



# Annual Progress Report 2016

## on EITI Implementation in Kazakhstan



## **1. General assessment of year's performance**

In February this year delegation from Kazakhstan participated in the International Conference in Lima (Peru), where EITI implementing countries was exhibited at the EXPO. Registration and the informative content of the Kazakhstan booth aroused great interest among the participants. Along with the information on the potential of Kazakhstan's resource base, guidebooks for investors prepared by colleagues from the Investment Committee of the Ministry of Investment and Development of the Republic of Kazakhstan (hereinafter - MID RK) were presented. The information about single window for investors, the investment ombudsman, legislative reforms confirmed the creation of a favorable investment climate in the country.

In October 2016 the regular annual 8th National Conference on EITI was held, the Conference acquired a high international status as it was held during the 35th EITI Board Meeting, for the first time in the Asian region, in our capital, Astana. The event was attended by the heads of states and governments, the Ministers of relevant sectors from EITI implementing countries, international Non-governmental organizations (hereinafter – NGOs).

Participants of the Board meeting also participated in the 8th National Conference, where they were able to learn about the achievements of Kazakhstan in EITI implementation, and now are able to share the experience of implementing the initiative in their countries. Apart from foreign guests, representatives of all four stakeholders of the National Council of stakeholders of the Republic of Kazakhstan (hereinafter - the NCS RK) were speaking at the conference: representatives of state bodies of Kazakhstan, Deputies of the Majilis of the Parliament of the Republic of Kazakhstan, associations of subsoil users and the non-governmental sector.

Most of EITI Board members expressed the desire to visit the unique field Vasilkovskoe, developed by JSC “Altyntau Resources” and that unites all the gold deposits of the “Altyntau” Group. All of the mining and processing assets of the Company are located in the Republic of Kazakhstan. The members met with the management of the Combine and the region, with staff and the locals. There were positive feedback and appreciation for the organization of the such useful and important event.

Also, other meetings with the heads of the State and national companies were held for the purpose of assurance of support in EITI implementation in the country.

This year, Kazakhstan plans to conduct a pilot study on the integration of EITI, the so-called “Mainstreaming”. Its essence is to exclude duplication of data in EITI

reports with already existing company and government reports taking into account the available open data.

Currently, Kazakhstan is preparing for the next Validation, which will begin on the 1<sup>st</sup> of July this year.

Our goal is to provide transparency and open income and expense data of the Government and companies. The widespread distribution of popular versions for all segments of the population is a pledge of understanding the role and impact of the activities of the extractive sector on social and economic level of our country, including the regional level.

## **2. Assessment of performance against targets and activities set out in the work plan**

*Assessment of the progress in achieving the objectives set out in the work plan (Requirement 1.5), including the impact and results of the stated objectives:*

EITI implementation activities were carried out in accordance with the Work Plan (hereinafter - WP) for EITI implementation 2016 - 2017, published on the official website of the Geology and Subsoil Use Committee (hereinafter – GSC) of the MID RK <http://eiti.geology.gov.kz/ru/work-plan>, where activities were regularly updated.

**Preparation for Validation.** According to the Action Plan in the course of the seminar with the International EITI Secretariat on Validation preparation (Dushanbe, November 26-27), as well as of the training held by the International EITI Secretariat on 17-18 November 2016 in Astana on implementation of final beneficiary disclosure requirement and preparation of Kazakhstan for Validation, the following issues were discussed:

### **Understanding the concept of “Validation”**

- Purpose of Validation;
- How are EITI requirements assessed;
- Impact assessment;
- The main stages of the validation process, including administrative procedures;
- The role and responsibility of the NCS RK and the International Secretariat in the Validation process;
- Possible results of Validation;

In the course of this training, an assessment was carried out of the involvement of all stakeholders, as well as of the ToR of the NCS RK and of the WPs.

- A brief summary of EITI requirements on the NCS RK control (Requirements 1.1-1.4)
- Explanation of task for group works
- Task execution in groups:

Work continues on the preparation of further actions to implement these actions under the WP for Validation.

Key actions: updating the Memorandum, recommendations on the WP and the National Report, concerning which there are a number of comments and an Additional Report is proposed. According to these recommendations, an Annex to the Memorandum of Understanding (hereinafter - MoU) regarding EITI implementation in the Republic of Kazakhstan from October 9, 2013. It reflects the NCS RK regulations, its membership, duties, powers, meetings, review and decision-making procedures. The annex to the MoU was approved by the NCS RK (Minutes No.67 dated June 15, 2017). The WP was also revised, taking into account the best practice in composing WPs in other EITI implementing countries. It clearly highlights National priorities, such as Open Data Policy and Beneficial Ownership. All necessary actions for their implementation are included. The WP was approved by the NCS RK (Minutes No.66 dated April 19, 2017). An Additional Report is being prepared for the 11<sup>th</sup> National EITI Report 2015, according to the ToR provided by the International EITI Secretariat, including information for additional disclosure in accordance with the EITI Standard. The draft of the Additional Report was reviewed by the NCS RK (Minutes No.67 dated June 15, 2017), recommendations and comments by the NCS RK members and observers were given. Important issues concerning the more detailed study of the issue of quasi-fiscal expenditures in Kazakhstan were discussed. It was decided to conduct a study with funding from international donor organizations supporting the EITI implementation in Kazakhstan. Also subnational payments, transfers and other issues, in accordance with the TOR and recommendations of the International EITI Secretariat were discussed.

**Activities of the NCS RK.** The activities of the NCS RK and their results can be found on the National EITI Website, in the section “The NCS” <http://eiti.geology.gov.kz/ru/the-national-council>. During the period 2016 - 2017 (until July), 12 meetings of the NCS RK were held, 8 of which were held in the form of electronic voting. The NCS RK regulations are described in the Annex to the MoU, published on the National EITI Website [http://eiti.geology.gov.kz/images/stories/IPDO/norm\\_baza/memorandum2013.pdf](http://eiti.geology.gov.kz/images/stories/IPDO/norm_baza/memorandum2013.pdf)

**Progress.** For more detailed awareness of the public and stakeholders about the NCS RK activities, from the NCS RK Minutes No.61 dated September 30, 2016, the NCS RK minutes include detailed verbatim information about the NCS RK members work on meetings, discussed issues and taken decisions. Also lists of meetings participants and ballot papers of the NCS RK members in case of absentee meetings by electronic voting are additionally published on the website

According to the recommendations of the International EITI Secretariat, an Annex to the MoU was developed. It reflects the NCS RK regulations, its membership, duties, powers, meetings, review and decision-making procedures. The annex to the MoU was approved by the NCS RK (Minutes No.67 dated June 15, 2017).

**Release of the 2015 National Report.** According to the activities of a WP for EITI implementing, based on the results LLP “UHY SAPA Consulting” was declared the winner of the state procurement competition (Minutes dated March 18, 2016), was also agreed by the NCS RK (Minutes No.58 dated April 6, 2016), a contract was signed with the above-mentioned company for the production of the 11th National EITI Report 2015.

The draft of the ToR for the 11<sup>th</sup> National EITI Report 2015 was prepared in accordance with International EITI Requirements, namely, the reconciliation of “The Report on Significant Tax and Non-Tax Payments/Incomes” submitted by the payers from oil/gas and mining sectors and the data from the Ministry of Finance of the Republic of Kazakhstan (hereinafter - the recipient) for year 2015, and the contextual part of the report within the framework of the implementation of the budget subprogram on “Implementing the Extractive Industries of the Republic of Kazakhstan Initiative”.

The purpose of the reconciliation is provision of the completeness, reliability and accessibility of information on payments/incomes to the state from the extractive industries in 2015 concerning EITI implementation in Kazakhstan.

Information for reconciliation included reports from the payers extracting hydrocarbon, whose annual payments to the budget exceed KZT 1 billion and extracting solid minerals, whose annual payments to the budget exceed KZT 100 million. The result of reconciliation is the total amount of payments to the budget from the payer of the oil/gas and mining sectors of the Republic of Kazakhstan for the year ending December 31, 2015.

Reconciliation includes examining, on a test basis, evidences confirming the reconciliation of “The Report on Significant Tax and Non-Tax Payments/Incomes” submitted by the payers and the data from the recipient, as well as sections in accordance with the International EITI Standard, namely: contextual information - a description of the extractive sector, revenues to the budget, dividend flows from state shares in the ownership of companies, subnational payments and social investments, local supply, transportation revenues, volumes of extraction and export of the main priority minerals, the share of the extractive sector in the total GDP, a description of the fiscal regime, geological exploration data, maps of major deposits, etc.).

With the support of the Organization for Security and Co-operation in Europe (OSCE) circulation of the Popular Version of the 11th National EITI Report 2015 was provided, as well as on electronic media (USB-drives with EITI Kazakhstan logo) with the full version of the Report in 200 copies, which were distributed in the framework of the 8th National EITI Conference with the participation of the EITI Board members (120-130 copies), 30 copies were given to Kazenergy Association for the round table, the rest were handed over to NGOs representatives involved in EITI for work and distribution.

***Progress.*** For the first time in 2016, as part of the production of the 11th National EITI Report 2015, along with tax and non-tax payments, the Independent Administrator reconciled subsoil users' data on financing of social programs (projects) in the regions with their further development by the Local Administrative Authorities. The reconciliation results were published on the National EITI website in the section “National Reports” (Annex 3-2).

Also published an explanation for each discrepancy (Annex 11) <http://eiti.geology.gov.kz/ru/national-reports>. During the reconciliation, subsoil users submitted copies of supporting documents in the form of memorandums, contracts, and general registers of payment orders for all expenses paid.

As a result of the work done - collecting, reconciling, analyzing and compiling reports submitted by the Payers and the Recipient, the study of primary documents, personal accounts and acts of reconciliation requested from both the payers and the recipient, having analyzed and compared them, having established the reasons for the discrepancies, the Independent Administrator came to the conclusion that the submitted payers' and recipient's reports for 2015 reflect a true and fair view, that they are compiled in accordance with the approved instruction, and are comparable and reliable in all significant aspects.

