

Public Policy Efficiency in SME Development: Analysis of Kazakhstan's State Programs and Urban Implementation Challenges

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Abstract: Small and medium-sized enterprises (SMEs) are widely recognized as key drivers of economic growth, innovation, and employment. In Kazakhstan, the government has introduced a range of public policy programs aimed at supporting SME development, particularly through financial support, infrastructure access, and institutional facilitation. However, despite ambitious objectives, the effectiveness of these programs remains uneven, especially at the urban level. This article analyzes the efficiency of state programs supporting SMEs in Kazakhstan, with a specific focus on their implementation in the city of Almaty. Using a mixed-methods approach that combines policy document analysis and empirical data review, the paper identifies critical implementation challenges, including administrative complexity, limited digitalization, and weak monitoring mechanisms. The findings suggest that while Kazakhstan has made progress in establishing a supportive policy environment for SMEs, significant barriers persist that hinder practical outcomes. The article concludes with targeted recommendations for improving policy efficiency through localized adaptation, stronger digital tools, and enhanced inter-agency coordination.

Keywords: SMEs, public policy, policy efficiency, Kazakhstan, state programs, Almaty, program implementation, urban governance, economic development, digital transformation

1. Introduction

Small and medium-sized enterprises (SMEs) are widely regarded as a cornerstone of sustainable economic development, contributing substantially to GDP, job creation, and innovation across both developed and emerging economies. In Kazakhstan, SMEs accounted for approximately 36.5% of the national GDP and over 3.9 million jobs as of 2023, according to the Bureau of National Statistics. These figures underscore the strategic importance of fostering a dynamic and resilient SME sector in the country's broader economic transformation agenda.

To this end, the government of Kazakhstan has implemented a range of state programs aimed at supporting SMEs, such as the "Business Roadmap 2025" and the "National Entrepreneurship Development Project." These programs offer financial support, business consulting, infrastructure access, and regulatory facilitation to

entrepreneurs. While the strategic vision behind these initiatives aligns with global best practices, the effectiveness of program implementation remains a subject of debate among researchers, practitioners, and policy stakeholders.

This study explores the efficiency of public policies aimed at SME development in Kazakhstan, focusing specifically on the challenges of implementation at the urban level. The city of Almaty, as the country's largest economic hub and a focal point for entrepreneurship, serves as the primary case study. By analyzing policy frameworks, empirical data, and local dynamics, this paper aims to identify structural weaknesses in policy execution and propose actionable recommendations for increasing the real-world impact of state interventions.

The central research questions are as follows:

- To what extent are Kazakhstan's SME support programs effectively implemented at the urban level?
- What barriers hinder their success in cities like Almaty?
- How can public policy be adapted to ensure greater efficiency and inclusiveness in SME development?

By addressing these questions, the article seeks to contribute to the academic discourse on public policy evaluation and provide insights that are directly applicable to Kazakhstan's ongoing economic reforms.

2. Literature Review

The efficiency of public policy in SME development has been a focal point of academic and policy-oriented research for several decades. Numerous studies emphasize that beyond the formulation of support programs, the actual implementation and adaptability of such policies determine their impact (Grindle, 1980; Pressman & Wildavsky, 1984). In the context of transition economies, where institutional structures are still evolving, effective policy implementation becomes both a technical and political challenge.

The theoretical basis of this study draws on the New Public Management (NPM) paradigm, which advocates for results-oriented governance, accountability, and performance measurement in public administration (Hood, 1991). NPM underscores the need to treat public policy as a system of outcomes, where efficient allocation of resources and user-centric service delivery are crucial. This is particularly relevant to SME policies, which require coordination between various state agencies and alignment with market needs.

International literature highlights several determinants of SME policy success:

- institutional quality and rule of law (North, 1990);
- accessibility and transparency of state support (OECD, 2017);
- integration of digital tools in public service delivery (World Bank, 2021);
- and regional adaptability of national frameworks (European Commission, 2020).

In the Kazakhstani context, studies by Tulebayev (2019), Yespolov et al. (2021), and the Strategic Research Institute under the President of Kazakhstan (KazISS, 2022) confirm the country's consistent policy focus on SME development. However, they also point to structural bottlenecks such as excessive bureaucratic procedures, weak monitoring systems, and poor alignment between national goals and local implementation.

Almaty, being Kazakhstan's largest city and business center, presents a paradox: while it boasts the highest SME concentration in the country, local entrepreneurs report significant issues with access to support instruments and inconsistent program delivery (Atameken, 2023). This reflects a broader policy dilemma between national design and urban-level execution, which remains underexplored in the literature.

