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Joint CCAMTAC and ADB Regional Research/Analytical Seminar

“Measuring Regional Inequality in Kazakhstan”

March 30, 2023

Introduction and moderation:

Mr. Norbert Funke, Director, CCAMTAC

Presenter:

Mr. Andrés Rodríguez-Pose, the Princesa de Asturias Chair and a Professor of Economic Geography at the London School of Economics (LSE); Director of the Cañada Blanch Centre LSE

Discussant:

Mr. Vlad Mykhnenko, Associate Professor, Sustainable Urban Development, St. Peter's College, University of Oxford

In economics, it is common to look at aggregate macroeconomic data to measure country or regional development and prosperity, such as GDP per capita. However, there are more specific indicators that focus on measuring the population's wellbeing, income distribution, and inequality. To learn more about regional inequalities, the Asian Development Bank (ADB) commissioned a series of studies to benchmark the nature and features of inequalities among Kazakhstan's regions (oblasts). The latest of these studies involved the compilation and analysis of the first wellbeing survey for the regions of Kazakhstan. The main findings of this study were presented during the research seminar.

The leading co-author of the ADB paper “The Regional Wellbeing Survey of Kazakhstan. Subjective Wellbeing and the Regional Wellbeing Index,” Professor Andrés Rodríguez-Pose spoke about the economic and social implications of inequality and about recent inequality trends observed across countries in the broader Central Asian region and across the rest of the world. He elaborated on the features of inequality observed in Kazakhstan and provided policy recommendations. He underlined that income and social inequalities within a country can entail opportunity costs, as they overlook untapped economic potential and can lead to underperforming national economies. From a social perspective, having regions falling into a development trap and growing inequalities often plant the seeds of social discontent. Kazakhstan, which two decades ago had low levels of overall development and relatively low spatial inequalities from a comparative perspective, has experienced rapid GDP per capita growth coupled with expanding inequalities. Wealth has become increasingly concentrated in a limited number of regions, including the two main cities, Astana and Almaty.



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The ADB research team looked at inequality from different dimensions. First, it elaborated a *convergence index* for Kazakhstan. This index revealed that high levels of economic growth had brought about considerable polarization in GDP per capita among regions. Second, they produced a *development trap index*. This index, which takes into account GDP per capita, productivity, and unemployment, showed that both high- and low-income regions are at risk of being trapped in terms of economic development. Third, the *regional development and competitiveness index* unveiled the large variations in competitiveness both across cities and regions in Kazakhstan. Finally, they presented the *Wellbeing index* of Kazakhstan. The index included two sub-indices: a) simple *subjective wellbeing index* and b) *regional wellbeing index*. The *subjective wellbeing index* is based on a primary survey of more than 4,000 individuals in all regions of Kazakhstan and explores households' perceptions of wellbeing across seven thematic pillars. The index reported that (i) over a half of households have difficulties making ends meet; (ii) a high level of dissatisfaction with healthcare; (iii) a higher level of satisfaction with housing conditions, despite marginal intergenerational improvement in living standards; and (iv) a relatively high level of the population satisfied with their life overall. However, regional contrasts in all wellbeing dimensions are stark with virtually no correlation between levels of wealth and wellbeing. Lastly, the *Regional Well-being Index*, which combines both objective and subjective measures of wellbeing, showed that regions such as North Kazakhstan, Atyrau, Aktobe, and the three largest cities of Kazakhstan enjoy the highest scores in terms of wellbeing, but that significant pockets of dissatisfaction can be found in the south of the country and in regions with relatively high levels of development, such as Pavlodar. The main policy takeaway is that the adoption of place-sensitive policies can be a major step forward toward the fulfilment of the economic potential of the country.

Commenting on the findings of the ADB study, Vlad Mykhnenko elaborated on some other indicators measuring regional inequality including the EUROSTAT regional GDP Dispersion index (similar to the OECD regional Gini coefficient) that assessed Kazakhstan as a country with the highest level of regional - sub-national - income divergence. From the Kuznets curve perspective, Kazakhstan is a middle-income country positioned on the upward-sloping part of the curve, meaning a rise of inter-regional inequalities should be expected. He also confirmed that global inequality has been declining since the early 2000s, as the middle-income countries are climbing up the world's income league tables. It was mentioned that Poland, with its relatively low level of inter-regional inequalities could become a good regional policy role model for some countries like Kazakhstan. While being a middle-size East European economy with a low base, it managed to experience impressive growth but sustain reasonable spatial equality.

The subsequent discussion focused on the importance of developing the economic potential of regions that had fallen back on economic performance in order to make sure that the economy of Kazakhstan could perform to the highest level of efficiency while improving the economic and social prospects for all people of Kazakhstan – and the opportunities to fulfil their talent – wherever they live.