



REPUBLIC OF KAZAKHSTAN

SELECTED ISSUES

January 2026

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January 5, 2026

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Department

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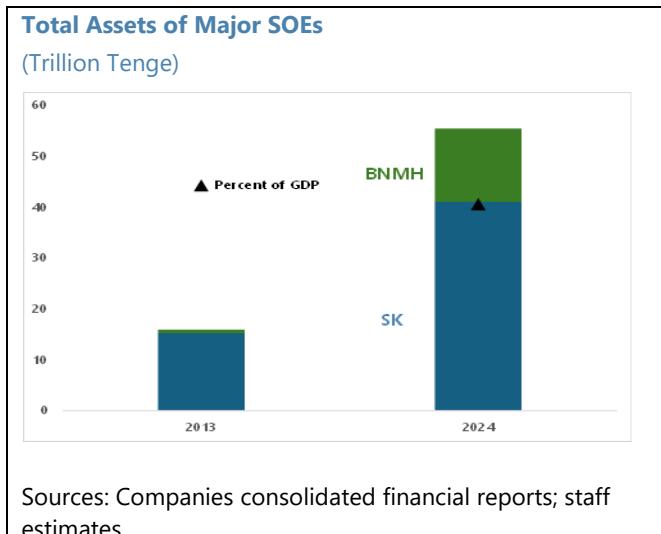
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KAZAKHSTAN: STATE-OWNED ENTERPRISES, THE FISCAL STANCE, AND RISKS¹

State-owned enterprises (SOEs) remain a cornerstone of Kazakhstan's economy and growth model. Their large presence has two key implications for policy. First, SOEs' quasi-fiscal activities conducted outside the fiscal framework obscure the overall fiscal stance, complicating macroeconomic management, while crowding out private sector activity. Second, the performance and liabilities of SOEs pose contingent fiscal risks, particularly if commodity prices decline or financial conditions tighten. This paper estimates that the balance sheet expansion by major SOEs averaged about 20 percent of the state budget expenditure over the past five years. If this activity were booked as budgetary expenditure, the non-oil deficit would have been about 3.5 percentage points higher in 2024–25, indicating a larger fiscal expansion than recorded in official budget figures. Additionally, the ongoing underperformance of several SOEs could create significant contingent fiscal risks for the government. Therefore, policymakers should carefully calibrate SOEs' investment plans to ensure consistency with the overall fiscal stance, regularly monitor the financial health and performance of SOEs, and evaluate their potential impact on public finances. Limiting quasi-fiscal activities, enhancing transparency, strengthening governance, and accelerating privatization are critical reforms to implement.

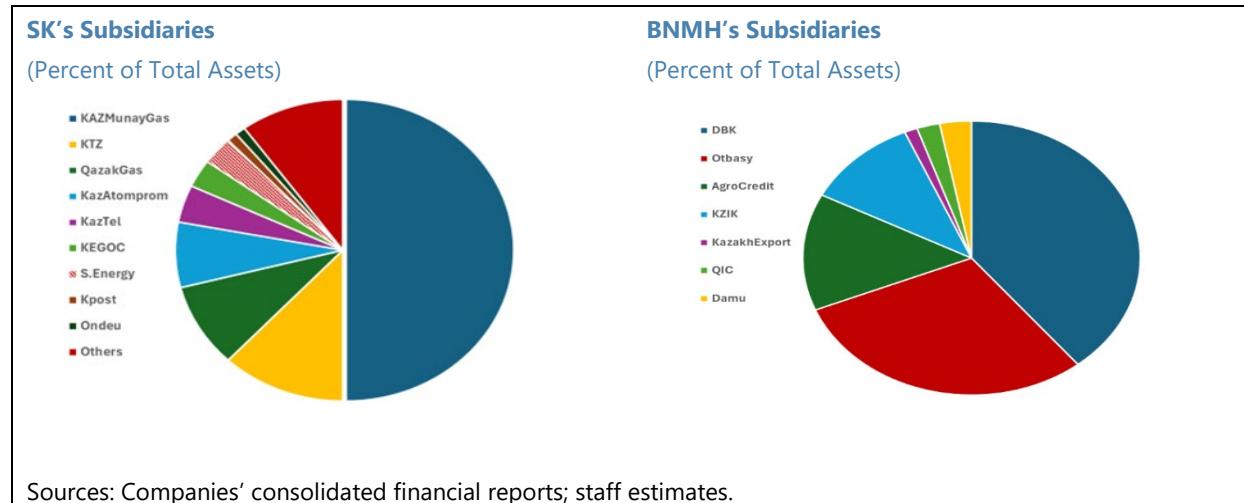
A. Background

1. Kazakhstan inherited thousands of state enterprises after the collapse of the Soviet Union in 1991. In the 2000s, the government created large holding structures to manage state assets: Samruk Kazyna (SK) in 2008 and Baiterek National Managing Holding (BNMH) in 2013. SK oversees strategic assets in key sectors such as oil, gas, electricity, telecommunications, and infrastructure. BNMH was formed from several development banks and funds, with the aim of supporting lending to SMEs, housing, agriculture, and infrastructure projects. Total assets of SK and BNMH more than tripled from about 16 trillion tenge in 2013 to 55 trillion tenge (about USD 110 billion) in 2024 (text chart). Their combined economic footprint has been persistently high, at around 40 percent of GDP on average.



