

## COVID-19 PUBLIC HEALTH RESPONSE AND COUNTERCYCLICAL RESPONSE POLICIES

1. Never too high, the rate of spread of COVID-19 has steadily been decreasing since the first few cases were confirmed, and the medical emergency seems under control now in terms of the current capacity of the health care system in Kazakhstan to cope with worse hospitalization scenarios. The average daily infection rate (DIR), measured as ratio of newly infected to total number of infected as of previous day, has declined substantially from 34% in March to 8% in April, and further to 5% in early May. The authorities are targeting to achieve 1% DIR by end of May 2020. This is possible thanks to the early and determined health and epidemic-control measures of the government that were initiated even before the epidemic had entered Kazakhstan, together with efforts to build-up health system capacity for worse-case scenarios.<sup>1</sup>

2. **Early Pre-COVID-19 Readiness.** The Government of Kazakhstan started preparations well ahead of infection breakout in the country and undertook a set of swift and decisive containment, healthcare and other social measures in response to COVID-19. This was done in close coordination with development partners (WHO and UNDP) and governments of neighboring countries. On 6 January 2020, the Ministry of Healthcare (MOH) approved the main preparedness activities to mitigate epidemiological outbreaks. International travelers depending on the country of origin placed under the fourteen days mandatory isolation of self-quarantine.<sup>2</sup> Transportation (air, bus and railroad) between Kazakhstan and countries highly affected by COVID-19 has been suspended since 3 February 2020.<sup>3</sup> Screening points on entry and medical monitoring of those coming to Kazakhstan from countries affected by COVID-19 was established. MOH approved the COVID-19 infection treatments clinic protocol in early February.<sup>4</sup> During February–March 2020, the government prepared 27,000 beds (28% of total hospital beds in the country) for hospitalization of COVID-19 patients and contact persons, including 182 resuscitation beds with appropriate equipment (mechanical ventilation devices and monitors, etc.). MOH also mobilized more than 10 thousand medical workers (4% of total medical personnel) to provide COVID-related medical care and has reserved additional reserve of 802 trained specialists consisting of medical students, volunteers, and specialists of anti-plague stations for standby deployment. Finally, MOH also has in place the 2020–2025 Healthcare Development State Program incorporating the construction of 16 new city and regional level hospitals in compliance with international accreditation (JCI), which will make available 8,000 high-tech equipped beds by 2025.

3. **Medical and Non-Pharmaceutical Interventions upon the outbreak of COVID-19.** On 13 March, the first imported cases were detected, confirmed, all immediately isolated and treated. Initial infections were spread in Nur-Sultan (the capital city) and Almaty (the largest city) and all contacts were quarantined and tested. As an immediate reaction, the Emergency Operations

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<sup>1</sup> The healthcare sector of Kazakhstan has been under extensive reforms in the last decade, annual total expenditures amounted to 3.3% of gross domestic product (GDP) and the public expenses for healthcare constituted \$5.5 billion in 2018 (10% the state budget and 72% of total healthcare expenditures). There are 788 medical organizations in the country with more than 98,000 beds (56 beds per 10 thousand people). 72.5% of healthcare organizations are sufficiently equipped, however 37% of the medical equipment and more than half of medical facilities (59.7%) are worn out. The number of medical personnel amounts to 250 thousand (73,000 of which are doctors (39.6 per 10,000 people). There are 17 infectious disease treatment hospitals with 3,140 beds.

<sup>2</sup> An Inter-sectoral Committee on COVID-19 chaired by the Deputy Prime-Minister was established to ensure full coordination and an action plan was approved on 29 January 2020 for immediate implementation.

<sup>3</sup> Visa support for the citizens of those countries and transit passengers was also halted.

<sup>4</sup> The protocol continuously discussed with leading international specialists and updated to reflect the latest developments on diagnostics and treatment of coronavirus infection. Currently, the MOH adopted the fifth version of the protocol. MOH with the support of WHO has conducted two table-top exercises on COVID-19 response, with the involvement of the various national stakeholders, to identify main areas of improvement in the overall response capacity at the national and regional levels. Risk communication is being coordinated by the MOH.