The report was reviewed by the NCS RK. Minutes No.61 dated September 30, 2016, it was decided to take into account the comments of the NCS RK members, the International EITI Secretariat and the NCS RK reconciliation Working Group. LLP “UHY SAPA Consulting” was to eliminate all the remarks in full, according to the comments. By electronic voting, all 12 the NCS RK members voted “FOR” approval (the NCS RK Minutes No.62 dated October 21, 2016). The report is published on the National EITI website <http://eiti.geology.gov.kz/en/national-reports>.

**Additional relevant EITI activities.** The 35th EITI Board meeting was organized, which is an important event for Kazakhstan on the eve of the next validation process. The event was attended by the heads of states and governments, ministers of relevant industries from EITI implementing countries and international public organizations.

**Progress.** The large-scale event, for the first time in the Asian region, has undoubtedly affected the image of the country. Most of the EITI Board members visited the unique Vasyilkovskoye gold deposit in 320 km from Astana. Participants visited gold factory, where the circuit diagrams of the apparatus and automatic control systems were presented, as well as the final product, the Dore alloy containing 80% of gold and 20% of silver, also met with the management of the Combine and the region, with the working staff and the local population. Positive feedback and appreciation for the organization of such a useful and important event were given.

During the EITI Board meeting (October 25, 2016), Fidrik Reinfeldt, Chairman of the International EITI Board, and Jonas Moberg, Head of the International EITI Secretariat, met with the Government of the Republic of Kazakhstan. Transparency of beneficial owners in the extractive sector of the Republic of Kazakhstan, participation in a new pilot commodity project and Kazakhstan's progress in EITI implementation were discussed.

During the EITI Board meeting, Mr. Jonas Moberg, Head of the International EITI Secretariat, met Kurmangazy Iskaziev, CEO of JSC EP KazMunaiGas. The meeting was also attended by representatives of the National EITI Secretariat and heads of departments of the company. Mr. Jonas Moberg told about new EITI requirement, under which extractive companies should disclose information on commodity trade. In his turn, Mr. Iskaziev, announced the information on the activities of JSC EP KazMunaiGas and expressed the company's commitment to the principles of transparency and accountability, as well as the readiness of the company to participate in the work to meet EITI requirements.

On October 24, 2016 in Astana a meeting of representatives from companies, state bodies (the NCS RK members) and the National EITI Secretariat with a delegation from Armenia was held. They came to study Kazakhstan's experience in EITI implementation. During the meeting were presented the initial stages of EITI implementation in Kazakhstan, the legislative norms, the NCS RK work and its composition, implementation at the regional level, achieving transparency in the expenditure of funds on social programs by local administrative bodies and others. Colleagues from Armenia also shared their experiences of the expenditure of funds on environmental protection at the expense of companies' payments for polluting the environment, for maximum permissible emissions and discharge standards. Questions were raised about the unity of decision-making with different parties of the NCS RK, in particular, the NGO. The meeting was held in a friendly atmosphere and with a desire for further cooperation in EITI implementing countries rich in natural resources.

In accordance with EITI requirements on the disclosure of the final beneficiary by oil/gas and mining companies, the Road map was developed, agreed with all state authorities and stakeholders and approved by the NCS RK (Minutes No.63 dated December 22, 2016). Then published on the National EITI website in the required time: <http://eiti.geology.gov.kz/en/homepage/bo-roadmap> (until January 1, 2017). More detailed information on the Road map is described below (p. 14)

**Release of the 2016 National Report.** In order to implement the budget sub-program 100 on the preparation of the 12th National EITI Report 2016 (hereinafter - the Report) the NCS RK approved ToR (Minutes No.64 dated January 23, 2016) to attract a reconciliation company that will carry out its production. Preparation of the Report provides the winning the competition, in accordance with the law on public procurement, LLP “UHY SAPA Consulting” (the NCS RK Minutes No.66 dated April 19, 2017).

The National EITI Secretariat carries out supervision of works for the production of the Report. The information on the Annexes to the Report was collected and sent to the Independent Administrator in accordance with the Terms of Reference (ToR). The Initial Draft Report will be considered until June30, until August 25 – interim, and final is due to October 10, according to the work schedule. After the NCS RK approval, the Report will be published on the National EITI website.

**Progress.** Within the framework of the ToR for the preparation of the Report, the production of a new popular version of the Report and new EITI requirements are included, taken into account all recommendations for the 11th National EITI Report 2015 regarding additional information for disclosure.

**Analytical studies.** According to the WP, analytical studies (assessments) were planned for potential capacity constraints in government organizations, companies and civil society that could be an obstacle to effective EITI implementation and for the use of funding for environmental programs and projects. Due to lack of funding, studies were not conducted. However, it is known that capacity constraints in government organizations are related to the absence of definitions of work in the EITI implementation framework in job responsibilities (except for the National EITI Secretariat) and their activities are limited to participation in the NCS RK meetings and responses to requests from MID RK for the provision of information. In Companies, capacity constraints can only be of a legislative nature, which does not allow the disclosure of confidential information. There are conflicting relationships in civil society, as well as constraints related to funding activities in the EITI implementation framework, especially at the regional level.

Regarding the study of funding for environmental programs and projects it can be carried out on the basis of public data on official websites of government organizations, national companies and other sources. The NCS RK decided to carry out the study in the future; if there will be sources of funding (the NCS RK Minutes No.67 dated June 15, 2017).

### **Capacity building.**

***Progress.*** Training of the International EITI Secretariat took place on November 17-18, 2016 at the Park Inn hotel in Astana dedicated to the implementation of EITI requirement for disclosure of the final beneficiary and preparation of Kazakhstan for validation. The training was organized by the International EITI Secretariat with the support of the Soros Foundation Kazakhstan (SFK). Among more than 30 participants, the NCS RK members and other representatives of stakeholders, members of the Working Group on the implementation of new requirements, including the moderators of this Working Group - representatives of the Department of subsoil use of the MID RK, members of the Working Group on validation, invited specialists and representatives of the National EITI Secretariat <http://eiti.geology.gov.kz/ru/about-us/eiti-news-kazakhstan/197-201611220921>.

This training provided an overview of the beneficial ownership rights

- What is the beneficiary right and how does EITI interpret it? (*Presentation of the International EITI Secretariat*)

Beneficial right in Kazakhstan - Presentation of the Road map (*Presentation of the consulting company / the National EITI Secretariat*)

Inclusion of provisions on disclosure of data on beneficiaries in the Code “On Subsoil and Subsoil Use”: definition of beneficial ownership

- International practice

Determination of a suitable approach in Kazakhstan

Inclusion of provisions on disclosure of data on beneficiaries in the Code “On Subsoil and Subsoil Use”: determination disclosure level

- Arguments for and against
- Determination of a suitable approach in Kazakhstan
- Stakeholders views

How to collect and report data on the beneficial ownership?

- Long-term perspective: creation of a national register, an institutional arrangement
- Short-term: piloting disclosure through the EITI report
- International practice
- Consideration of the timeframe and subsequent steps, responsibilities, capacity building needs, technical and financial support needs.
- Discussion of other problems and weaknesses.

**Training “Transforming natural wealth into sustainable development”.** The Eurasian Hub conducted in May 21-28, 2016 a training course at the Khazar University (Baku, Azerbaijan) on the topic: “Transforming natural wealth into sustainable development”. The course was attended by 25 participants from Azerbaijan, Georgia, Ukraine, Kazakhstan, Kyrgyzstan, Tajikistan and Mongolia. The goal of the course was to deliver skills and knowledge to government officials, academia, CSOs, and media representatives to develop most effective scenarios for transforming natural resources into sustainable development. The course based on the Natural Resources Charter, provided an opportunity for participants to understand the relationship between transparency and accountability of the extractive sector with efficiency in its management throughout the decision-making chain. The participants of the course were actively involved in the in-depth analysis and development of scenarios, based on three components: state-legal basis of management of natural resources; ensuring transparency and accountability in economic decision-making on resource management for equitable distribution and general welfare; and international standards for resource management.

Despite the sufficient experience and high level of awareness, the participants of the training highly appreciated the quality of the material covered and the professionalism of the trainers. Each participant has found useful material that should be applied in practice.

On the last day of the training, participants were involved in the process of developing an anti-crisis strategy for their countries <http://eiti.geology.gov.kz/ru/about-us/conference/102-preobrazovanie-prirodnogo-bogatstva-v-ustojchivoe-razvitie>.

**Round table for government representatives with the participation of the International EITI Secretariat on “Beneficial Ownership”.** October 24, 2016 in

the MID RK Round table for government representatives with the participation of the International EITI Secretariat on “Beneficial Ownership” has held. The aim of the roundtable was discussing the benefits of disclosing the beneficial owners and subsequent steps in Kazakhstan.

The real owners of companies that were granted the right to extract oil, gas and minerals are often unknown, hidden by a chain of inexplicable legal entities. This can facilitate tax evasion and lead to other state losses. With the adoption of the EITI Standard 2016, the EITI requirement to disclose the final beneficiaries will become mandatory (by January 1, 2020). All implementing countries should ensure that legal entities, when applying for subsoil use rights, as well as their investors, disclose the identities of their beneficial owners.

**Raising awareness and information distribution.** In order to avoid misunderstandings and poor translation of the terminology used in the translation of information material, national reports, including the popular version of the reports, simultaneous translation at conferences, seminars, trainings, round tables, workshops, etc. within the EITI implementation framework, the relevant Working Group has developed a glossary of EITI terms. The task of the Working Group was to work on adjusting the EITI terms and abbreviations from currently existing materials into the list with translation to Kazakh, Russian and English languages. Support for the Working Group work was provided by SFK. Glossary is available on the National EITI website <http://eiti.geology.gov.kz/ru/homepage/glossarij-terminov>.

The Association of Mining and Metallurgical Enterprises (hereinafter - AMME) as coordinator of the NCS RK Working Group on Communications conducts information campaign with the aim of a broad explanation of importance of EITI implementation, bringing the principles of transparency to public, and as a result - their influence on the welfare of the residents of the republic.

For the purpose of information support of EITI implementation in the country, the Working Group on Communications developed the EITI Information Campaign Plan in Kazakhstan for September 2016 - August 2017 <http://eiti.geology.gov.kz/ru/about-us/mediaplan-po-ipdo>. The document focuses on detailed and comprehensive coverage of such areas as transfer pricing, disclosure of the beneficial ownership of extractive companies, taxation, etc.