Thus, this study positions itself at the intersection of policy evaluation, urban governance, and economic development, aiming to bridge the gap between normative program frameworks and their actual performance in Kazakhstan's largest urban economy.

3. Methodology

This research adopts a qualitative-quantitative (mixed-methods) approach to assess the efficiency of Kazakhstan's public policy in supporting small and medium-sized enterprises (SMEs), with a specific focus on urban implementation in the city of Almaty. The methodological framework includes three complementary components:

Policy Document Analysis

The first step involves an in-depth analysis of national-level strategic documents and SME-related state programs. This includes:

- *"Business Roadmap 2025"*,
- *"National Project for Entrepreneurship Development"* (2021-2025),
- and relevant legal frameworks such as the Law on State Support of Entrepreneurship.

The goal is to identify declared objectives, implementation mechanisms, target indicators, and program priorities. This enables the mapping of policy intentions against actual implementation outcomes.

Empirical Data Review

To evaluate program performance, this study uses data from:

- the Bureau of National Statistics of Kazakhstan (2020-2024),
- regional SME reports from Almaty Akimat,
- and analytical bulletins from Atameken National Chamber of Entrepreneurs.

Key indicators include:

- number of registered and active SMEs,
- share of SMEs in GDP and employment,
- volume of financial support allocated and utilized,

- number of program beneficiaries.

Data are analyzed to detect patterns and gaps between program goals and real economic impact.

Expert Observations and Case Study Synthesis

To complement the statistical and documentary analysis, the research incorporates findings from prior expert interviews and surveys (e.g., Atameken 2023 SME Barometer) and official evaluation reports. Almaty is selected as the case study due to its high SME density and availability of disaggregated urban-level data.

This urban case allows for the identification of local implementation barriers, such as:

- administrative overload at the district level,
- low awareness of programs among entrepreneurs,
- and weak feedback mechanisms between SMEs and policymakers.

This triangulation approach ensures both breadth and depth in the analysis, balancing macro-level policy assessment with micro-level urban diagnostics. The research design provides a robust basis for formulating context-sensitive recommendations in subsequent sections.

4. Empirical Findings and Discussion

Kazakhstan has consistently positioned small and medium-sized enterprises (SMEs) as strategic drivers of diversification and sustainable economic development. A closer look at the implementation of SME-support programs in Almaty, the country's most economically active region, reveals both progress and persistent structural challenges.

Table 1.

SME Development Indicators in Almaty (2020-2024)

Year	Registered SMEs	Active SMEs	SMEs in GDP (%)	SME Employment
2020	155,000	112,000	29.3	850,000
2021	160,500	118,000	30.1	890,000
2022	168,000	125,000	32.5	930,000
2023	172,300	131,200	34.2	975,000
2024	178,000	135,500	36.5	1,020,000

Trends in SME Dynamics (2020-2024)

Table 1 summarizes the key indicators of SME development in Almaty between 2020 and 2024.

- The number of registered SMEs increased from 155,000 in 2020 to 178,000 in 2024, reflecting a moderate upward trajectory (+14.8%).
- The number of active SMEs (i.e., those engaged in actual economic activity) rose from 112,000 to 135,500 over the same period, indicating an approximate 21% growth.
- The contribution of SMEs to Almaty's GDP expanded from 29.3% in 2020 to 36.5% in 2024, underscoring the increasing structural importance of the sector.

- Employment in SMEs rose steadily, with nearly 170,000 new jobs created in four years, reaching over 1 million employees by 2024.

These trends suggest that state-supported development policies have had a measurable macroeconomic impact, particularly in terms of enterprise activation and job creation. However, a deeper review reveals several underlying weaknesses.

Implementation Challenges in Almaty

Despite positive indicators, interviews with local stakeholders and prior evaluations (Atameken, 2023) indicate persistent implementation barriers:

- Administrative complexity: Many SMEs, particularly micro-enterprises, face difficulty navigating registration and subsidy procedures, which are often not fully digitized or user-friendly.

- Limited access to information: Surveys report that up to 40% of eligible entrepreneurs in Almaty are unaware of existing support programs or do not understand eligibility criteria (KazISS, 2022).

- Inequitable distribution of support: Larger, more established SMEs tend to receive a disproportionate share of financial assistance, while new and informal businesses are often excluded.

- Monitoring and feedback gaps: There is no consistent feedback loop between SMEs and program administrators, which limits adaptive policy learning and reform.