¹ The paper was prepared by Dyna Heng and Thomas Piontek. The authors are grateful to the participants of the seminar at the National Bank of Kazakhstan on November 17, 2025, for their helpful comments and suggestions.

2. SOEs carry out policy mandates on behalf of the state, such as housing subsidies, SME lending, and infrastructure development. SK manages a substantial portfolio of non-financial SOEs. As of end-2024, SK's assets amounted to the equivalent of 31 percent of GDP, while its debt stood at around 12 percent of GDP. Key companies in SK's portfolio include the oil and gas giant KazMunaiGas, uranium producer Kazatomprom, national airline Air Astana, electricity system operator KEGOC, telecommunications provider Kazakhtelecom, and postal operator Kazpost. KazMunaiGas is by far the largest subsidiary, accounting for roughly 50 percent of SK's total assets, while Kazakhstan Temir Zholy (KTZ), QazaqGas, and Kazatomprom each represent more than 5 percent of the portfolio.



3. BNMH's balance sheet has also grown substantially, from less than one percent of GDP to about 10 percent in 2024. BNMH and its subsidiaries extend support to hundreds of investment projects (SMEs, industry, housing) (text chart). BNMH's total assets roughly doubled from 2020 to about 13 trillion by end 2024, largely driven by large lending programs. BNMH's Otbasy Bank, for instance, has facilitated affordable mortgages for tens of thousands of households of families under the Nurly Zher program. Similarly, the Development Bank of Kazakhstan (DBK) is a key state-owned financial institution focused on supporting Kazakhstan's economic development by providing long-term financing and fostering strategic projects. In 2024, DBK allocated about KZT 1.5 trillion to finance 58 projects, nearly doubling its project financing to 43 projects in 2023.

4. SOEs' quasi-fiscal activities can promote economic development and support the provision of important public goods and services but should be well integrated in the fiscal framework. The deployment of SOE balance sheets has helped cushion the impacts from economic downturns and restore financial stability following crisis episodes (see, for example, IMF 2018). However, if not transparently integrated into the fiscal framework, SOE activity can also obscure the overall fiscal stance and thus complicate macroeconomic management. Moreover, poorly performing SOEs can be costly for public finances and generate significant fiscal risks, while also crowding out private sector activity. Risks can arise from multiple sources, including lower than expected dividends, royalties or taxes received from SOEs, higher subsidies, the non-repayment of loans, need to service guarantees on their borrowing, or equity injections to cover previous losses.

5. Considering Kazakhstan's large SOE sector, the Government has embarked on substantial reform efforts aimed at enhancing the governance and performance of SOEs. In 2023, the President announced a need to reduce the share of the state in the economy and to reform SOEs, in line with the 2025 National Development Plan and the 2030 Concept for the Development of Public Administration, including the intention to accelerate the privatization process.² The President particularly noted the acceleration of the privatization processes and public IPOs in order to enhance both transparency and efficiency in state asset management. The President directed the government to initiate the privatization of all non-core assets and to start conducting public IPOs for companies under SK, beginning in 2024. SOE privatization activities have taken shape with the IPO of Air Astana in February 2024, serving as a key indicator of the government's intent and capacity for reforms. The National Office for Privatization has continued its efforts aimed at privatization of SK's companies, including Tau-Ken Samruk (national mining company) and Kazakhtelecom, as well as plans to hold IPOs for Kazakhstan Temir Zholy (national railway company) by the end of 2025 and for QazaqGaz in 2026-2027.

6. SOE privatization plans are taking shape alongside further reforms to reduce the state's economic footprint and improve transparency. The Ministry of the National Economy (MNE) announced a list of about 500 SOEs that are approved to be privatized, merged, or liquidated by 2030, with the state retaining only socially significant and strategic industries under its control. In addition, the MNE, alongside the Ministry of Finance (MOF), is planning on putting in place a national report of the quasi-state sector, which is a type of aggregate reporting. The plan is to have an annual report, with the MNE developing the type of reporting and the MOF administering the collection of information. It will be published online with the aim of support monitoring activities and feeding into the privatization plans of Kazakhstan, including by providing clear indications on which companies are to be reformed or liquidated.

B. SOEs and the Fiscal Stance

7. Understanding the overall fiscal stance is critical for macroeconomic policy design, yet the sizable role of SOEs in Kazakhstan makes this assessment challenging. Fiscal reporting in Kazakhstan does not cover all entities engaged in public activity as defined by international standards, and institutional coverage varies across official publications (IMF, 2023). Current reports capture only parts of central and general government, leaving major gaps. Most notably, a large share of quasi-government entities (QGEs) by SOEs remains entirely outside of the fiscal reporting, creating significant blind spots in assessing the true public sector position.