Over the past period, a number of meetings with mining and metallurgical companies were held on discussion of disclosure of the beneficial ownership, the targeted use of environmental benefits and other aspects of EITI implementation. The media published articles on this topic.

Article on Mining companies will force to disclose the final beneficiaries, source: <http://www.kursiv.kz/news/vlast1/prozracnye-standarty>. Transparent Geology of the RK, source: <http://www.kursiv.kz/news/industry/transparentnaa-geologia-rk>. In the

Mining and Metallurgical Industry magazine was published an interview with the head of the State Revenue Divisional Management Committee MF RK Kudabayev S. on EITI – Extractive Industries Transparency Initiative fully agrees with the current Tax Code, source: <http://metalmininginfo.kz/archives/4671>. This material was also published on the media resources of the AMME <http://www.agmp.kz/news/view/1420> and <http://agmpportal.kz/shafkat-kudabaev-ipdo-initsiativa-prozrachnosti-dobyvayushhih-otraslej-vpolne-soglasuetsya-s-nyne-dejstvuyushhim-nalogovym-kodeksom/>.

In the course of implementation of the media plan by the AMME its own communication resources are actively used. These are the website <http://agmp.kz>, portal <http://agmpportal.kz>, mobile application, Mining and metallurgical industry magazine. The Kursiv newspaper and the bnews.kz news agency were also involved.

The AMME, as coordinator of the Working Group on Communications of the NCS RK, conducts information campaign on the implementation of EITI standard. At the same time, the association actively involves the media resources in its custody.

At a meeting on May 12, 2017 with press-secretaries of companies of the Mining and Metallurgical Complex (MMC), included in the AMME, information on EITI implementation in the Republic, as one of the key topics of the sector on which PR managers of mining companies should focus was presented. A suggestion was made to more actively prepare materials about how companies tend to work transparently, openly publish their data in open sources.

An interview was prepared with the executive director of the KAZENERGY Association Ramazan Zhampiisov about EITI implementation. Material “Ramazan Zhampiisov: “EITI logically complements the changes in Kazakhstan legislation” published in “Mining and Metallurgical Industry” magazine, in the 4<sup>th</sup> issue of 2017 <http://metalmininginfo.kz/archives/4708>.

Interview is also available on the websites <http://www.agmp.kz/news/view/1466>, <http://agmpportal.kz/ramazan-zhampiisov-ipdo-logichno-dopolnyaet-izmeneniya-v-kazahstanskom-zakonodatelstve/>, <http://www.gmprom.kz/>.

Regarding online publishers mentioned in the media plan, specific agreements have not been concluded with them. It is planned to work out the topics, determine the speakers and offer coverage of specific topics to the editors of newspapers and news agencies. The media independently decide to publish the materials, depending on their policies and format, on a voluntary basis. Funding for the publication of materials on EITI topics on a fee-based basis is not provided, so the emphasis is on its own communication resources.

Thereafter, the Working Group on Communications is planning to work closely with the Association “KAZENERGY”, attracting joint resources to form an information and explanatory policy.

Informative work will be continued according to the adopted plan. Also, the Annex to the Progress Report provides information on EITI publications in the media. On the National EITI website, in the “Press Center” section, you can also see publications in the media <http://eiti.geology.gov.kz/ru/about-us/publikatsii-v-smi>.

***Progress.*** In September 2016, the GSC MID RK launched the National EITI Website <http://eiti.geology.gov.kz>. This website has information on EITI implementation in Kazakhstan, including the regulatory framework, the WP, the annual National Reports in the full and popular versions, minutes of the NCS RK meetings, the work on meeting the EITI Standard 2016 requirements on disclosure of beneficial owners, as well as publications, seminars, trainings and meetings dedicated to EITI implementation in the country. For questions and suggestions, leaving feedback option is available on the website in the “Contacts” section.

**Strengthening the role of the Secretariat in EITI implementation.** The working body for coordinating EITI implementation in Kazakhstan is the National EITI Secretariat, which operates on the basis of the RCGI “Kazgeoinform” GSC MID RK. Since according to the Resolution of the Government of the Republic of Kazakhstan from September 19, 2014 No.995 “Some issues of the Ministry of Investment and Development of the Republic of Kazakhstan.

*Paragraph 73: “Implementation and development of extractive industries transparency initiative with the exception of common minerals and groundwater, in accordance with requirements established by the MoU regarding EITI implementation in the Republic of Kazakhstan from October 5, 2005” is the responsibility of the MID RK.*

GSC is a structural unit MID RK, accordingly in the “Geology and Subsoil Use Committee of the Ministry of Investment and Development of the Republic of Kazakhstan” REGULATION functions are included:

***Functions: p.3 “Implementation and development of extractive industries transparency initiative with the exception of common minerals and groundwater, in accordance with requirements established by the MoU regarding EITI implementation in the Republic of Kazakhstan from October 5, 2005”***

Currently, the EITI National Secretariat is operated by 5 staff members, taking into account that the Director of the Subsoil Use Department of the MID RK Baimishev R.N. became EITI International Board member in April 2017, and also the National EITI Coordinator. Functions of the Head of the National EITI Secretariat are assigned to the Head of the Department of the Analysis of the

Mineral Resources and EITI of the RCGI “Kazgeoinform” GSC MID RK Dzhantureeva E.A. (Vice-Minister MID RK and Vice-Chairman of the NCS RK Toktabayev T.S. letter to the Head of the International EITI Board, Mr. Fredrik Reinfeldt). Information about the National EITI Secretariat members and their contact details are here <http://eiti.geology.gov.kz/ru/homepage/natsionalnyj-sekretariat-ipdo>.

It should be noted that the composition of the National EITI Secretariat has been updated since the beginning of this year. Competent, young, successful specialists with knowledge of Kazakh and English languages were recruited. The tasks, functions, rights and duties of the employees are in the Regulation and in job descriptions, as well as in Annex 2 to the updated MoU from October 9, 2013 [http://eiti.geology.gov.kz/images/stories/IPDO/norm\\_baza/memorandum2013.pdf](http://eiti.geology.gov.kz/images/stories/IPDO/norm_baza/memorandum2013.pdf).

***Progress.*** *In actions to “ensure transparency in the oil/gas and mining sectors”.*

In order to fulfill one of the main new international EITI requirements for disclosure of the final beneficiary by the extractive companies of the oil/gas and mining sectors, the Road map was developed, agreed with all state bodies and stakeholders and approved by the NCS RK (Minutes No.63 dated December 22, 2016). Then it was published on the National EITI website at the required time <http://eiti.geology.gov.kz/ru/homepage/bo-roadmap> (before January 1, 2017). All the work of this requirement implementation of the EITI Standard was coordinated by the request of the Government.

Work according to the Road Map for the disclosure of the beneficiaries has already begun in Kazakhstan. Coordination of the actions implementation included in the Road map is carried out by the Intergovernmental Working Group (hereinafter-IWG), according to the request of the Government from February 7, 2017 No.17-30/4087 and the order of the Minister MID RK Z.Kasymbek from February 3, 2017 No.69.

On February 21, the first IWG meeting was held, where issues of norms introduced into the draft Code on Subsoil for Beneficial Ownership were discussed, as well as the proposals of the associations of AMME and Kazenergy, on the need for further elaboration of the issue of the expediency of introducing into the draft Code a direct norm on provision of information by the subsoil users relating to the beneficial ownership, taking into account the absence of an appropriate institutional basis for the subsequent fulfillment of this obligation by subsoil users.

The objectives included in the Road Map on their implementation mechanism were also discussed. It was decided to prepare a detailed plan for the institutional mechanism for collecting, interpreting, verifying, publishing and storing information on beneficiaries, taking into account the defined level (all companies

or only in the subsoil use sector). Clarify the responsible for the implementation of actions and the timing of their execution.

Taking into account the fact that according to the new validation rules the progress in EITI implementation in the country will be accepted, IWG members supported the proposal of the MID RK representatives to introduce a pilot form for collecting information on beneficiaries on a voluntary basis through the portal in the UGSU system, where companies submit reports under EITI.

The results of the first IWG meeting on Beneficiaries Disclosure were discussed on the NCS RK meeting (Minutes No.65 dated February 28, 2017). Also, the NCS RK members approved and agreed the introduction of a pilot form for collecting information on beneficiaries through the portal in the UGSU system.

At present, a pilot form has already been introduced to collect information on beneficiaries of subsoil users companies through EGSU portal system <http://egsu.energo.gov.kz/webapp/pages/administration/instructions.jsf>.

According to the WP it is planned to create a registry of subsoil users (EITI Standard requirement 2.5 a): those who refused to disclose beneficiaries, who voluntarily disclosed and those who have open information on beneficiaries.

**Progress. Regarding the improvement of legislation.** The issues of beneficial ownership are addressed in the draft Code on Subsoil and Subsoil Use, which will come into force by the end of 2017

Article 6. Access to information in the subsoil use sector, paragraph 4: providing information about a person, a foreign state or an international organization that directly or indirectly controlling a subsoil user in the hydrocarbons or solid minerals sector. For the purposes of this Code, direct control means the right to determine the decisions of a person or organization arising from the presence of at least one of the following conditions:

1. ownership of more than twenty-five percent of the rights to participate (right to participation interests, ownership of stocks, shares and other equity instruments) in a different legal entity or organization;
2. possession of the right to vote by more than fifty percent of shares, participation interests, shares in a legal entity, organization;
3. existence of the right of a person, an organization to elect at least one third of the composition of the management body or executive body of another legal entity or organization;
4. inclusion of the financial statements of a legal entity, organization in the financial statements of another legal entity, organization in accordance with international financial reporting standards;
5. existence of a right of a person, an organization to determine decisions of another person, organization, in accordance with a contract or by law.

**In order to increase the capacity of beneficial ownership**, training of the International EITI Secretariat took place on November 17-18, 2016 at the Park Inn hotel in Astana dedicated to the implementation of EITI requirement for disclosure of the final beneficiary and preparation of Kazakhstan for validation. The training was organized by the International EITI Secretariat with the support of the Soros Foundation Kazakhstan (SFK). Among more than 30 participants, the NCS RK members and other representatives of stakeholders, members of the Working Group on the implementation of new requirements, including the moderators of this Working Group - representatives of the Department of subsoil use of the MID RK, members of the Working Group on validation, invited specialists and representatives of the National EITI Secretariat <http://eiti.geology.gov.kz/ru/about-us/eiti-news-kazakhstan/197-201611220921>.