Center (EOC) was established by the government and the EOC started monitoring (on a 24-hour basis) COVID-19 situation globally, regionally, and on the country level. The EOC also collected information on how many persons arrived from affected countries, and those that arrived from highly affected countries were placed on 14-day quarantine.<sup>5</sup> Following the announcement of COVID-19 as a pandemic, the state of emergency for the entire country was declared and remains in place. The State Emergency Commission was constituted and includes all key ministries and all regional governors.<sup>6</sup> A declaration of quarantine was announced on 17 March 2020 for the country's three largest cities, including the halting of all air travel and rail transit to these cities. Similar quarantine measures subsequently introduced in several other regions.

4. The government has deployed regional response teams, consisting of local government, healthcare, social care, civil society, and private sector representatives to identify corresponding needs, support vulnerable groups, establish feedback mechanism and monitor response transmission. Dedicated ambulatory teams were assigned in every region to provide care and transport of suspected and confirmed COVID-19 case to designated hospitals.<sup>7</sup> The National Reference Laboratory in Almaty received test kits from People's Republic of China, Russia and WHO in March, and jointly with the National Biotechnology Center (NBC) started to develop own testing systems. On 6 April, the country received additional 250,000 tests and ordered an additional 300,000. To date, no other developing member country in Asia tests more in per capita terms than Kazakhstan. Average number of tests done per day in March was 1,626, in April – 7,287, in early May – 14,902. MOH plans to attain the level of 25,000 tests per day by end of May. MOH has determined categories of people for mandatory COVID-19 testing including people with chronic diseases, pregnant women in addition to the testing of police officers and medical workers. Furthermore, MOH is discussing with local producers the organization of local production of test kits and medical supplies in anticipation of potential second infection wave in the future. Kazakhstan has also intensified its surveillance by enhancing capacity of active case finding. Currently MOH with the support of WHO and other developing partners continues to improve the system for contact tracing and monitoring. The EOC developed a geographic information system (GIS) tools to conduct monitoring of COVID-19 spread and trained staff to use it.<sup>8</sup> In April 2020, local government jointly with technology companies in Kostanay region in northern Kazakhstan launched on a pilot basis the GPS tracking platform of home quarantined people via a smartphone application.

5. MOH with assistance of development partners conducting continuous procurement of additional stockpiles to ensure the availability of essential medical disposables and equipment in the designated healthcare facilities. Overall, the government allocated \$90 million for procurement of supplies, including for the procurement personal protective gears, disinfectants and medicines and medical devices on a central and regional level. In March 2020, the government has

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<sup>5</sup> Those coming from other affected countries were putted under medical monitoring via primary health care centers.

<sup>6</sup> All places of mass gatherings—large malls, entertainment centers, cinemas, schools and daycares, sport facilities were closed, public events such sports and cultural events were cancelled, large family commemorative events have been banned. Stringent enforcement measures aimed at preventing the spread of the disease, such as penalties for persons evading medical examinations, have been applied.

<sup>7</sup> MOH has developed a set of algorithms, instructions and technical guidance to medical professionals on case definition, sampling, patient routing, etc.

<sup>8</sup> The Biosafety Research Institute (BIR) jointly with the National Center for Biotechnology announced a start of coronavirus vaccine research and development in Kazakhstan. BIR is the only bio-laboratory in Central Asia of the third level and work with live strains of coronavirus. BIR has a formal agreement with WHO for the development of vaccines against dangerous diseases for local health authorities.

announced plans to allocate additional \$279 million to enhance the capacity of the healthcare system. Three new fully equipped medical complexes were built in record time.

