustainability, and should be provided at an early stage of a microcredit institution's development-once it has proven its management capacity and profitability-in order to allow its rapid expansion. The Government would be well advised to support the development and consolidation of many more such microcredit institutions throughout Kazakhstan by the provision of funds through the State Microcredit Programme for 2005-2007, and on an ongoing basis if necessary. Continuous consultation with the Association of Kazakhstan Microcredit Institutions on how to refine the legislative and regulatory framework governing microcredit institutions is also recommended, as there are still some aspects in need of fine-tuning.

## 6 ANNEXES

### 6.1 EVALUATION METHODOLOGY

Prior to the in-country evaluation team mission, a survey was conducted by the research agency Sange to provide supporting data to the evaluators, concentrating on how project activities had affected the lives of beneficiaries in terms of achieving the outcomes being evaluated.

A qualitative approach was selected for the Sange survey. The research consisted of semi-structured individual interviews and one group discussion, mainly with a broadly representative sample of project beneficiaries but also including a number of non-beneficiaries of the projects. In all, around 100 respondents were surveyed. For more information on the Sange survey and its results, copies of the Sange report (in Russian) may be obtained from the UNDP Kazakhstan Poverty Unit.

The evaluation mission itself consisted of two and a half working days in Almaty for conducting individual interviews with UNDP Programme Management, relevant key donor agencies based in Kazakhstan, microfinance organisations, and other stakeholders. Eleven working days were spent in Semipalatinsk region, during which the evaluators conducted many individual interviews and group discussions with project staff, beneficiaries, partners, competitors, local authorities and other organs. Three days were spent visiting Small Grants Project sites in rural areas around the former nuclear testing zone. Specific questionnaires were prepared for each project and each interview. The preliminary findings of the evaluation team were presented to and discussed with representatives of UNDP, Bereke, and the Japanese Embassy at a stakeholder meeting at the end of the mission.

#### Constraints on the evaluation process

As outcome evaluations were only introduced in 2002 as a standard UNDP procedure for evaluating projects, UNDP project documents written before that time tend to be focussed more on outputs than outcomes. This is also true for the Semipalatinsk Programme. Each project document in the Programme provided indicators ("success criteria") focused on the measurement of outputs rather than outcomes. Criteria for measuring outcomes were only identified later, in the Terms of Reference for the evaluation mission. In addition, no baseline study of the socioeconomic situation of the projects' target beneficiaries was conducted, and project monitoring did not track changes in project beneficiaries' level of poverty, living standards or empowerment over time. Moreover, the Sange pre-evaluation survey did not have sufficient budget to conduct a statistically reliable quantitative survey of project beneficiaries' change in socioeconomic status or empowerment. Therefore very little hard data was available to the evaluators on these key indicators.

Due to the short time available to the evaluators, it was not possible to conduct large-scale quantitative and qualitative research, so the evaluation was very reliant on the opinions and assessments of individual respondents, which made the data quite subjective. However, the evaluators are satisfied that they managed to interview a sufficient cross-section of respondents to identify common themes and trends, and also to broadly verify the Sange survey findings.

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- Malin Berggren, Programme Officer, Poverty Reduction Team
- Selima Salamova, Programme Assistant, Poverty Reduction Team
- Raushan Musina, Semipalatinsk Programme Manager
- Gaukhar Zhorabekova, Senior Assistant, Development Centre Coordination
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