**In accordance with the WP the following key activities have been identified:**

- ***Increase the contribution from the extractive sector to regional development*** - Verify / improve management Government expenses in terms of social payments from extracting companies to local budgets: disclosure of social payments, subnational transfers. Ensure the transparency of corporate social responsibility programs in the regions.

***Progress.*** According to the request from February 26, 2016 No.874-1 on the adoption of comprehensive measures to ensure the transparency and estimation of efficiency of an expenditure of social contributions of subsoil users the following work was carried out.

According to the Order of the Minister of Economy and Budget Planning of the Republic of Kazakhstan from July 17, 2014 No.199 “On amendments and additions to the Order of the Minister of Economy and Budget Planning of the Republic of Kazakhstan fro, March 13, 2013 No.71 “Some issues of the Unified Budget Classification of the Republic of Kazakhstan” further added **Budget classification code (BCC) 206114 “Contributions of subsoil users on social and economic development of the region and development of its infrastructure”**.

All subsoil users in fulfillment of contractual obligations in terms of this article transfer funds to BCC 206114, however the terms on contracts signed before the introduction of this standard continue to be valid.

In order to ensure a unified accounting of subsoil users allocations for social needs of the regions and further use by local executive bodies (hereinafter – LEB) within the EITI implementation framework, MID RK has developed a uniform format for submitting data indicating the recipient and the source of funding (Approved by the NCS RK, Minutes No.56 dated January 21, 2016). Formats of submitted data as Annex 3 to the Report was introduced into the Unified State System of Subsoil

Use Management of the Republic of Kazakhstan (so called EGSU) for subsoil users, where they indicate where they transferred funds within the framework of a specific social project, programs according to previously signed with akimats Memorandums agreements on online social partnership. EITI reports in terms of contributions to BCC 206114 by companies (Annex 1) and part of the funds allocations to social development of the regions (Annex 3) are available online on the EGSU website <http://egsu.energo.gov.kz/> in the “Published Reports” section, which ensures transparency of expenditures on social development of the regions.

Expenditures on social development and local infrastructure under contractual obligations, with the exception of the funds transferred to BCC 206114									
No.	Region/ city, district	Title of the document (agreement, memorandum, contract, social partnership, etc.)	Title of activity (project, program, social object)	Amount by (agreements, memorandums, contracts, social partnership, etc.) (thousand tenge)	Actual transferred amount (thousand tenge)	Transferred objects			Recipient (organization/ address/ details)
1						Title	Quantity	Book value (thousand tenge)	
2									
3									
etc.									
				Total amount	Total amount	Total	Total amount		

For Akimats, where data are presented in the same format (Annex 3-1), indicating the source of funding - a particular subsoil user

Form for expenditures on social development and local infrastructure for 2015									
No.	Region/ city, district	Subsoil user company (under agreements, memorandum, contracts, social partnership, etc.)	Title of the document (agreement, memorandum, contract, social partnership, etc.)	Title of social and infrastructural activity (project, object, etc.)	Amount by (agreements, memorandums, contracts, social partnership, etc.) (thousand tenge)	Actually disbursed amount (thousand tenge)	Transferred objects		
1							Title	Quantity	Book value (thousand tenge)
2									
3									
etc.									
					Total amount	Total amount	Total	Total amount	

Akimats, according to the TOR (Annex 3-1) also provided information on expenditure of funds from subsoil user companies under memorandums, agreements, contracts, social partnership.

**Progress.** For the first time in 2016, as part of the production of the 11th National EITI Report for 2015, along with tax and non-tax payments, the Independent Administrator reconciled subsoil users' data on the financing of social programs (projects) in the regions with their development by the local administrative authorities. The reconciliation results were published on the National EITI website in the section “National Reports” (Annex 3-2).

Explanations for each discrepancy were also published (Annex 11) <http://eiti.geology.gov.kz/ru/national-reports>. During the reconciliation process subsoil users submitted to the Independent Administrator copies of supporting documents in the form of memorandums, contracts, general register of payment orders to all paid expenses.

## **ALE Kazakhstan Association of Oil, Gas and Energy Sector Organizations “KAZENERGY”**

Representatives of the Association are members of the NCS RK, in which they represent the position of oil/gas companies.

In the framework of the Association there is a Working Group that discusses the development of recommendations on improving management and transparency of oil/ gas companies, legal analysis and preparation of proposals to amend the legislation changes and amendments, making recommendations on improving the effectiveness of the NCS RK, the promotion of the public importance of the Association and its members in EITI implementation, as well as other issues on the agenda.

Working Group members are major multinational corporations (Shell, Total, ExxonMobil, Chevron and others) supporting the Initiative at the international level, as well as the largest national and private companies operating in the Republic of Kazakhstan.

During the reporting period, 3 meetings were held. In the course of these meetings, implementation of beneficial ownership in the Republic of Kazakhstan was widely discussed. Representatives of the companies expressed general support for the BO disclosure, and noted the high importance of a comprehensive discussion on this topic. Meetings were attended by representatives of the EITI Secretariat to widely inform companies about the work.

Actions on promoting the Initiative are carried out also by other multi stakeholder groups, including the Coordination Council for Ecology, Social Responsibility and Transparency of the KAZENERGY Association.

A regular meeting of the Coordination Council was held on November 24, 2016, which provided information on the Initiative implementation in Kazakhstan. Participants noted the high importance of further improving reporting formats, financing mechanisms of the program, as well as increasing corporate responsibility in promoting the Initiative values. Following the meeting, the companies were invited to send recommendations to the Association regarding actions to improve the Initiative implementation in Kazakhstan.

The KAZENERGY Association regularly becomes the venue for the National EITI conferences. The XI Eurasian Forum KAZENERGY is scheduled to be in 2017.

Association representatives attended seminars and trainings described in the section “Capacity Building”.

In addition, representatives of the KAZENERGY Association participated in the International EITI Board meeting.

The KAZENERGY Association pays special attention to informing members about the work carried out. The information in the Association's newsletter is regularly updated, e-mails are distributed among members, and also the most important news of the Association is published on the website.

### **On the activities of the NGO Dialogue Platform for EITI implementation in Kazakhstan**

The NCS RK members from civil society 2016:

1. Makhanbetova Zhaksygul Shahzadaevna - The Civil Alliance of Kazakhstan, member of the NCS RK
2. Lobacheva Maria Georgievna - Coalition “Oil revenues - under the control of society!”, member of the NCS RK
3. Natalya Yantsen - Coalition “Oil revenues - under the control of society!”, member of the NCS RK
4. Kasabulatova Saniya - Coalition “Oil revenues - under the control of society!”, alternate member of the NCS RK
5. Espenova Mahabbat - Public Fund “KAMEDA”, alternate member of the NCS RK
6. Chernyshev Oleg Vladimirovich - The Civil Alliance of Kazakhstan, alternate member of the NCS RK

Participation in all the NCS RK meetings, including in absentia – by electronic voting. The minutes of all meetings with lists of participants are published on the National EITI website <http://eiti.geology.gov.kz/ru/the-national-council>.

The NGO Dialogue Platform Associations for EITI (NGO DPA for EITI) conducted the election of the NCS RK members from NGO DPA for EITI.

As a result of the elections, the following representatives were selected for the members of the NCS RK from NGO DPA for EITI.

#### **The main members:**

Maria Lobacheva;  
Sholpan Aytenova;  
Bolat Turgunbaev.

#### **Alternate members:**

Zhibek Ahmetov;  
Danila Bekturganov;  
Aigul Dyusenova.

Pavel Lobachev was elected as a moderator of the NGO DPA for EITI.

## **Participation in preparation of the National Report (2015) and development of the Terms of Reference for the next Report.**

After selecting a company (Independent Administrator) for carrying out reconciliation of payments from extractive companies, civil society and other EITI stakeholders, have the opportunity to participate in the preparation of the National Report. Draft Report assembled by the company is sent to the members of the Reconciliation Working Group to analyze and send suggestions and comments. The 2015 Report was adjusted several times by taking into account comments and suggestions from the working group.

### **From the Civil society in the work of the Reconciliation Working Group 2016 participated:**

Coalition “Oil revenues - under the control of society!” N. Yantsen, M. Lobacheva, D. Bekturganov, N. Bikineeva, G. Chernova

The Civil Alliance of Kazakhstan: Z. Akhmetova, A. Akhmedova

Y. Krivodanov

A. Kurmanbaeva

**The Reconciliation Working Group held the following activities during the reporting year.** Participation in the preparation of the National EITI Report 2015. The group checked the draft report with the Terms of Reference, EITI Standard. All the comments and recommendations to the draft report were processed by the Independent Administrator. The Reconciliation Working Group on October 21 recommended adopting the latest version of the report, and also formed a list of recommendations to take into account in additional comments to the Report and to the Terms of Reference.

Representatives of the working group participated in the training of the International EITI Secretariat on beneficial ownership, and on preparation for Validation. During the training, together with representatives of the Preparations for Validation Working Group studied the comments of the International Secretariat, developed the Action Plan for Validation, namely, what needs to be improved in order for Kazakhstan to meet EITI standard 2016.

The Working Group has developed recommendations improvement of the National Report 2016; some of them were included in the Terms of Reference for the Independent Administrator for production of the Report. Some of the recommendations were presented at the NCS RK meeting in February; the recommendations are reflected in the Action Plan for Validation.

The group's work was held in the format of individual work of group members. Representatives of the group living in Almaty had several meetings. The

results of both individual and joint work were discussed by e-mail and at Skype conferences. The group worked on a voluntary basis, the work was not paid.

**From the Civil society in the work of the Validation Working Group participated:**

Coalition “Oil revenues - under the control of society!” M. Lobacheva.

After the adoption of the report, starts work on developing Terms of Reference for the next Report. This year there was a lot of work, because in February the new EITI standard was adopted by the International EITI Secretariat.

**September 27, 2016.**

Representatives of two Working Groups: Validation and Reconciliation were preparing comments to Draft of the National EITI Report 2015 so the Report would be as consistent as possible with EITI Standard.

Work in the Working Groups: Validation, Reconciliation, BO Road map development, ToR development - are voluntary based.