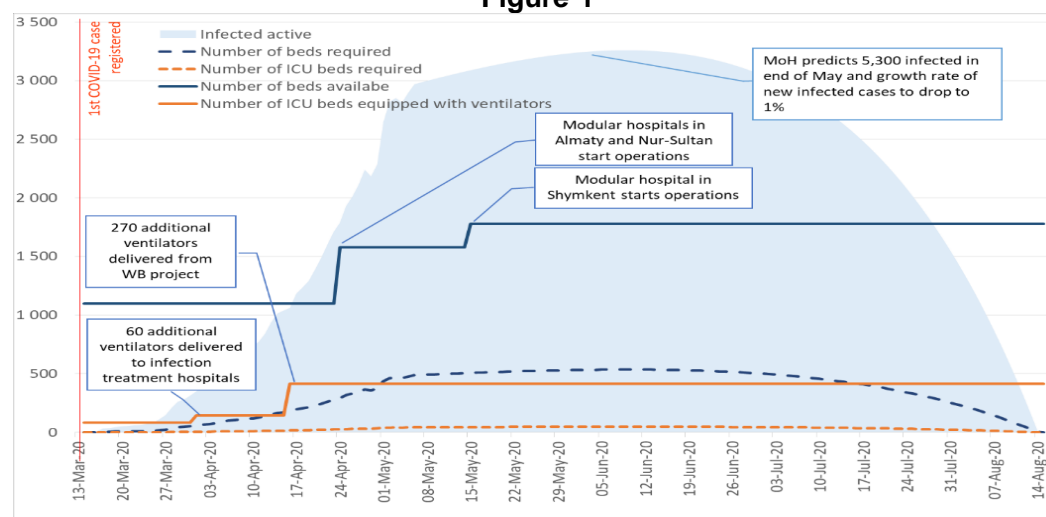
**Table 1: Additional funds allocated for anti-COVID-19 measures**

| Measure   | \$ million   |
|---|--------------|
| Financial stimulus for health workers, police, and military involved in quarantine activities                       | 110.0        |
| Compensation to medical organizations for the treatment of COVID-19 patients, and for isolation of suspected people | 45.0         |
| Building of 3 quarantine-type medical module complexes in Nur-Sultan, Almaty and Shymkent for 680 beds              | 33.0         |
| Food sets to vulnerable groups of population  | 68.8         |
| Strengthening of communication and IT capacities and operation of the forensic medical examination service          | 23.7         |
| <b>Total for anti-COVID19 measures</b>  | <b>279.0</b> |

Source: Government of Kazakhstan.

6. A hotline (number: 1406) was established for medical professionals and the general population. Information on the ongoing COVID-19 outbreak, and measures of the individual protection, is circulated through various means including daily briefings on TV, radio and social media (Facebook, Telegram, WhatsApp bots, etc.). The government has also launched a dedicated single online portal ([www.coronavirus2020.kz](http://www.coronavirus2020.kz)) with exhaustive information including updates on situation, prevention measures, the state support and fact-checking features.<sup>9</sup> In sum, as of 3 May, 3,857 COVID-19 cases have been confirmed in Kazakhstan since the first cases were recorded on 13 March, 25 related deaths cases have been registered, 41 cases are in critical condition, and 985 cases have recovered. Nonetheless, as illustrated in Figure 1, the medical emergency seems under control in terms of the current capacity of the health care system in Kazakhstan to cope with worse hospitalization scenarios.

**Figure 1**



MOH = Ministry of Healthcare.

Source: Asian Development Bank staff estimates.

7. **Fiscal Response Plans (Tax and Expenditures).** The anti-crisis package includes cash payments to the unemployed (KZT42,500 or \$95 per month per person) provided on a monthly basis to approximately three million people, a lower VAT rate for food, as well as additional

<sup>9</sup> The Ministry of Industry and Infrastructure Development created interactive communication map with the live update information on availability and accessibility of transportation (by air, railroad and automotive) throughout the country.

spending to strengthen the health sector and support employment and business. In terms of direct healthcare support, the government has immediately extended access of uninsured citizens to receive full medical care until 1 July 2020.

8. The government has increased financing of three major ongoing state development programs to integrate additional measures to support employment and business activity in response to COVID-19 pandemic. These programs are (i) Economy of Simple Things (EST), which was increased to KZT1 trillion; (ii) Business Development Roadmap 2020 (BDR-2020), which was increased to KZT85 billion; and (iii) Employment Roadmap 2020 (EM-2020), which will be scaled up to KZT1 trillion. The cumulative budget increase across the program is equivalent to \$5.3 billion.<sup>10</sup>