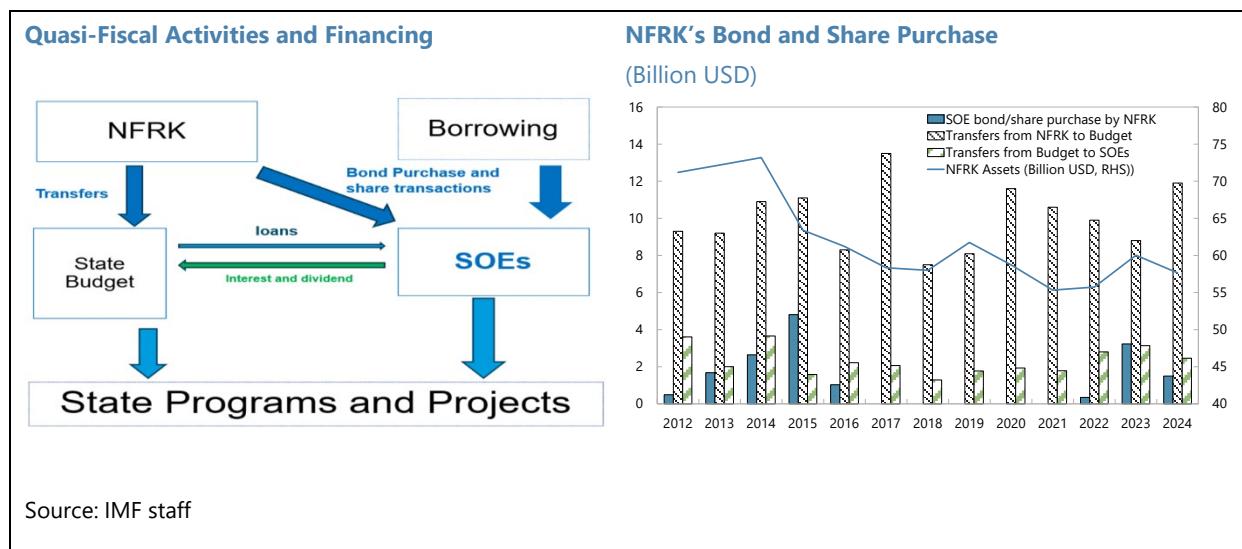
8. This paper seeks to fill this gap by providing an assessment of the broader picture of the overall fiscal stance in Kazakhstan in recent years. We first examine the evolution of the balance sheets of SK and BNMH and then incorporate this into the assessment of the fiscal stance. The focus is on estimating the size of the overall fiscal impulse by combining the balance sheets of

² See President Tokayev's September 2023 state-of-the-nation address: <https://www.akorda.kz/en/president-kassym-jomart-tokayevs-state-of-the-nation-address-181857>

SK and BNMH with budget data. It should be noted that even with this broader coverage, fiscal reports still fall short of capturing the entire public sector in Kazakhstan, which includes at least 24,300 legal entities under international statistical definitions (IMF, 2023). However, expanding coverage to include these major players (SK and BNMH) substantially improves the fiscal stance assessment given their significant footprint in the economy.

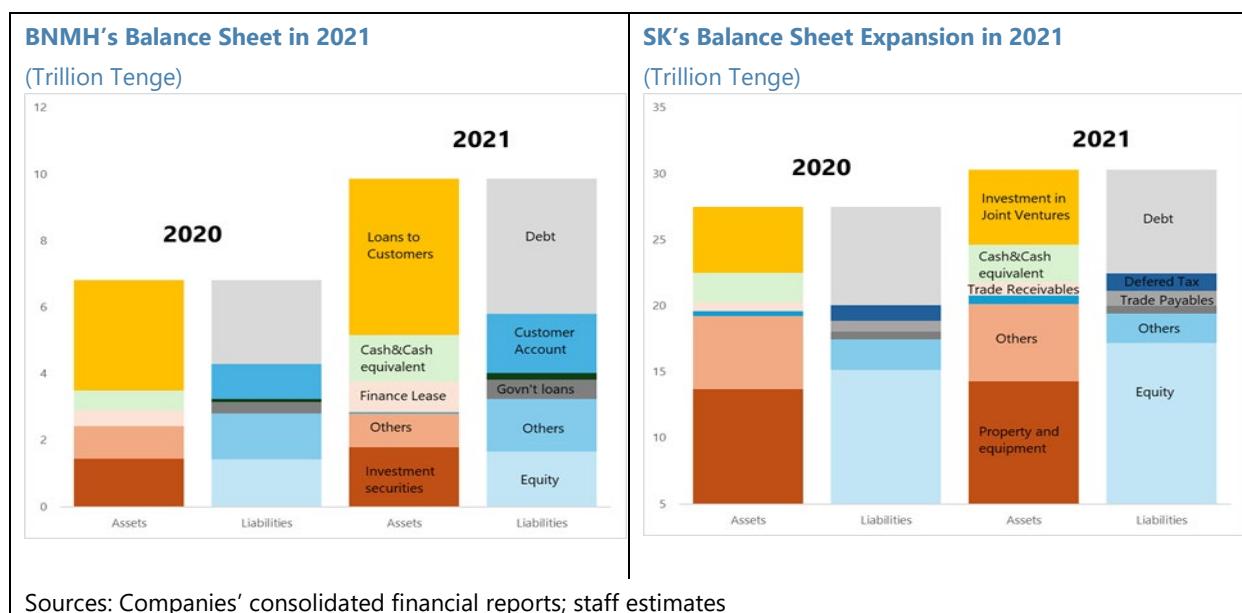
9. In this paper, we measure the SOE fiscal impulse primarily through changes in total assets, consistent with balance-sheet approaches.³ This indicator largely captures growth in fixed assets, financial assets (including loans and equity injections), and operating losses. Because SOEs often undertake quasi-fiscal activities—such as subsidized lending, below-cost services, and debt-financed investment—that influence aggregate demand outside the budget, balance-sheet expansion provides a meaningful proxy for the off-budget fiscal impulse. As a robustness check, we also examine changes in capital expenditure and net lending, reflecting the operating characteristics of SK and BNMH. For instance, when a SOE borrows to finance investment, both assets and liabilities increase, and the rise in fixed assets and loans reflects the fiscal impulse from balance-sheet expansion.