**EITI events**

**February 2016** International Conference in Lima

**March 17, 2016** Maria Lobacheva and Natalya Yantsen held a press conference in Almaty on the topic: “Extractive Industries Transparency Initiative: new challenges”. (New Standard)

**October 25-26, 2016** Participation of representatives from civil society in the 8<sup>th</sup> National Conference on EITI Development during the 35<sup>th</sup> International EITI Board Meeting;

From civil society were Svetlana Ushakova (Coalition “Oil revenues - under the control of society!”) and Nadezhda Sagonova (The Civil Alliance of Kazakhstan).

The lists of Conference participants, including those from CS (33 participants) were published on the National EITI website <http://eiti.geology.gov.kz/ru/about-us/conference/192-2016-10-27-09-27>.

**November 17, 2016** Astana. Seminar on beneficial ownership. Seminar participants prepared a WP for the NCS RK and the National EITI secretariat actions, in accordance with the new International Standard.

**November 30, 2016** Almaty. The NGO initiative group held a discussion on the direction of EITI development.

December 27, 2016 Meeting of the NGO EITI and the Association for the Development of Civil Society (ADCS) - presentation of the project Partnership for Innovations # P4I and discussion of areas of cooperation. World Bank Office in Almaty

### **Information on Public Fund “KAMEDA” EITI activities 2016**

**Project title:** Training of trainers on budget transparency and EITI in Kazakh

**Donor:** Corporate Foundation “Soros-Kazakhstan”

**Grantee:** Public Fund “KAMEDA”

**Duration of the project:** 11.2016 - 04.2017

**Grant amount:** 6 050 000 tenge

**Purpose of the project:** Training of qualified specialists and distribution of practical knowledge and skills through a three-day intensive training course in the state language with elements of thematic training and development of coaching skills.

#### **Objectives of the project:**

1. Organize a training event for 1.5 months
2. Conduct a three-day training
3. Carry out post-training activity for 2 months

**The long-term result:** Effective mechanisms have been created for effective informing in Kazakh and for public participation in EITI issues and budget transparency at the regional and rural levels.

#### **Brief description of the project realization:**

The main project implementation was launched in January 2017, after publication of the announcement of the EITI training for trainers. The announcement was posted on the Geology and Subsoil Use Committee website, on Facebook and information distribution through affiliate networking.

Upon agreement with the Customer, the list of trainers was approved, it included: Ushakova S.B., Makhambetova Z.S., Khudyakov S.G. and the selection

of the participants for the training was conducted. The competition commission for the selection of participants included: Executive Director of the PF “KAMEDA” Espenova M.M., the lead trainers of the training Ushakova S.B. and Head of the Department for Analysis of Mineral Resources and Extractive Industries Transparency Dzhantureeva E.A.

**February 20-22, 2017** three day training was held with the participation of 19 NGO representatives from different regions of the country. One of the requirements for the participants was after passing the training to conduct EITI training in their regions.

### **NGO projects on EITI promoting in Kazakhstan**

**October 2015 – January, 2016** several meetings of Reconciliation Working Group members from NGO. The meetings focused on necessary changes in the ToR for the National Report preparation. In particular, they made suggestions:

1. The threshold of significance should provide at least 97% of the total revenue from companies in the subsoil-budget;
2. Change the approach in displaying dividends paid by companies with a state share, namely: include accrued amounts for the reporting period and actually paid amounts taking into account the debts for the past years.

**January – March 2016** Public association “Echo” has implemented the project “EITI in Kazakhstan. Data analysis”. The purpose of the training was to allow more CS representatives be competent to participate in the EITI process. The analysis was conducted as part of the training and was designed to study the report, how the data in the report correspond to the EITI standard. Many recommendations of the analysis were taken into account by the members of the Reconciliation Working Group in preparation of the next National Report and in the development of the next ToR. As a result of the training, the majority of those who have completed it were included in the NCS RK Working Groups.

Currently, a new PA “Echo” website is being developed, where all the reports will be posted. As part of the project, NGO representatives received in-depth knowledge of EITI process and data analysis skills included in the National EITI Report. After the training, the participants analyzed the various aspects of the Report:

- Contextual part and awareness of citizens;

- Tax revenues from subsoil users of the PSA;
- Discrepancies of tax and non-tax payments;
- Dividends from activities of companies with the state participation;
- Tax load of the extractive sector in Kazakhstan;
- Disclosure of information on social investments by companies with state participation;
- Research recommendations were submitted to the reconciliation Working Group to include necessary changes to improve the ToR of the Report 2016.

**February 24-25, 2016** two representatives of the Dialogue Platform, NCS RK members from civil society - Natalya Yantsen and Maria Lobacheva participated at the International EITI Conference in Lima. Natalya Yantsen spoke at a conference on the topic “EITI Integration into State Reporting Systems, Kazakhstan's experience and Perspectives of Development in this Direction”. Representatives of the DP also studied popular and some complete versions of reports from different countries. Two companies are preparing global data maps, the first in cooperation with the International EITI Secretariat (Data Portal EITI Development gateway), and the platform for data visualization of the extractive sector (Mapping and Assessing the Performance of Extractive Industries, or MAP-X) in collaboration with the World Bank. Initial negotiations were held with Publish What You Pay about Kazakhstan NGOs participation in the international coalition. Features of the new EITI Standard and the forthcoming validation were studied.

**March 2016** Mangistau region Civil Alliance “Gamo” released 2015 public report <http://cloud.mail.ru/public/4bWS%2F97xKD3A3m>, where published information about the organization, its structure, activities, projects, EITI seminars, trainings, round tables for the Kazakh-population, sources of funding (USAID International Organization) and partners (EFCA, Institute of National and International Development Initiatives of INIDI, Nur Otan, Akzhol, Akimat of Mangystau region). Participants expressed interest in this topic and a desire to distribute information on the impact of the activities of extractive companies on the level of the region's welfare and participate in EITI activities. “Gamo” also held public meetings (2500 thousand people) and discussed EITI, held 16 lectures on anti-corruption policy of government employees (over 300 listeners), corruption through the eyes of young people (more than 150 young specialists from educational institutions and government employees. “No Corruption” video was shown through the Kazakhstan-Aktau television channel and in social networks.

**May 3, 2016** In Almaty, the “Meeting of the working Group on the development of the EITI Glossary” was organized by the Secretariat and FSK <http://infonedra.kz/item/glossarij-po-initsiative-prozrachnosti-v-dobyvayushchej-promyshlennosti-eiti>. The moderator of the meeting were Erlan Abil, the head of the Economics Department of the Academy of Public Administration, the graduate of the program of the Eurasian Hub, Anar Fazilzhan, the philologist of the Kazakh language, the deputy director of the Institute of Linguistics named after A.Baytursynov, Dinara Satpayev from the Secretariat. As part of the Working Group were Esilbaev M., Kizatova T., Karashin B., Mahanbetova Z., Mukashev K., Lespaev A.

**May 21-28, 2016** In Baku (Azerbaijan) Ahmadova Aizhan - coordinator of the “GAMO” project was trained on the program: “Decision Making Chain on Natural Resource Management”, Eurasian Training Center for Extractive Industries. The topic: “Transformation of natural wealth into sustainable development”.

**May – June, 2016** Member of the NCS RK Makhanbetova Z.S. held several meetings with the Economics and Budget Planning Department for placement of state social order (SSO) to promote EITI in the region. The report on the effectiveness of spending funds for social infrastructure development, including through social deductions of subsoil users of the Mangistau region. The deputy akim of the region S.Ilmukhanbetova instructed to place the SSO for EITI promotion at the regional level for 2016, the responsible state body is the regional Economics and Budget Planning Department.

### **3. Assessment of performance against EITI requirements**

Evaluation of the requirements fulfilled is of overall holistic nature. There are a number of points and sub-points that will need to be specified and supplemented already in Validation period. Such a mechanism is provided by new Validation rules and information required to explain the discrepancies identified by the validator will be reflected as much as possible in the additional comments to the authorization process.

It should be noted that this Progress Report on EITI implementation in Kazakhstan is more advanced than in previous years, as it was compiled in accordance with Guidance Paper 5 - Requirements 7.4 and 8.4 on compilation and content of the Annual Progress Reports provided by the International EITI

Secretariat and taking into account comments of the International EITI Secretariat, the NCS RK members and the NCS RK Working Groups. Also, according to the International EITI Secretariat recommendations, announced at the Strategic EITI Meeting in Kazakhstan on May 19, 2015 that was held as an interactive seminar, in the EITI Reports links used to information sources of Ministries, departments, national companies, etc. websites in order to use data in real time. Prior to publication, the EITI reports are discussed by the NCS RK and then approved with the adjustments according to the comments of the NCS RK members, the NCS RK working groups and other stakeholders.

<b>Requirements:</b>	<b>Progress:</b>
<p><i>Requirement 1:</i> Oversight by the multi-stakeholder group (The NCS RK)</p>	<p>The NCS RK work is covered on the National EITI website <a href="http://eiti.geology.gov.kz/ru/the-national-council">http://eiti.geology.gov.kz/ru/the-national-council</a></p> <p>During 2016 - 2017 (until July), 12 the NCS RK meetings were held, eight of which were held in the form of electronic voting. The NCS RK work regulations described in Appendix 1 to the updated MoU from October 9, 2013, it was amended in the part of the NCS RK work regulations, its membership, responsibilities, authorities, meetings, review and decision-making procedures (approved by the NCS RK Minutes No.67 dated June 15, 2017).</p>
<p><i>Requirement 2:</i> Legal and institutional framework, including allocation of contracts and licenses</p>	<p>Information on the register of subsoil use contracts for all companies, not just those involved in EITI, indicating the type and number of contracts, the period of validity, licensor and status is available on the Geology and Subsoil Use Committee of the MID RK website:</p> <p>List for hydrocarbon raw materials as on 01.01.2016 <a href="http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/uglevodorodnoe-syre-2">http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/uglevodorodnoe-syre-2</a></p> <p>List for solid minerals as on 01.01.2016 <a href="http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/tverdye-poleznye-iskopaemye-2">http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/tverdye-poleznye-iskopaemye-2</a></p> <p>It should be noted that one company can sign several contracts and one contract may have subsoil use rights for several objects.</p> <p>After selecting the appropriate list, there is available information on the name of the subsoil user company, address, director, year of creation, the core business and the subject of subsoil use by clicking on a specific object. Window will be displayed below. Thus, you can choose any subsoil user company of interest and read the information available.</p> <p>Interactive map is available on the Geology and Subsoil Use Committee of the MID RK website: <a href="https://gis.geology.gov.kz/geo/">https://gis.geology.gov.kz/geo/</a>. The map contains information on occupied / free contract areas; it is possible to search for contracts by types of minerals and subsoil users. For each section there are data, which include the contract number, type of business, type of mineral, data on the subsoil user, as well as its details.</p>

According to the Resolution of the Government of the Republic of Kazakhstan dated September 19, 2014 No.994 “Issues of the Ministry of Energy of the Republic of Kazakhstan”, the Ministry of Energy RK is the competent authority for contracts for exploration, production and combined exploration and production of hydrocarbons, uranium and coal;

According to the Resolution of the Government of the Republic of Kazakhstan dated September 23, 2014 No.995 “Certain Issues of the Ministry of Investment and Development of the Republic of Kazakhstan”, the MID RK is the competent authority for contracts for exploration, production and combined exploration and production of groundwater and therapeutic mud and solid minerals, except for uranium and coal.