9. In March 2020, the government introduced wide-ranging tax support package targeting mainly SMEs in agriculture, trade and service sectors. The package includes reducing to 0% the rates of property tax (for retail, trade, catering, entertainment and hospitality sectors), land tax (for agricultural producers), and individual income tax for individual entrepreneurs. For SMEs in catering, lodging, transportation, consulting and tourism sectors, the government has also introduced six-month exemption from payroll taxes. Finally, the VAT for import and sales of food products of social significance has been reduced from 12% to 8%. Furthermore, the government has deferred until 1 June 2020 payments of all taxes and other compulsory budget payments for SMEs, simultaneously suspending enforcement of collection of overdue tax obligations. Tax authorities have then suspended accrual of penalties and fines for overdue tax obligations until August 2020 and extended tax reporting deadlines until September 2020. All tax audits have been cancelled for the duration of emergency period. SMEs and individual entrepreneurs are also eligible for new tax incentives.

10. In parallel to tax support, the government approved a comprehensive set of fiscal response measures to support employment and vulnerable segments of the population including elders, large families and people with disabilities. These include new projects related to the reconstruction of social, transport and public utilities infrastructure, implemented as a part of the ongoing Employment Roadmap Program. The government will provide additional KZT1.0 trillion to finance the program, sourced from the state budget (KZT300 billion) and the bond issuances by the National Bank (KZT700 billion). The government has strengthened local content criteria for new projects, covering both goods and services (90% must come from local content) and jobs (50% of employees must be hired through regional employment centers). The government expects 250 000 new jobs to be created as a result of the program implementation.

11. For unemployed youth, government deployed new jobs in flood control, spring field, construction and other works, also within the Employment Roadmap Program. To induce greater interest in these jobs, government will provide one-time financial assistance of T85,000 tenge (approximately \$200) on top of the standard salary. In response to increasing needs of vulnerable groups of population, in April 2020 the government has increased all social payments (pensions, benefits, etc.) by 10%, allocating additional KZT200 billion (\$540 million) for these purposes from the budget. The government has committed additional KZT123 billion in subsidized

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<sup>10</sup> Among other things, these programs will provide soft loans to manufacturing and agribusiness sectors, fuel price subsidies for farmers, interest rate subsidies and new guarantee instruments to facilitate leasing operations and bank guarantees. The sizeable increase in budget financing requires optimization of budget procedures to ensure timely and effective reach to target beneficiaries. To this end, the government introduced special legislative amendments to streamline budget procedures and to expedite implementation of investment projects. For example, under public procurement authorities eliminated previous rigid requirements for security deposits or bank guarantees and introduced expedited advanced payments to critical suppliers.

loans to SMEs to support employment among vulnerable population, targeting 535,000 jobs, mostly in rural areas.

**12. Monetary and Exchange-Rate Policy Response.** On March 10, the National Bank of Kazakhstan (NBK) raised its policy rate from 9.25% to 12% and widened the interest rate corridor from 100 to 150 bps, after pressures on the tenge (KZT) had intensified with the drop of oil prices.<sup>11</sup> Banks have been instructed by the NBK and the financial supervisory agency to defer loan repayments and refrain from charging penalties and additional payments for overdue interest for borrowers affected by the emergency.<sup>12</sup> There is also a regulatory loosening for lending to SMEs, with risk weights for SME exposure in tenge lowered from 75% to 50% and for FX loans from 200% to 100%. On March 23, authorities also ordered suspension of loan repayments for retail sector borrowers during the state of emergency. The NBK continued to intervene in the foreign exchange market, but that has been calibrated to simply mitigate excess tenge volatility.<sup>13</sup>

**13.** As a part of anti-crisis response program, the NBK will facilitate a provision of KZT600 billion (\$1.3 billion) to second tier banks to subsidize interest rate on loans for small and medium enterprises. The program will be executed by Kazakhstan Sustainability Fund (KSF, 100% subsidiary of NBK). The main activity of KSF is promotion of financial stability in the banking sector through financial support to second-tier banks, development and execution of funding programs to support banks. 12 commercial banks were selected to participate in the program.<sup>14</sup> The KSF will place a conditional deposit with accredited banks under certain conditions.<sup>15</sup>