These findings are consistent with broader critiques in the literature regarding the “design-delivery gap” in public administration, particularly in urban economies where policy overload and institutional fragmentation are prevalent (Tulebayev, 2019).

Interpretative Analysis

The upward trend in SME performance metrics in Almaty coincides with the rollout of key national programs. However, correlation does not necessarily imply causation. External factors such as post-pandemic recovery, demographic shifts, and informal sector regularization may have influenced the observed growth.

Therefore, while Kazakhstan’s state programs likely contributed to SME development, their efficiency remains constrained by uneven implementation, especially at the urban level. Addressing these inefficiencies requires not only more funding but smarter delivery mechanisms, local capacity building, and digital integration.

5. Policy Recommendations

Based on the empirical analysis and identified implementation challenges, this section offers targeted policy recommendations aimed at enhancing the efficiency and inclusiveness of SME support programs in Kazakhstan, with a focus on urban contexts like Almaty.

Localized Program Adaptation. While Kazakhstan’s SME policies are well-designed at the national level, their urban application often lacks flexibility. Regional

executive bodies should be granted greater discretion to tailor program parameters to local economic conditions. In the case of Almaty, this may involve differentiated support mechanisms for:

- high-tech startups,
- service-based micro-enterprises,
- and informal SMEs transitioning to formal registration.

Municipal economic development departments should play a more active role in coordinating implementation and collecting localized performance data.

Expansion of Digital Public Services. A major bottleneck in policy delivery remains the fragmentation of digital services. Despite the existence of platforms like *eGov.kz* and *Atameken Services*, many entrepreneurs report difficulty navigating support tools and obtaining accurate, updated information.

To address this, we recommend:

- the creation of a centralized SME digital portal for all support programs,
- integration of feedback forms, status tracking, and online application modules,
- and expanded digital literacy campaigns targeting SME owners.

Digital transformation should also include real-time monitoring dashboards for program administrators.

Equity-Oriented Access to Finance. Currently, funding from SME programs often favors medium-sized or well-connected firms. A more inclusive system of grant-based microfinance and credit guarantees for startups should be established. Moreover:

- transparent scoring and eligibility rules should be published online,
- independent third-party evaluation mechanisms can be introduced to prevent favoritism or capture,
- special quotas or bonuses may be offered to youth, female entrepreneurs, or innovative sectors.

Strengthening Feedback and Accountability Loops. One of the most critical weaknesses is the lack of structured two-way communication between SMEs and policymakers. Effective policy learning requires:

- regular SME satisfaction surveys,
- annual public hearings or town halls on program performance,
- mandatory publication of program evaluation reports with citizen-accessible formats.

Such mechanisms enhance trust, participation, and transparency, all of which are essential components of effective governance.

Capacity Building at the Municipal Level. Finally, the professionalization of local implementers must be prioritized. This includes:

- mandatory policy implementation training for akimat staff,
- incentivizing inter-agency cooperation through KPI-linked bonuses,

- and creating urban innovation labs to pilot new SME support models.

These recommendations aim not only to correct operational inefficiencies but to reframe SME policy delivery as an adaptive, feedback-driven process rooted in the lived experience of entrepreneurs.

6. Conclusion

This study examined the efficiency of public policy in supporting small and medium-sized enterprises (SMEs) in Kazakhstan, focusing specifically on the challenges of program implementation at the urban level, with Almaty as a case study. Through a combination of policy analysis and empirical data review, the research has shown that while national programs such as *Business Roadmap 2025* and the *National Entrepreneurship Development Project* have contributed to measurable improvements in SME growth and employment, significant structural and institutional barriers continue to hinder their full effectiveness.

The findings reveal a clear implementation gap between national-level program design and local-level delivery, manifested in administrative complexity, limited digitalization, and insufficient feedback mechanisms. The case of Almaty highlights the paradox of high SME concentration coexisting with uneven access to support tools and low program awareness among entrepreneurs.

To enhance policy efficiency, the study recommends five core reforms: (1) greater localization of program design, (2) expansion and integration of digital platforms, (3) more equitable access to financial resources, (4) strengthened accountability and feedback systems, and (5) improved implementation capacity at the municipal level. These recommendations align with international best practices and are grounded in the local realities of Kazakhstan's urban economic environment.

In conclusion, SME development policy in Kazakhstan is at a critical inflection point. Sustaining progress requires not only investment and regulation but also governance innovation that brings the policy process closer to its intended beneficiaries. Future research could build on this analysis by conducting comparative studies across multiple Kazakhstani cities or exploring the role of informal enterprises in policy outcomes.

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