Legislative regulation of subsoil use for all types of minerals is carried out in accordance with the “Law on Subsoil and Subsoil Use” and other normative-legal acts

[http://egsu.energo.gov.kz/webapp/pages/administration/regulatory\\_docs.jsf](http://egsu.energo.gov.kz/webapp/pages/administration/regulatory_docs.jsf).

The list of objects to be auctioned for subsoil use rights is published on the MID RK website <http://dep-nedra.mid.gov.kz/ru/pages/izveshchenie-ministerstvo-po-investiciyam-i-razvitiyu-respubliki-kazahstan-kak-kompetentnyy-1>, which specifies the time, place, application deadline, the auction conditions, and the exhibit object.

The list of objects obtaining subsoil use rights in a simplified procedure is published on the MID RK website <http://dep-nedra.mid.gov.kz/ru/kategorii/perechen-slaboizuchennyh-uchastkov-nedr-po-kotorym-pravo-nedropolzovaniya>

Results of the contest on the MID RK on the MID RK website <http://dep-nedra.mid.gov.kz/ru/pages/itogi-konkursa-v-vide-aukciona-na-poluchenie-prava-nedropolzovaniya>

Announcement and results of the competition on the Ministry of Energy RK website.

The work is carried out according to the Road map for beneficial ownership disclosure. IWG coordinates implementation of actions included in the Road map, according to the request of the Government from February 7, 2017 No.17-30/4087 and the order of the Minister MID RK Z.Kasymbek from February 3, 2017 No.69. A pilot form for beneficial ownership disclosure was introduced through the online portal UGSU to create a registry of subsoil users (EITI Standard requirement 2.5 a): Based on the information received, a registry is being compiled of those who refused to disclose beneficiaries, who voluntarily disclosed and those who have open information on beneficiaries.

The NCS RK discussed contracts disclosure (the NCS RK Minutes No.67 dated June 15, 2017)

To improve management and use of revenues from the extractive sector (req. 3.7 c) - publish information on the investments of the National Fund, including support of business in the country. This information is published

	<p>in the 11<sup>th</sup> National EITI Report 2015 (p.55) <a href="http://eiti.geology.gov.kz/ru/national-reports">http://eiti.geology.gov.kz/ru/national-reports</a>.</p>
<p><i>Requirement 3:</i> Exploration and production</p>	<p>This information is published in the 11th National EITI Report 2015 (p.40-42) <a href="http://eiti.geology.gov.kz/ru/national-reports">http://eiti.geology.gov.kz/ru/national-reports</a>.</p> <p>KZT 777 billion was allocated for geological exploration of hydrocarbons, KZT 3.4 billion of which at the expense of the budget. As a result of the carried out work, the increase in oil reserves was 318 million tons, gas -175 billion cubic meters, condensate - 91 million tons. To attract foreign investment and transfer of new technologies to geological exploration, cooperation with world companies, leaders in the field of mining and exploration is being established. Total projects in operation - 5 for 30 million US dollars, planned projects - 6 for 42 million US dollars.</p> <p>The report also shows the location of geological exploration of the National Company “KazMunaiGas” (Figure 10)</p>
<p><i>Requirement 4:</i> Revenue collection</p>	<p>4.3 <u>infrastructure and barter</u> – within the framework of the industrialization program in Kazakhstan order made that allows barter deals with investors, in return for technology and investments, providing use of deposits (fields). Order of the Minister MID RK from March 31, 2015 No.380 approved “Rules for the recognition of production activities (technological process) of industrial and innovative subjects as activities (technological process) associated with subsoil use”. This information is published in the 11th National EITI Report 2015 (p.62-63) <a href="http://eiti.geology.gov.kz/ru/national-reports">http://eiti.geology.gov.kz/ru/national-reports</a>. Information is provided on the four barter agreements of industrial and innovative activity, on which the subsoil use contracts are signed and comprehensive information are given, which is within the competence of the Subsoil Use Department. Contracts contain conditions, the parties involved, the resources and the cost of balancing the flow of benefits, payments and other information.</p> <p>Earlier, the NCS RK members already discussed the issue of contracts disclosure (the NCS RK Minutes No.52 dated March 10, 2015). It was decided that it was premature to meet this requirement due to lack of legislation.</p> <p>The National EITI Secretariat participated in a webinar on contract disclosure organized by the International EITI Secretariat on May 19, 2017, which was participated by representatives of several EITI implementing countries with different range of experience in meeting EITI Standard requirement 2.4 “Contracts”. Disclosure of documents with public interests was discussed, some of which have already been disclosed in Kazakhstan, for example: fiscal terms, including taxes and royalties; worker health and safety, social obligations, including infrastructure and local content. It is said what should be disclosed: main contract, license or permit; other associated documents that contain rights and obligations in the public interest: Annexes, addendums, documents and studies, laws and regulations.</p> <p>The NCS RK discussed contracts disclosure (the NCS RK Minutes</p>

	<p>No.67 dated June 15, 2017)</p> <p>4.4 <u>Transportation revenues</u>. This information is published in the 11th National EITI Report 2015 (p.55-62) <a href="http://eiti.geology.gov.kz/ru/national-reports">http://eiti.geology.gov.kz/ru/national-reports</a> as well as in Annex 7.</p> <p>Oil transportation through oil pipelines is carried out by a subsidiary company of JSC NC “KazMunaiGas” JSC “KazTransOil”. The map of the main oil pipelines is given (Fig. 16). Routes and volume of oil transportation in 2015 (Table 7). The scheme for managing the gas transportation industry (Fig. 17). The revenues from gas transportation JSC KazTransGas (Table 8). Volumes of gas transportation through main gas pipelines (billion m3) (Table 9). Map of gas pipelines of Kazakhstan (Fig.18). JSC NC “Kazakhstan Temir Zholy” provided data on the level of tariffs for transportation of goods through the republican (interregional) and international (export, import) routes and data on volumes of transportation and the amounts received, making confidentiality clause of this data.</p>
<p><i>Requirement 5:</i> Revenue allocations</p>	<p>The Ministry of Finance website released publicly required disclosing information relating to the deductions of income that allows stakeholders to understand how revenues are accounted for in the national and, where applicable, subnational budgets <a href="http://www.slideshare.net/minfingovkz/">http://www.slideshare.net/minfingovkz/</a>, and also allows tracking social expenses from companies. Also, all reports on both the open budget index (OBI) and the open local budget index (OLBI) were published <a href="http://budget.kz/indeks-otkrytosti-byudzheta-kazakhstana/">http://budget.kz/indeks-otkrytosti-byudzheta-kazakhstana/</a>.</p>
<p><i>Requirement 6:</i> Social and economic spending</p>	<p><u>Social investments</u> (requirement 6.1). This information is published in the 11th National EITI Report 2015 (p.68) <a href="http://eiti.geology.gov.kz/ru/national-reports">http://eiti.geology.gov.kz/ru/national-reports</a>. Payments on social development of the regions go to BCC 206114 “Contributions of subsoil users on social and economic development of the region and development of its infrastructure”.</p> <p>As part of the contractual obligations subsoil users of the oil/gas and mining sectors directed KZT 56.0 billion on social and economic development of the regions in 2015, of which oil and gas – KZT 43.7 billion (78%), including reconciled - KZT 42.5 billion (97% of the total amount for the oil and gas sector); mining companies directed KZT 12.3 billion (22%), including reconciled – KZT 10.9 billion (89% of the total amount for the mining sector) (Annex 5).</p> <p>In order to ensure transparency and efficiency of these funds, directed by subsoil users according to the Memorandum, agreements with LEB in the framework of social partnership for social needs of the regions and their further use by LEB, MID RK has developed a unified format for providing data indicating the recipient and the source of funding, and was introduced to the UGSU for subsoil users reporting on-line, accessible for stakeholders and anyone wishing <a href="http://egsu.energo.gov.kz">http://egsu.energo.gov.kz</a> in the “Published Reports” section.</p> <p>For the first time in 2016, as part of the production of the 11th National</p>