**14. Financial Stabilization Actions.** For the purposes of financial stabilization and rapid recovery of debt markets, NBK and the Agency on Regulation and Development of the Financial Markets (AFRDFM) jointly have laid out comprehensive support measures for the borrowers in affected sectors.<sup>16</sup> From 1 April to 1 October 2020, temporary counter-cyclical prudential regulation measures will be introduced with the aim of reducing pressure on capital and liquidity. In order to encourage the implementation by credit institutions of such restructuring due to the state of emergency, deferred loan payment efforts will not entail impairment or provisioning for regulatory requirements. Such measures are expected to release additional T168.0 billion (\$385 million) for lending. AFRDFM will also expand the list of collaterals in financing projects under state business support programs and introduce a low risk-weighting on loans to SMEs, public-private partnerships and syndicated loans. To ensure efficient implementation of the above measures AFRDFM works to elaborate mechanisms so that moratorium on payments to not entail

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<sup>11</sup> Initially, the central bank has pledged to conduct necessary foreign exchange interventions to stabilize the situation and prevent speculation. However, on 16 March, it worsened its assessment of the global economic situation by limiting interventions to protect reserves and allowing tenge to depreciate by 17.5% over a month.

<sup>12</sup> On 23 March, the government called on state-owned enterprises to sell part of their FX reserves to support the tenge.

<sup>13</sup> Currency depreciation has substantially affected the cost of imports and inflationary expectations of the general population. Since January 2020, NBK started publishing monthly amounts of FX conversions and transfers from the sovereign wealth fund to the state budget. In the first two months 2020, the conversion volume was \$951.9 million; NBK has then subsequently reported additional net \$94.8 million interventions in end of February 2020. The maximum government permitted interest rate on foreign currency deposit has been left unchanged at 1.0% per annum; at the same time, NBK has increased the interest rate cap on tenge deposits to 15.5% per annum.

<sup>14</sup> These are Halyk Bank, Jysan Bank, Sberbank, Bank Center Credit, Bank RBK, Nurbank, Eurasian Bank, Alfa Bank, Altyn Bank, ATFBank, Fortebank and VTB Bank.

<sup>15</sup> 12 months tenor. Pricing: 5% for banks, for on-lending to SMEs at up to 8%. The explicit purpose of these loans must be to facilitate new working capital loans to SMEs and individual entrepreneurs experiencing financial stress due to the emergency situation. Maximum exposures per borrower is set at KZT3 billion for SMEs and KZT50 million for individual entrepreneurs.

<sup>16</sup> This included, e.g. a ban on interest accrual for consumer loans with overdue of more than 90 days, no fines and penalties for late payments on loans and microcredits if caused by the state of emergency, grace period for up to 90 days for SMEs and individual borrowers that experience financial hardship due to the state of emergency.

negative information on borrowers sent to the Credit Bureau and mechanisms to ensure total loan contract payments not exceed the initial scheduled ones. Borrowers whose grace period request was rejected can route their request to AFRDFM for additional review. AFRDFM has also announced measures to support the banking system. In particular, new regulatory measures (tightening of provisions calculation), based on results of recent asset quality review (AQR) of the banks, will be postponed until 1 October 2020.<sup>17</sup>

15. The financial stabilization response also included significant liquidity provided to boost lending under subsidized rates by the National Management Holding (NMH) Baiterek stimulus program, through the Economy of Simple Things Program, covering a wide range of industries—agriculture, production, processing and services for a total of KZT1 trillion. the Economy of Simple Things Program will also incorporate state guarantees from 30–50% of funding. Ultimate subsidized rates for the borrowers will range from 6–8%. The NMH Baiterek was instructed by the President Tokayev to become a key anti-crises agency during the State of Emergency.<sup>18</sup>

16. **Other Policy Responses.** The government has introduced number of responses to mitigate the impact of higher food prices and address food shortages. It quickly launched a nationwide food supply program and disbursed KZT31 billion to local authorities to provide free food sets to 1.1 million people, primarily elders, large families and people with disabilities. In parallel, the government has introduced price caps for essential foodstuffs (e.g. flour, rice, sugar, salt, sunflower oil, eggs) and allocated KZT14.8 billion to procure 41.6 thousand tons.<sup>19</sup>