10. SOEs implement state programs and investment projects with transfers from the state budget, debt issuance, and earned profits. The National Oil Fund (NFRK) and the Unified Accumulated Pension Fund (UAPF) also purchase bonds issued by major SOEs. For example, in July 2024, the NFRK acquired a 12 percent stake in Kazatomprom valued at approximately 467.4 billion tenge, following its 2023 purchase of a 1.3 trillion tenge stake in KazMunayGas. As of June 2025, the NFRK held about 3.3 trillion tenge in SOE-issued debt instruments and 1.8 trillion tenge in SOE equity. The share of the NFRK's assets denominated in domestic currency rose from less than 5 percent in 2013 to around 12 percent by the end of 2024, indicating a rise in domestic financing to SOEs from the oil fund.



³ See, for example, Hooley et al. (2023), IMF (2018), and Freinkman et al. (2003).

11. SK and BNMH's balance sheets have expanded particularly during the economic downturns, providing support to economic activity. As seen during the global financial crisis of 2008–2009, the oil price collapse of 2014–2015, and the COVID-19 pandemic, SOEs' balance sheets expanded significantly, reflecting the government's efforts to mitigate the impacts of these shocks and stimulate the economy. SK's total asset increased by about 50 percent in 2009, 27 percent in 2015, and 11 percent on average after 2020. Similarly, BNMH's balance sheet expanded by 49 percent in 2015, 31 percent in 2020 and 45 percent in 2021. The charts below illustrate the balance sheet dynamics of BNMH and SK in 2021. BNMH significantly expanded its assets through higher lending, increased leasing operations, and a rise in short-term loans provided via reverse repurchase agreements (recorded as cash equivalents). This expansion was financed by substantial new borrowing and a notable shift of pension savings into its subsidiary bank.⁴ In the same year, SK's balance sheet expanded, largely driven by investment, new construction, and increased deposit placement with financial institutions, financed largely from new debt and retained earnings.



12. Between 2019 and 2024, SOEs' balance sheets expanded on average by an amount equivalent to 20 percent of the state budget expenditure. If this activity were booked as budgetary expenditure, the non-oil deficit would have been about 3.5 percentage points higher in 2024. Over the past five years, SOEs would have added an additional 4.5 percentage points, on average, to the deficit.⁵ Taking this into account, the actual fiscal stance during this period was even more expansionary than implied by budget data alone. Estimates indicate the cumulative fiscal impulse between 2019 and 2024 was substantially larger than the budget-based figure⁶ (text charts).