	<p>EITI Report 2015, along with tax and non-tax payments, the Independent Administrator reconciled subsoil users' data on the financing of social programs (projects) in regions with its further development by the local administrative bodies. The reconciliation results were published on the National EITI website in the section “National Reports” (Appendix 3-2).</p> <p>On the contribution of the extractive sector to the economy (req. 6.3) - <b>p.51</b>. In 2015, the total revenues of the state budget was KZT 7,634 billion, the proceeds to the National Fund, according to its annual report, were 60.7% of the state budget revenues. Mainly in the National Fund of Kazakhstan accumulated direct taxes from oil and gas sector - 53.9% of the total state budget revenues. The National Fund fully accumulates the share of the Republic of Kazakhstan under Production Sharing Agreements, almost completely - the rental tax on exports (99.0%), bonuses (60.3%), proceeds from nature users for claims as compensation for harm by organizations of oil sector (59.9%), excess profit tax (84.6%) and a great share of the mineral extraction tax (79.6%). Income to the National Fund of the Republic of Kazakhstan in 2015, their share in the state budget revenues (Table 4). The revenues structure from oil sector organizations to the National Fund of the Republic of Kazakhstan in 2015 (Fig.15). Information on the share of tax and non-tax revenues from extractive sector companies in the revenues of the consolidated budget of the republican and local budgets and the National Fund in 2015 (Table 5).</p> <p><u>On Quasi-fiscal expenditures</u> (req. 6.2) - p.70. Information on quasi-fiscal expenditures is described in the 11th National EITI Report 2015 on JSC “National Welfare Fund “Samruk-Kazyna”. When collecting information on quasi-fiscal expenditures, there was not precise definition of this requirement, specifically that relates to quasi-fiscal expenditure articles (i.e. cost beyond the budget process). The Additional Report includes information on projects funding (mainly social) with state participation, as well as those financed from own funds without the use of the state budget from open sources on official national companies websites, as well as responses to official inquiries. It is suggested to consider the possibility of conducting a study on this issue, taking into account the rules and practice, governing transfers of funds between the state enterprise and the state, undistributed profits, reinvestment and third-party financing.</p>
<p><i>Requirement 7:</i> Outcomes and impact</p>	<p>A popular version of the EITI report has been made, which has a graphical and analytical nature that reflects the history of EITI implementation in the country, the dynamics of payments over the past 5 years, the share of mining and oil/gas sectors, income distribution by regions, social investments and main macroeconomic indicators <a href="http://eiti.geology.gov.kz/ru/national-reports">http://eiti.geology.gov.kz/ru/national-reports</a>.</p> <p>Administration of the President of the Republic of Kazakhstan instructed akimat to hold annual reports telling about spending on social projects, involving participation of state bodies, NGOs, extractive companies, stakeholders and the media. The result of these events was</p>

	<p>hearing the reports of the regions akimats on spending on social programs from all sources of funding, including from the local budget, where companies transfer funds under contractual obligations. This information was published on the National EITI website in the “Press Centre” section <a href="http://eiti.geology.gov.kz/ru/about-us/meetings-in-akimats">http://eiti.geology.gov.kz/ru/about-us/meetings-in-akimats</a>. For the first time in 2016, as part of the production of the 11th National EITI Report for 2015, along with tax and non-tax payments, the Independent Administrator reconciled subsoil users' data on the financing of social programs (projects) in the regions with their development by the local administrative authorities. The reconciliation results were published on the National EITI website in the section “National Reports” (Annex 3-2).</p> <p>Also published an explanation for each discrepancy (Annex 11) <a href="http://eiti.geology.gov.kz/ru/national-reports">http://eiti.geology.gov.kz/ru/national-reports</a>. During the reconciliation, subsoil users submitted copies of supporting documents in the form of memorandums, contracts, and general registers of payment orders for all expenses paid.</p>
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#### 4. Overview of the multi-stakeholder group’s responses to the recommendations from reconciliation and Validation, if applicable

<b>Recommendations of the Validator</b>	<b>Status/progress</b>
<p>The Secretariat should fill up the WP with largely already available materials. This plan should be presented to the NCS RK and after its approval become the main the NCS RK management tool.</p>	<p>National EITI related priorities were approved at the 65<sup>th</sup> NCS RK meeting. Priorities are the Open Data Policy and Beneficial Ownership disclosure. The NCS RK has revised the WP with taken into account the best practice in WPs forming in other EITI implementing countries. It clearly identifies National priorities, such as the Open Data Policy and Beneficial Ownership disclosure. All necessary actions for their implementation are included. The WP was approved (the NCS RK Minutes No.66 dated April 19, 2017) <a href="http://eiti.geology.gov.kz/ru/work-plan">http://eiti.geology.gov.kz/ru/work-plan</a>.</p>
<p>Communication with NGOs should be carried out by the Secretariat the use of online information accessible to all stakeholders</p>	<p>All information on EITI implementation is published by the Secretariat on the National EITI website <a href="http://eiti.geology.gov.kz/ru/contact">http://eiti.geology.gov.kz/ru/contact</a>, also there is operating feedback form.</p> <p>Also, correspondence with the International EITI Secretariat, the NCS RK members, stakeholders, government departments, the RK Government and others by electronic messages by e-mail: <a href="mailto:eiti_secretariat@geology.kz">eiti_secretariat@geology.kz</a></p>
<p>Require transparency from all NGOs directly involved in the NCS RK and</p>	<p>According to the updated MoU, the stakeholders commit providing to the Secretariat information on the</p>

<p>its Working Groups through public publications on their own or on the National EITI websites their charters, goals, work programs and funding sources.</p>	<p>activities and sources of financing under EITI implementation in the Republic of Kazakhstan in order to ensure transparency of the decisions made, the availability of complete and reliable information between the stakeholders.</p>
<p>Prepare guidance on the procedure for electing the NGOs representatives, including principle of rotating elected representatives.</p>	<p>An Appendix was prepared to the updated MoU in terms of regulations of rotations and elections of the NCS RK members.</p> <p>The NCS RK Minutes No.67 dated June 15, 2017  <a href="http://eiti.geology.gov.kz/ru/the-national-council">http://eiti.geology.gov.kz/ru/the-national-council</a></p>
<p>Continue to develop the NCS RK Working Groups system; ensuring the publication of the members and aims of each Working Group on the EITI website; election procedure for participation in each Working Group should be transparent.</p>	<p>Regulations of establishment and work of Working Groups defined by the MoU, according to it establishment of the WGs and reports on their activities are is recorded in the NCS RK Minutes that are available on the National EITI website  <a href="http://eiti.geology.gov.kz/ru/the-national-council">http://eiti.geology.gov.kz/ru/the-national-council</a></p>
<p>Strengthen the role of the EITI Secretariat as a hub for distributing all EITI information, with the right to distribute general information to regional administrations and public councils in all regions of the country; this should become the base for monitoring the accessibility of information in the country.</p>	<p>In 2016, the composition of the National EITI Secretariat has been updated since the beginning of this year. Competent, young, successful specialists with knowledge of Kazakh and English languages were recruited. The Secretariat is a working body and carries out its activities in according with official duties of the RCGI “Kazgeioniform” of the Geology and Subsoil Use Committee of the MID RK, as well as in Annex 2 to the updated MoU from October 9, 2013.</p> <p>The Secretariat coordinates and organizes the implementation of activities in accordance with the EITI WP, organizes the NCS RK meetings, oversees the work on the production of annual National EITI Reports by the Independent Administrator, who is involved by the budget subprogram in accordance with the Law on Public Procurement, prepares an annual Progress Report that describes EITI implementation activities in details. Coordination of implementation of the Road map for beneficial ownership disclosure tasks, support of the National EITI website, preparation of materials for Validation.</p> <p>Information on the National EITI Secretariat members and their contact details  <a href="http://eiti.geology.gov.kz/ru/homepage/natsionalnyj-sekretariat-ipdo">http://eiti.geology.gov.kz/ru/homepage/natsionalnyj-sekretariat-ipdo</a></p>
<p><b>Recommendations of the Independent Administrator regarding the production of the 11<sup>th</sup> National EITI report 2015</b></p>	
<p>Payers, representing “report on</p>	<p>In order to qualitatively fill out the EITI Reports and</p>

<p>significant tax and non-tax Payments/Receipts of payers of the oil and gas and mining sectors of the Republic of Kazakhstan” for reconciliation, to improve the quality of reporting in compliance with the instructions for completing the report.</p>	<p>annexes, a <b>Methodological Guide</b> was developed on the procedure for compiling and submitting reports in UGSU  <a href="http://egsu.energo.gov.kz/webapp/pages/administration/instructions.jsf">http://egsu.energo.gov.kz/webapp/pages/administration/instructions.jsf</a>. EGSU Customer Service remotely provides technical assistance and consultation in case of problems of a technical nature.</p>
<p>In order to reduce the difference in the Attachment 3-2 “consolidated expense report on social development and local infrastructure, except for items listed on the BCC 206114 it is necessary for the akimat to enter adds in the headline in the form of 3-1 “with the exception of items listed on the BCC 206114” which caused misunderstanding of the performers. Many administrations have sent incorrectly-filled reports related to BCC for checking. Before filling the report form 3-2 “consolidated expense report on social development and local infrastructure, except for items listed on the BCC 206114” it is necessary to carry out an explanation on how to complete the form.</p>	<p>In the title of the form of 3-1 (for akimats) was added “with the exception of funds transferred to the BCC 206114”, consultations and explanations for subsoil users and akimats take place during the collection of information process.</p>
<p>We recommend bringing it into conformity with the technical specifications data IMS system Payers USSUMS re-costing the exchange rate and calculate the difference in IMS USSUMS holding on mathematical module. Detailed information is set in files “Auditors Commentary 1-6” and “1-6 reconciliation with data from USSUMS 2015”.</p>	<p>EGSU Customer Service has a tasked to work on making adjustments to the software.</p>
<p>To include in TT instructions for completing reports, Taxpayers with subsoil asset use should include the EITI report payments of taxes and payments within the framework of</p>	<p>The amendment is included in the <b>Methodological Guide</b> on compilation and submission of reports in EGSU  <a href="http://egsu.energo.gov.kz/webapp/pages/administration/instructions.jsf">http://egsu.energo.gov.kz/webapp/pages/administration/instructions.jsf</a>.</p>

the activities of asset management.	
Come up with the instruction on filling Payers' accountability form in accordance with updated Technical Specification, particularly, by filling data on currency payments and payments accomplished by the third parties while carrying out Payers reorganization procedure.	<p>The amendment is included in the <b>Methodological Guide</b> on compilation and submission of reports in EGSU  <a href="http://egsu.energo.gov.kz/webapp/pages/administration/instructions.jsf">http://egsu.energo.gov.kz/webapp/pages/administration/instructions.jsf</a>.</p>
To include in the WP in 2016 holding NCS RK for responsible officials of companies training seminar-trainings on compliance with instructions on how to complete the reporting forms in compiling the report.	<p>According to the NCS RK Minutes No.46 dated April 14, 2014, the NCS RK considered conducting EITI seminars at the expense of participants is an acceptable practice. Participation in training and seminars as trainers (dates agreed upon on a contractual basis with the training company “Nurikon” according to the applications submitted by companies for specific programs <a href="http://nurikon.kz/schedule/">http://nurikon.kz/schedule/</a>).</p> <p>Programs of trainings-seminars:  “New model contracts for exploration, production and combined, new forms of work programs, changes in monitoring rules for fulfilment of contractual obligations by subsoil users, conceptual changes in legislation, reporting in UGSU”;  “New Methodical Guide for compilation and submission of LCT (licence and contract terms)/PSA reports. Changes made in the preparation of work programs for subsoil use contracts with regard to training costs, Research and Development and social development. Reporting on them in UGSU”.</p> <p>Also, the National EITI Secretariat provides consultations by phone. EGSU Customer Service remotely provides technical assistance and consultation in case of problems of a technical nature.</p>
Prepare the following Technical Specifications for the construction of the national EITI report in accordance with the specification requirements for Independent Administrator: <a href="https://eiti.org/guidancenotes-and-standards-reference#TORIA">https://eiti.org/guidancenotes-and-standards-reference#TORIA</a> and in accordance with requirements of the Standard.	In order to implement the budget sub-program 100 on the preparation of the 12th National EITI Report 2016 the NCS RK approved ToR (Minutes No.64 dated January 23, 2016) developed in accordance with the standard ToR provided by the International EITI Secretariat.
“The NCS RK should ensure that the process of reporting exhaustively	An addition was made on this question to the 11th National EITI Report 2015, with references to