17. **Overall Summary.** In tables 2–4 below we present how all the initiatives fit within the overall fiscal stimulus package. It is crucial for the intended objectives of the Government response that the entire package is implemented in 2020, which will imply about 8–9% of gross domestic product (GDP) in automatic and discretionary stimulus measures (a total of about \$13 billion). This of course also includes the fiscal implications of the COVID-19 Health Sector and Social Risk Mitigation measures that were described above. All these measures are part of the package considered in the proposed logical framework for the ADB assistance. All these measures are fiscal in nature, but we refer to those that are off-budget as quasi-fiscal. The proposed Program captures them all, through three outputs:

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<sup>17</sup> In August 2019, the NBK had announced the start of a sweeping AQR of the top 14 commercial banks of the country, covering 87% of total banking assets. The AQR report, published in February 2020, concluded that the majority of assessed banks had sufficient amount of capital to comply with the regulatory standards and to cover expected credit losses. At the same time, four private banks (ATF Bank, CenterCredit, Nurbank, Eurasian Bank) were chosen to participate in the NBK's Financial Stability Program that increases bank's possible loss provisions through combination of shareholder capital increases and state guarantees. But on 17 March 2020, the regulator postponed the implementation of the Financial Stability Program until October 1st due to COVID-19 implications.

<sup>18</sup> As part of the anti-crisis measures, Baiterek Holding plans to issue bonds for a total amount of not more than KZT600 billion with an interest rate of 6% per annum for up to 12 years. The funds raised will be used to finance local executive bodies (akimats) for the development of regions. Through its subsidiary institutions, Baiterek will mainly focus on: (i) continuing to provision the population with housing. Additional KZT180 billion will be allocated to ensure 16,000 apartments in the regions, through the redemption of Akimat bonds; (ii) supporting MSMEs through concessional lending and simplified loan application procedures. Processing the applications under the Business Road Map—2025 Program has been reduced from five days to one day. Baiterek will be extending anti-crises measures through existing government programs such as Nur Zher, Economy of Simple Things and Business Road Map—2025 using simplified procedures in obtaining the loans, guarantees and interest rate subsidies.

<sup>19</sup> The government requested ADB to consider the provision of additional technical assistance (TA) resources to face the challenging situation and assist the MOH with procuring materials and equipment, such as high-quality ventilators, masks and other medical supplies. Such support was urgently needed to address supply shortages and associated price increases. This also included thermal imagers and COVID-19 tests such as the polymerase chain reaction (PCR test) (100,000 units needed) and the express test (400,000 units needed). The ministry was discussing procurement with a few identified suppliers but could not obtain firm guarantees of delivery from them and hoped for ADB involvement.

1. Immediate COVID-19 Health Response Implemented (costing \$338 million);
2. Social Protection and Employment Protection Measures Implemented (\$7.18 billion); and
3. Economic Stimulus Delivered (\$5.97 billion).

**Table 2: Government' Countercyclical Development Package**

| Description  | Amount<br>(\$ billion) |
|--|------------------------|
| <b>1. COVID-19 Health Policy Response – \$0.338 billion (see details in Table 3 below)</b>                   |                        |
| Personal protective equipment, disinfectants, medicines, medical devices                                     | 0.05                   |
| Build-up of the capacity of the health care system   | 0.29                   |
| <b>2. Social Protection and Employment Recovery Measures – \$7.18 billion (see details in Table 5 below)</b> |                        |
| Income support to all those that lost income.  | 0.88                   |
| Food support program to the most vulnerable  | 0.11                   |
| Increase in pensions and cash transfers  | 0.50                   |
| Tax and utility costs relief   | 5.68                   |
| <b>3. Economic Stimulus Measures – \$5.97 billion - (see details in Table 6 below)</b>                       |                        |
| Employment promotion projects with focus on rural and youth employment, and jobs for the vulnerable          | 2.82                   |
| Financial stabilization of firms   | 2.27                   |
| Mortgage finance to the most vulnerable  | 0.87                   |
| <b>Total</b>   | <b>13.47</b>           |

COVID-19 = coronavirus disease.

Note: Numbers may not sum precisely because of rounding.

Source: Government of Kazakhstan.