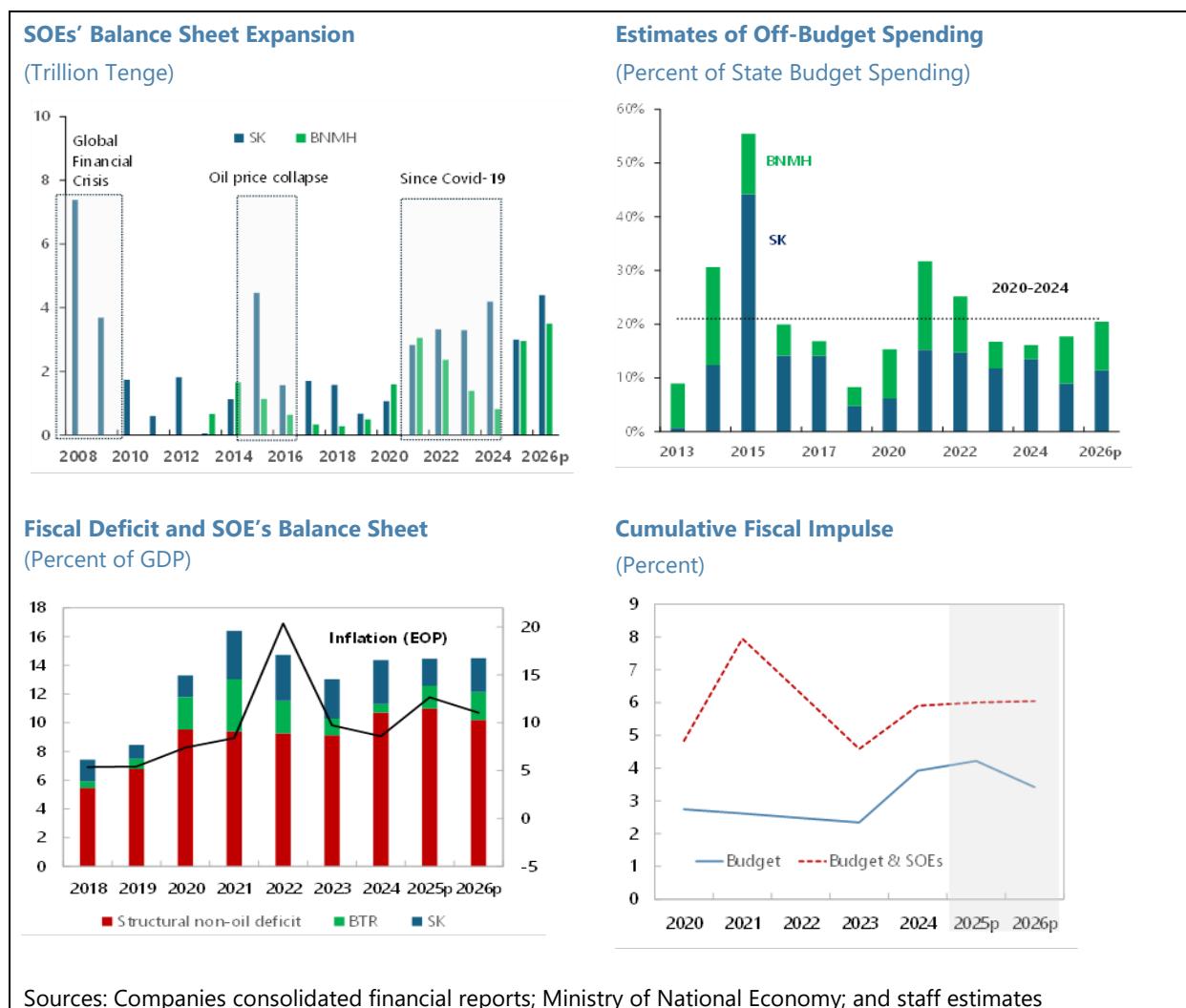
⁴ In 2021, Kazakhstan allowed individuals to transfer part of their pension savings to Otbasy Housing Construction Savings Bank, a subsidiary of BNMH, for the purpose of buying a new house or improving their housing conditions.

⁵ The estimates are based on changes in total assets. Estimates using changes in total loans and investments point to an expansion of about 3 percent on average.

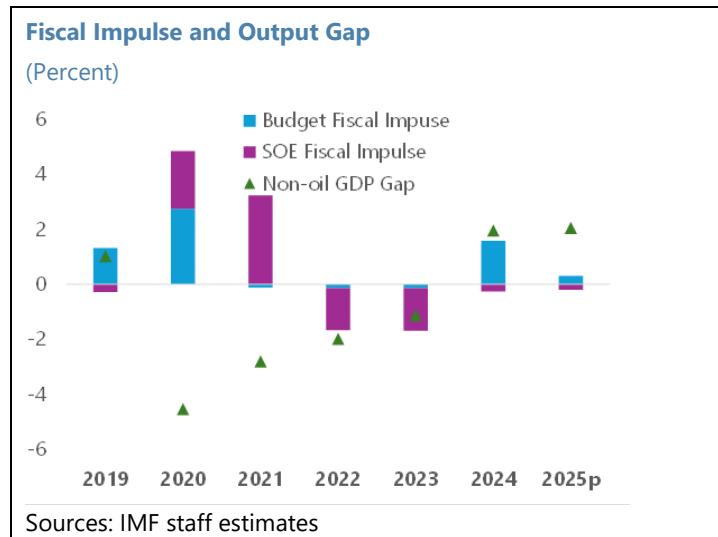
⁶ Fiscal impulse was slightly negative in 2022 and 2023, but was much smaller than the fiscal impulse in 2022 and 2021.

This has contributed to excess demand pressures and elevated inflation levels in Kazakhstan (Impavido, 2025). There was a strong positive fiscal impulse in 2020 and 2021 resulting from the measures taken by the government in response to the Covid pandemic.

13. While the 2026 state budget envisages fiscal consolidation, the rising quasi-fiscal activities of SOEs can blur the overall fiscal picture, complicating countercyclical policy formulation and enforcement of expenditure-based fiscal rules. BNMH has been mandated to scale up lending to non-oil infrastructure in 2026 by about 1.6 percentage points of GDP, supported by increased capitalization from the state budget, revolving facilities, and its own funds (See Appendix for details). Similarly, in 2026, SK plans to increase its fixed investment by about 50 percent, according to its 2025-2029 action plan. As a result, planned fiscal consolidation in the 2026 budget will be largely offset by expanding quasi-fiscal activities by SOEs, resulting in a continued overall loose public sector stance.



