

Kazakhstan	2021
Population, million	19.0
GDP, current US\$ billion	197.1
GDP per capita, current US\$	10,387.9
School Enrollment, primary (% gross) ⁽²⁰²⁰⁾	100.3
Life Expectancy at Birth, years ⁽²⁰²⁰⁾	71.4

CONTEXT

Since the 2000s, Kazakhstan has seen impressive economic growth driven by the first generation of market-oriented reforms, abundant mineral resources extraction, and strong FDI. Sustained economic growth has transformed the country into an upper middle-income economy, commensurately raising living standards and reducing poverty.

This progress, however, masks vulnerabilities and unevenness in the country's development model. Slowing economic growth, growing inequality and elite capture, and weak institutions reflect the flaws of the resource-based and state-led growth model and raise the risk that Kazakhstan could become stuck in the "middle-income trap."

Kazakhstan needs to strengthen competition and human capital, and improve public sector and SOEs performances. The country should also initiate reforms in carbon and energy pricing, strengthen social protection, and invest in climate adaptation.

World Bank Portfolio

- No. of Projects: 7
- Lending: US\$3.8 billion
- IBRD: 6 loans
- TF: 1 grants

STRATEGY

Country Partnership Framework for 2020–25

The partnership between Kazakhstan and the World Bank Group (WBG) is outlined in the [Country Partnership Framework](#) (CPF), developed in consultation with counterparts and civil society to guide a new investment program and quality technical assistance to the Government for 2020–25.

The CPF is fully aligned with the Government's reform program and Kazakhstan's 2050 development strategy to accelerate the country's transformation into a modern society with a knowledge-based, diversified, and private sector-driven economy.

The CPF focuses on the following priority areas:

- **Promoting inclusive growth** by strengthening the environment for private sector development, promoting the market-led transformation of the agriculture sector, and bolstering the connectivity infrastructure

- **Strengthening human capital** by closing the gap along regional and rural-urban divides in the delivery of education, health, and social protection services
- **Securing sustainable, resilient, and low carbon growth** by managing natural capital, including land and water resources, promoting less energy intensity, and strengthening institutions and service delivery

Underlying these focus areas is the cross-cutting theme of more effective governance and strengthened market and social institutions.

Key Engagement

Since 2003, the World Bank has significantly extended its Advisory Services and Analytics (ASA) provided under the Joint Economic Reform Program (JERP). Over the years, the program has proven to be an innovative solution, with a client-driven knowledge agenda and Bank-selected work, bringing in and building up international experience.

The JERP is structured around the Government's strategic priorities and focuses on development gaps in growth, governance, and the public service delivery agenda. The program is designed to ensure strong government ownership while enhancing the Bank's contribution to the country's development in a way that goes beyond funding.

ECONOMY

Recent Economic Developments

Growth slowed in 2022, mainly due to the negative spillovers from the war in Ukraine. It reached 3.4% year-on-year in H1, from 4.1% in 2021. Retail sales growth slowed to 1.2% yoy in the same period. Investment grew by 3.6% yoy in H1 as FDI rebounded in the oil and gas sector after two years of decline. On the supply side, manufacturing, and services both contributed to growth.

A sharp increase in international oil, gas and metal prices were a boon to exports, driving a trade balance improvement and flipping the current account into surplus in H1 2022 (of US\$6.6 bn, compared to a deficit of US\$2.8 bn in H1 2021).

Consumer price inflation reached 16.1% yoy in August, almost double the rate a year earlier, driven by rising costs of food. The authorities tightened monetary policy and imposed price caps on staple products and limited fuel and utility price increases. Since January, the tenge exchange rate against U.S. dollar depreciated 10%.

Official unemployment rate remained unchanged at 4.9% and real wages rose by 8.9% in Q2, despite high inflation. The poverty rate is expected to decline further to 15.5% in 2022 from a high of 25.6% observed in the midst of the pandemic. The poverty line for Kazakhstan was updated from the previous \$5.5 in 2011 PPP to a new \$6.85 level based on 2017 PPP.

Economic Outlook

There are several downside risks to the growth outlook. The war in Ukraine could result in the shutdown of the Caspian Pipeline Consortium (which carries about 80% of Kazakhstan's oil exports) leading to large economic and fiscal revenue losses. Inflationary pressure may further erode incomes and exacerbate social

tensions. Tightening global financial conditions could increase risk aversion, reduce inflows of FDI, and put pressure on the tenge exchange rate.

Economic growth is expected to decelerate to 3 % in 2022, as economic activity has been affected by lower-than-expected production of oil, high inflation and monetary policy tightening that is constraining consumer spending and private sector borrowing. Inflation is expected to moderate through 2023, but remain above the target range, which may warrant tighter monetary policy.

In 2023-24, GDP growth is expected to accelerate to 3.5 and 4.0% (below expectations prior to the war in Ukraine), aided by additional oil coming on stream from the Tengiz expansion project. The outlook is conditional on the assumption that crude oil shipment through the CPC pipeline will not be disrupted. Consumer spending is expected to gather steam as inflation subsides, whereas exports are projected to remain subdued, due to weakening demand from China and the eurozone.