18. We also present here how the entire package of measures is divided between what is explicitly reflected in the Government budget on one-hand, and what is off-budget, in terms of initiatives that are not financed by the Government budget directly.

**Table 3: Net Fiscal Response: \$7.0 billion (4.6% of GDP), ON-BUDGET**

| <u>Amount*</u>                            | <u>Purpose</u>   | <u>Notes</u>  | <u>Output</u> |
|---|--|---|---------------|
| <b>\$503 million</b>                      | Social payments increase and social assistance (equal to minimum wage)   | Pension, stipends and other payments  | <b>2</b>      |
| <b>\$682 million</b>                      | Employment Roadmap program   | Additional allocation from state budget   | <b>3</b>      |
| <b>\$239 million</b>                      | Enbek and Auy! Besygi program (130,000 jobs)   | Monotowns and rural employment stimulus (microloans and grants)                 | <b>3</b>      |
| <b>\$306 million</b>                      | Business Road Map and support for Agribusiness   | Import substitution and manufacturing projects                                  | <b>3</b>      |
| <b>\$285 million</b>                      | Epidemiological and other healthcare measures  | Including financial stimulus for healthcare workers                             | <b>1</b>      |
| <b>\$53.4 million</b>                     | Procurement of supplies, including personal protective gears, disinfectants and medicines, and medical devices   | For use at both central and regionals levels                                    | <b>1</b>      |
| <b>\$4.6 billion</b>                      | Compensation of the budget losses (including taxes, republican and local)  | Includes compensation for tax expenditures, tax losses and exchange rate losses | <b>3</b>      |
| <b>\$1.09 billion</b>                     | Other outright expenses (including utility bills subsidies)  |   | <b>2</b>      |
| <b>\$113 million</b>                      | Food distribution  | The significant costs of reduction in food-related taxes are not counted here   | <b>2</b>      |
| <b>Total: \$7.9 billion (5.2% of GDP)</b> | <b>After deductions from and cancellations of original state expenditure plans of around \$0.9 billion: Total new tax and expenditure plans: \$7.0 billion</b> |   |               |

Note: All amounts are in KZT at the exchange rate of KZT440 per USD.

Source: Government of Kazakhstan. Ministry of Finance.

**Table 4: Quasi-Fiscal Expenditures: \$5.6 billion (3.7% of GDP), OFF-BUDGET**

| <i>Amount*</i>        | <i>Purpose</i>  | <i>Notes</i>   | <i>Output</i> |
|-----------------------|---|--|---------------|
| <b>\$1.59 billion</b> | Employment Roadmap program, off-budget resource mobilization by Baiterek Holding (SOE)    | Aims to create <b>250,000 jobs</b> through project financing sourced from local bond issuances | <b>3</b>      |
| <b>\$877 million</b>  | Monthly social assistance of \$100 to workers who lost jobs due to the State of Emergency | Financed from existing savings of the State Social Security Fund (off-budget fund)             | <b>2</b>      |
| <b>\$2.27 billion</b> | 'Economy of Simple Things' program and working capital finance from NBK to SMEs           | 6% interest rate on loans and 8% for working capital financed by NBK                           | <b>3</b>      |
| <b>\$886 million</b>  | Financing construction of affordable housing  | Financed through municipal bonds in 16 regions   | <b>3</b>      |

Note: All amounts are in KZT at the exchange rate of KZT440 per USD.

Source: Government of Kazakhstan. Ministry of Finance.

19. All the on-budget anti-crisis measures have been reflected in the recently approved revisions to the Government budget. See Table 5 below.