14. Putting it all together, overall fiscal policy has been pro-cyclical since 2019, except during 2020–2021 (text Chart). Such large quasi-fiscal activities by SOEs outside the state budget make it difficult to determine whether fiscal policy is restraining or stimulating demand. This, in turn, weakens the medium-term fiscal framework by undermining the credibility and effectiveness of expenditure rules. It also complicates macroeconomic policy calibration needed to contain inflation. Persistent procyclical behavior can amplify economic cycles and forces monetary policy to bear a disproportionate share of stabilization. Therefore, a credible adjustment in the fiscal stance and SOE plans is necessary to meet fiscal consolidation objectives and ensure overall restrictive public sector stance (see AIV report 2025).



C. SOEs and Fiscal Risks

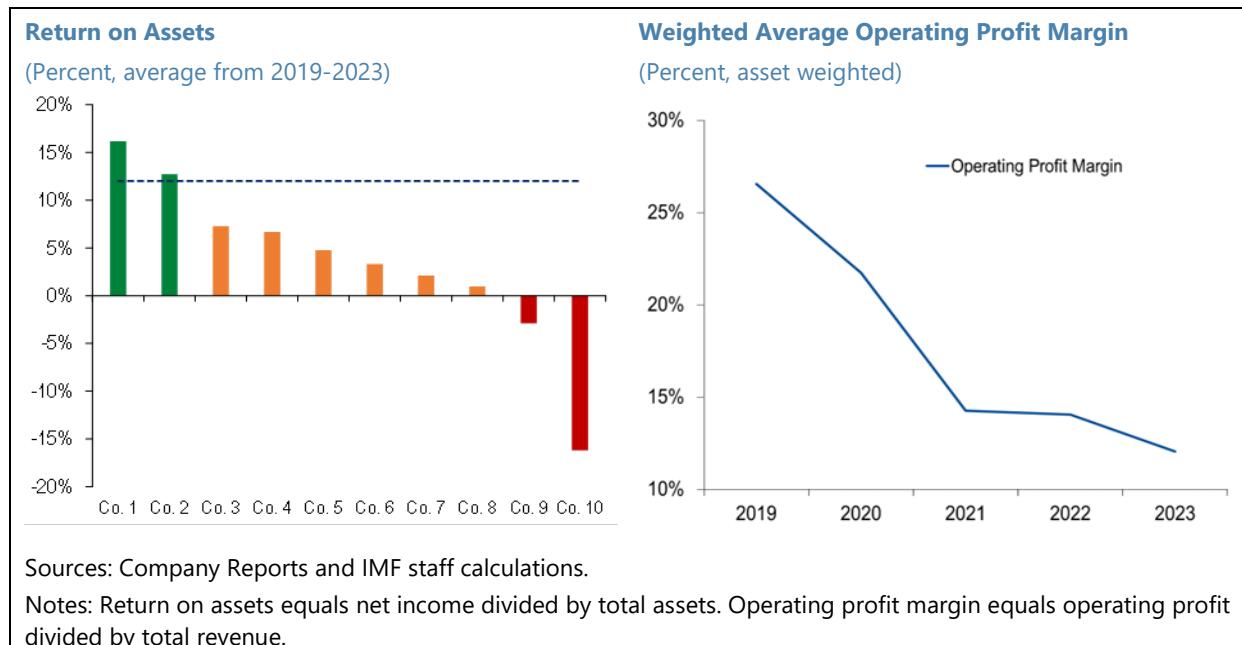
15. SOEs' large scale subsidized lending and implicit subsidies⁷ on electricity and fuel can erode profitability and create future contingent liabilities. In general, SOE liabilities pose fiscal risks, particularly if commodity prices decline or external financing conditions tighten (text table). Credit downgrades or bailouts could necessitate sudden public spending. SOEs may also face liquidity risks in servicing their debt, given the volatility of dividend payments and the limited diversification of revenue sources—for example, more than 50 percent of SK's total revenue was derived from oil and gas activities in 2024. In the past, the holding company has provided loans to SOEs facing liquidity shortages by reallocating surplus resources from cash-rich subsidiaries. However, if these liquidity challenges stem from deeper structural weaknesses, such stand-alone support, then necessary corrective measures could be delayed.