**Table 5: State Budget Revisions**

| Description  | Fiscal year 2019<br>(actual) | Fiscal year 2020                                    |  | Difference      |
|--|------------------------------|---|--|-----------------|
|  |                              | Budget approved<br>in Sep 2019<br>(\$55 per barrel) | Budget revised<br>in Apr 2020<br>(\$20 per barrel) |                 |
| <b>Revenues and Grants</b>                                 | <b>10,723.6</b>              | <b>11,316.2</b>                                     | <b>11,832.0</b>                                    | <b>515.8</b>    |
| <b>Current revenues</b>                                    | <b>10,592.3</b>              | <b>11,206.5</b>                                     | <b>11,721.9</b>                                    | <b>515.4</b>    |
| <b>Tax revenues (VAT, CIT, ST, etc.)</b>                   | <b>6,835.5</b>               | <b>7,960.6</b>                                      | <b>6,261.1</b>                                     | <b>-1,699.5</b> |
| <i>Crude oil export customs duties</i>                     | <i>1,153.7</i>               | <i>1,019.4</i>                                      | <i>329.2</i>                                       | <i>-690.2</i>   |
| <b>Nontax receipts</b>                                     | <b>279.4</b>                 | <b>121.3</b>  | <b>148.7</b>                                       | <b>27.3</b>     |
| <b>Sale of Fixed Capital</b>                               | <b>9.5</b>                   | <b>4.5</b>  | <b>4.3</b>   | <b>-0.2</b>     |
| <b>Transfer Receipts, including:</b>                       | <b>3,467.9</b>               | <b>3,120.1</b>                                      | <b>5,307.8</b>                                     | <b>2,187.7</b>  |
| <i>Guaranteed transfer from NFRK</i>                       | <i>2,700.0</i>               | <i>2,700.0</i>                                      | <i>4,770.0</i>                                     | <i>2,070.0</i>  |
| <i>Purposeful transfer from NFRK</i>                       | <i>370.0</i>                 | -   | -  | -               |
| <i>Return transfer</i>                                     | <i>109.2</i>                 | -   | <i>112.0</i>                                       | <i>112.0</i>    |
| <i>Budgetary redemptions</i>                               | <i>286.0</i>                 | <i>420.1</i>  | <i>420.1</i>                                       | -               |
| <i>Return of targeted transfers from local governments</i> | <i>2.7</i>                   | -   | <i>5.7</i>   | <i>5.7</i>      |
| <b>Repayment of budget loans</b>                           | <b>131.3</b>                 | <b>109.7</b>  | <b>110.0</b>                                       | <b>0.4</b>      |
| <b>Expenditures</b>  | <b>12,019.9</b>              | <b>12,914.3</b>                                     | <b>14,270.7</b>                                    | <b>1,356.4</b>  |
| <b>Deficit</b>   | <b>-1,296.3</b>              | <b>-1,598.1</b>                                     | <b>-2,438.8</b>                                    | <b>-840.7</b>   |
| <i>As a share to GDP</i>                                   | <i>-1.9</i>                  | <i>-2.1</i>   | <i>-3.5</i>  | <i>-1.4</i>     |
| <b>Savings from the FY 2019</b>                            | <b>-</b>                     | <b>-</b>  | <b>67.2</b>  | <b>67.2</b>     |
| <b>Nonoil deficit</b>                                      | <b>-5,520.0</b>              | <b>-5,317.5</b>                                     | <b>-7,538.0</b>                                    | <b>-2,220.5</b> |
| <i>As a share to GDP</i>                                   | <i>-8.0</i>                  | <i>-7.1</i>   | <i>-10.8</i>                                       | <i>-3.7</i>     |
| <b>GDP (forecast for FY 2020)</b>                          | <b>68,639.5</b>              | <b>74,526.0</b>                                     | <b>69,679.6</b>                                    | <b>-4,846.4</b> |
| <i>Real GDP growth rate</i>                                | <i>4.5</i>                   | <i>4.1</i>  | <i>-0.9</i>  | <i>-5.0</i>     |

Source: Government of Kazakhstan. Ministry of Finance.

20. This reflects a combination of automatic and discretionary reductions in tax revenue in the amount of about \$3.9 billion, and of new expenditures (net of cuts and some expenditure rationalizations) of about \$3.1 billion. Overall, the On-budget Crisis Response (and net new financing needs) of the government are around \$7 billion. From the funding side, additional transfers from the National Fund of the Republic of Kazakhstan (NFRK) (the country's SWF) will be able to close this gap by \$4.7 billion. This is a very important use of NFRK resources, but it is around the limit of what would be consistent with both its medium-term main mandate and the NFRK targets under the current fiscal rules framework. The remaining \$2.3 billion will need to come from a combination of changes in domestic debt issuance plans for 2020, and significant



external debt issuance. This combination will also add another element of support for the Kazakhstan currency.