List of Explicit and Implicit Risks	
Explicit Fiscal Risks	Implicit Fiscal Risks
Lower Dividends or tax receipts from SOEs	SOEs' arrears, debt assumption
Higher budget transfers	Political risks
Debt guarantees	Commodity prices' shock
On-lending and loan subsidies	Insolvency (bail-out)
Equity injections (undercapitalized SOE)	Exchange rate risk from SOEs' external debt
Infrastructure projects (PPAs and PPPs)	Legal dispute

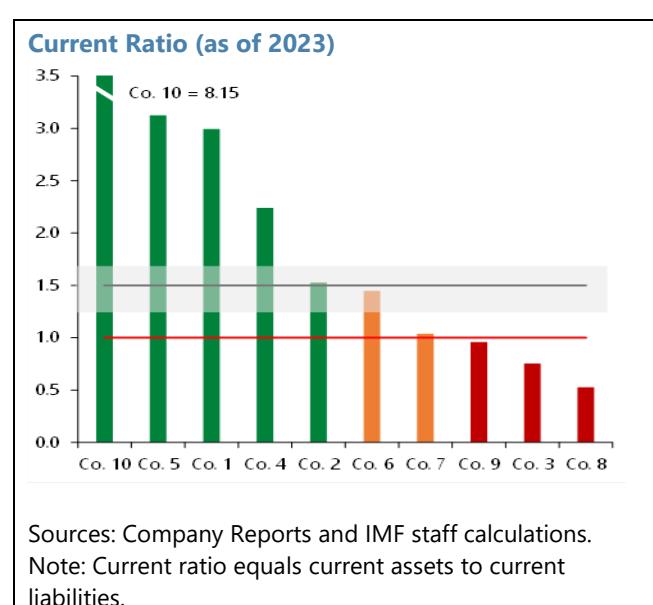
Source: IMF 2021, "State-Owned Enterprises in Middle East, North Africa, and Central Asia: Size, Role, Performance and Challenges."

⁷ By fixing prices of goods and services below market.

16. Profitability has substantially underperformed across most of the major subsidiaries and has potentially driven cross-subsidization within the SK holding company. Over the last five years of published balance sheet data (2019-23), only two of the subsidiaries have achieved an average return on assets (RoA) exceeding the average ten-year government bond yield over the period (text chart). Moreover, two of the companies have recorded sizeable financial losses. Operating margins have also notably declined, suggesting less revenue is available to cover financing costs (text table). The financial underperformance of eight of the ten subsidiaries could drive substantial cross-subsidizations within the holding company. Furthermore, funds could be reallocated between the subsidiaries outside the budget process and in a less than fully transparent way and result in SK paying a smaller dividend to the government than would otherwise be the case.

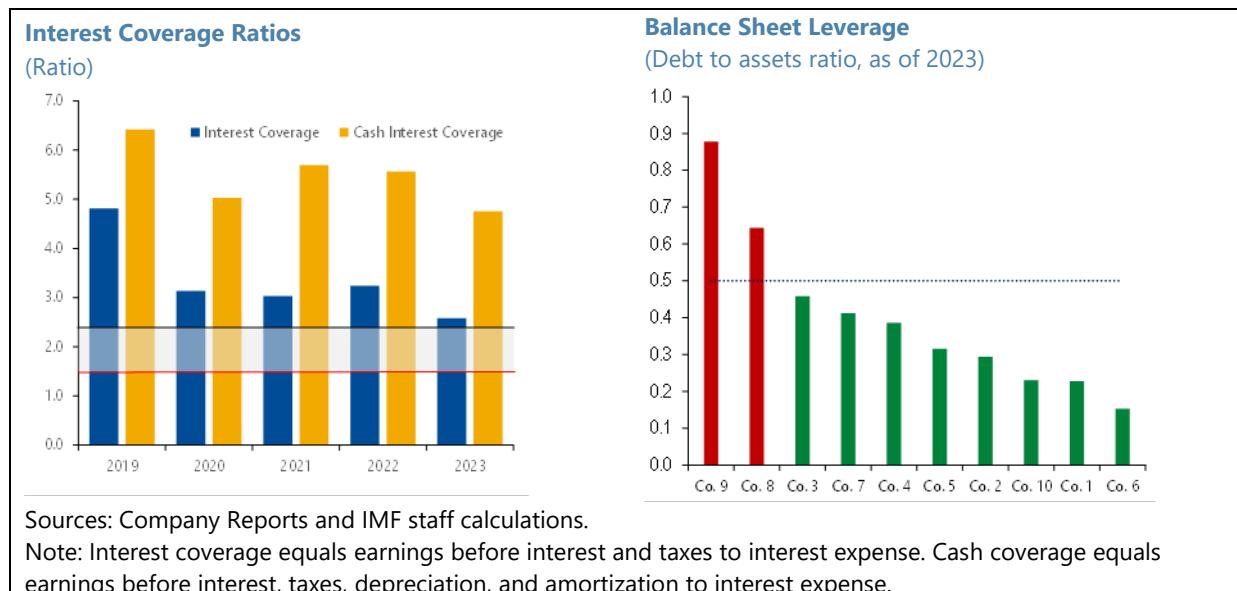


17. The liquidity of the subsidiaries, as measured by their current ratio (the ratio of current assets to current liabilities), ranged between around 0.5 and over 3.0 in 2023. The minimum accepted level for the current ratio is 1, when the company can just meet its current liabilities with its current assets. Two of the subsidiary companies had a current ratio below 1.5 but higher than the minimum threshold of 1 in 2023, indicating they have a medium level of liquidity risk. However, three of the subsidiaries had current ratios below 1, indicating a near-term liquidity shortfall as their liquid assets would



not be sufficient to cover short-term liabilities coming due within one-year.

18. The solvency of the subsidiaries varied substantially in 2023. Though cash levels remain ample, interest coverage ratios have not recovered to pre-pandemic levels and remain close to the 2 times interest expense threshold that can be considered an initial sign of financial strain and higher risk.⁸ In addition, as charts below indicate, one company had very high debt levels (over 85 percent), while at the other extreme another company's debt-to-assets ratio was below 0.2 percent. A generally accepted debt-to-assets ratio is between 0.4 and 0.6 percent, although this can vary by sector in and by the stage of the company's life cycle. The data suggest some of SK's subsidiaries are could be highly vulnerable with a combination of elevated leverage, thin liquidity buffers, and low profitability.



D. Policy Recommendations to Reduce Contingent Fiscal Risks

19. Fiscal management frameworks need to be strengthened to enable effective monitoring and reduce the government's exposure to SOEs. The MOF or MNE should be empowered to assess, monitor, and report on the fiscal impact and risks associated with SOEs. Such a framework could be developed gradually and later integrated into the overall public financial management system to ensure consistency. Improving fiscal risk management will require strengthening the legal and institutional framework, as well as building capacity within the Ministry of Finance to assess and oversee SOEs effectively. SOE debt should be integrated into fiscal analysis by broadening public debt definitions to capture the borrowing risks posed by SOEs.

20. Greater transparency is essential to managing fiscal interactions effectively and ultimately improving the financial health of SOEs. The full range of fiscal interactions should be regularly reported to the authorities and published. Detailed information on fiscal support received

⁸ See Palomino, Francisco, Stephen Paolillo, Ander Perez-Orive, and Gerardo Sanz-Maldonado (2019).

by SOEs and their contributions to the budget should be disclosed. Enhanced transparency and disclosure of SOE debt and government guarantees on SOE debt are crucial for adequately monitoring and mitigating fiscal risks. Additionally, the costs of quasi-fiscal activities should be reported transparently. It is also important to consolidate SOE-related fiscal risks within national fiscal accounts, including quasi-fiscal operations (QFOs) and contingent liabilities. Privatization efforts should be accelerated to reduce the state's footprint, free up resources, and improve efficiency, particularly in non-strategic sectors.

21. Policymakers need to establish clear policies and criteria for providing both extraordinary and regular support to SOEs. This includes evaluating the viability of SOEs and requiring restructuring plans where necessary. For SOEs facing prolonged financial difficulties and expecting significant losses, authorities should conduct a triage: non-viable SOEs without critical policy mandates should be divested, while those considered strategic or systemically important should be reformed and restructured to restore viability. At the same time, serious consideration should be given to privatization in sectors better suited for private sector participation. Quasi-fiscal operations should be limited by shifting policy mandates back onto the budget and compensating SOEs transparently.

22. A thorough review should be conducted regarding the rationale for SOE involvement in economic activities that private enterprises could more efficiently serve. There needs to be a commitment to levelling the playing field with the private sector by separating SOEs' commercial and non-commercial activities, minimizing financial and non-financial support or preferential treatment to SOEs, and reducing barriers to entry for potential competitors. In some cases, legislative changes may be required to ensure SOEs are subject to the same conditions as private firms; in others, enforcement of existing laws is necessary. Governance and monitoring should be strengthened by applying performance-based budgeting and enhancing oversight of SOEs. See the Kazakhstan 2025 Article IV Staff Report for recommendations on managing the overall policy mix, including by tightening the overall public sector fiscal stance by calibrating quasi-fiscal activities and curbing SOE-driven spending.

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Appendix I. Government's Plans to Promote Investment Growth

1. **The Government of Kazakhstan aims to reach USD 450 billion in GDP by 2029.** To support this goal, the authorities plan a substantial scale-up in investment to expand production capacity and boost gross value added in the industrial sector. In this context, the government aims to drive fixed capital investment—from USD 41 billion in 2024 (about 14 percent of GDP) to USD 103 billion in 2029 (about 23 percent of GDP).
2. **To stimulate investment activity, the government intends to mobilize multiple channels, including through BNMH (text chart).** Financing for these initiatives would come from a mix of budget capital injections, bond issuance, revolving facilities, and BNMH's own resources. At the same time, SK is planning an additional round of investment expansion in 2026 before gradually scaling down its capital expenditures.
3. **These plans have important macro-fiscal implications.** If implemented as described, the fiscal impulse from BNMH alone could offset the authorities' planned budgetary consolidation, complicating efforts to ensure a genuinely restrictive fiscal stance. This would make medium-term consolidation more difficult, as expansionary off-budget activities could undermine efforts to rebuild buffers and stabilize the non-oil deficit.
4. **Such dynamics also complicate the calibration of countercyclical fiscal policy.** When large quasi-fiscal operations expand during an upswing, it becomes harder to assess whether overall policy is restraining or stimulating demand. This uncertainty adds pressure on monetary policy and makes it more challenging to contain inflation, especially in an environment where fiscal and quasi-fiscal impulses may be working at cross-purposes.