<p>examined the role of State-owned enterprises, including substantial payments from the oil, gas and mining companies and transfers between SE and other public organizations”.</p>	<p>information sources. Possibility of carrying out research on this subject. Discussed by the NCS RK (Minutes No.67 dated June 15, 2017).</p>
<p>The EITI Standards include provisions to encourage the Government to generate contracts (3.12). Kazakhstan does not publish contracts and this issue should be addressed to NSSR to the Government and to Parliament for debate and decision.</p>	<p>Discussed by the NCS RK (Minutes No.67 dated June 15, 2017).</p>
<p>In the next national EITI report. not to put Attachment 8 (former Attachment 7) which duplicates the body of the report:</p> <ul style="list-style-type: none"> <li>- Extractive industries size in absolute terms and as a percentage of GDP;</li> <li>- Total government revenue generated by the extractive industries (including taxes, royalties, bonuses, commissions and other payments) in absolute and as a percentage of aggregate income of the Government;</li> <li>- Export volumes from extractive industries in absolute and as a percentage of the total export.</li> </ul>	<p>In the 12th National Report for 2016, where above indicators will be described, references will be made to the sources of official websites of the ministries and departments of the Republic of Kazakhstan.</p>

## 5. Any specific strengths or weaknesses identified in the EITI process

*Description of the weaknesses identified in the EITI process and actions to address them.*

### **Strengths.**

- Subsoil users provide EITI reporting online through UGSU and its accessibility to all the stakeholders and anyone wishes at <http://egsu.energo.gov.kz/webapp/pages/home.jsf>. On the main page, by clicking on "EITI" revealing the final reports on taxes and other mandatory payments (by any payer with income distribution to the National Fund, the republican and local budgets); on dividends from the state share in the ownership of companies; on

expenditures for the social sector, indicating specific projects, programs other than funds transferred to the local budget and on goods, works and services directed to the education sector. Report type should be selected, name of the company or its BCC should be entered in the corresponding window and year selected.

- Development of new additional applications for social expenditures on specific programs, projects to reconcile with akimats' data on development of these funds; Applications for purchased goods, work and services on education sector in accordance with the new norms included in the Law of Subsoil and Subsoil Use; Pilot form for beneficiaries disclosure; The ability to export reports from the UGSU to Excel format; Automatic reconciliation of company and government data on payments and receipts (the discrepancy will appear only for companies that have been reconciled according to the materiality threshold, as this revenue data is entered into the EGSU system by Independent Administrator according Ministry of Finance RK, for other companies only incomes will be shown). The list of companies that undergo reconciliation is published on the National EITI website in the section "National Reports" (Annex 10) <http://eiti.geology.gov.kz/ru/national-reports>.
- Release of the annual national EITI reports ahead of all countries, inclusion of links in reports to official open data websites of companies and government agencies, where it is possible to get acquainted with required information in real time. The 11th National EITI Report 2015 covers all EITI Standard requirements and highlights issues that are not required in the ToR. Thus, the scope of work performed exceeds the requirements of the ToR. The structure of this National Report fully complies with the requirements for validation reports.
- The Road map was developed, agreed with all state bodies and stakeholders and approved by the NCS RK (Minutes No.63 dated December 22, 2016). Then it was published on the National EITI website at the required time <http://eiti.geology.gov.kz/ru/homepage/bo-roadmap> (before January 1, 2017). All the work of this requirement implementation of the EITI Standard was coordinated by the request of the Government. The Intergovernmental Working Group on the implementation of Road Map objectives has been established. A pilot form has been introduced to collect information on beneficiaries of subsoil users through the online portal UGSU. Based on information collected, a registry is being compiled of those who refused to disclose beneficiaries, who voluntarily disclosed and those who have open information on beneficiaries.
- The draft Code on Subsoil and Subsoil Use takes into account issues of beneficial ownership. Article 6. Availability of information in subsoil use sector paragraph 4) information provision about a person, a foreign state and an international organization directly or indirectly controlling a subsoil user in the field of hydrocarbons or solid minerals. For the purposes of this Code, direct

control means the right to determine decisions of a person or organization arising from the presence of at least one of the following conditions:

- 1) ownership of more than twenty-five percent of the rights to participate (stocks, shares and other equity instruments) in a different legal entity or organization;
- 2) ownership of the right to vote by more than fifty percent of shares, participation interests in a legal entity, organization;
- 3) existence of the right of a person, organization to elect not less than a third of the management body or executive body of another legal entity or organization;
- 4) inclusion of financial statements of a legal entity, organization into financial statements of another legal entity, organization in accordance with international financial reporting standards;
- 5) existence of the right of one person, organization to determine decisions of another person, organization in accordance with the contract or on the law basis.

- The European Bank for Reconstruction and Development (hereinafter - EBRD) expressed its willingness and interest in supporting the NCS RK within the next three years in new EITI requirements implementation and in capacity building of stakeholders in promoting EITI in Kazakhstan with appropriate funding. IWG supported the above activities.

After IWG members' discussion, it was decided to hold an event for government agencies with the financial support of the EBRD in the format of a Round table meeting. The following are possible topics for the Round Table, and research.

#### Topics for the meeting:

- 1) Determining the possibility of introducing responsibility for unreliable data or failure to provide data.
  - Sanctions;
- 2) Determination of authorities responsible for interpretation and verification of BO information.

Interpretation - Determination of a body with authority to identify beneficiaries and work with the data

Verification – approved verification methods are in the IWG minutes No. 2 <http://eiti.geology.gov.kz/ru/homepage/bo-roadmap>. These are public access, attestation, supporting documents and confirmation procedure. However, in order to improve reliability of the BO data, it is necessary to discuss the possibility of annual audits of the data;

- 3) Discussion of the current legislation related to BO and any legal amendments if necessary.

#### Topics for the research:

- 1) Research of the legal framework, considering the legislative agenda and supporting legislative amendments;

2) Legislation analysis for identification of opportunities for BO requirement integration.

3) Development of BO declaration form

- Financing of the National EITI Secretariat from the national budget in the structure of the state body RCGI "Kazgeoinform" GSC MID RK.
- Conducting annual National EITI Conferences in the framework of the annual KazEnergy Association forums and with the financial support of international organizations (SFK, OSCE, GIZ, World Bank) in terms of logistics for NGOs' participation, circulation of popular versions of the national EITI reports, promo materials, translation services, etc.

### **Weaknesses.**

- The International EITI Board decided at the Global Conference in 2016 in Peru (Lima) to oblige countries to make annual financial contributions for EITI participation. From 2017, each EITI implementing country is required to contribute an annual amount of at least USD 10,000 to the activities of the International EITI Board. Financial participation of countries is defined as mandatory and failure to comply with the requirements of the International EITI Board will not allow the country to continue to participate in EITI implementation process. To date, the EITI is an association supported by a coalition of companies, governments, investors and civil society organizations and a global standard for transparency increasing in the oil, gas and mining sectors. Due to the absence of a normative act regulating the relations between the Government of the Republic of Kazakhstan and EITI, suggestions:

1) attract international organizations, as a source of membership fees funding (USD 10,000) this year;

2) work out how to pay annual membership fees from the country's budget in accordance with legislation for the following years;

3) include in the application for 2018 for JERP financing annual membership fees for the country's participation in EITI.

- Insufficient funding for research on implementation of relevant tasks within EITI, conferences, seminars, trainings, round tables, working meetings, etc., in particular at the regional level; lack of logistics financing for NGOs' participation including at the NCS RK meetings for the NCS RK members from NGOs.

## **6. Total costs of implementation**

Production of the national reports is financed from the Republican budget under sub-program 100 in the amount of KZT 11,760 thousand per year (budget

request until 2019 inclusive). Independent Administrator is selected on a competitive basis in accordance with the legislation on public procurement for provision of services for National EITI reports production.

**Information on donors** is available on the National EITI website <http://eiti.geology.gov.kz/ru/homepage/donor-support>.

SFK representative, in charge of EITI, Kushkunbaev A. at the NCS RK meeting on February 28, 2017 declared readiness to pay the membership fee for Kazakhstan participation in EITI for 2017.

## **7. Any additional comments**

*Additional actions that were not in the work plan, but contributed to achieve broader goals.*

The NCS RK (Minutes No. 65 dated February 28, 2017 <http://eiti.geology.gov.kz/ru/the-national-council>) discussed priorities relating to government policy on open data. Open EITI data can increase the transparency of government and business activities, and raise awareness of the use of natural resources of the country, taxes and revenues from extractive industries. IT provides strong incentive for the effective use of these funds. Open data promote accountability and good governance, increase level of public debates and contribute to the fight against corruption.

Objectives of open data: transparency promotion, data accessibility, public debates and corruption elimination.

### Implementation of open data policy

- Publication of EITI reports on the National EITI website, as well as on the International EITI website.
- Widespread distribution of printed popular version of the report in three languages (Kazakh, Russian and English).
- Data compliance with the current EITI Standard.
- Desire to increase transparency

There is an official open data portal of the Republic of Kazakhstan: <http://egov.kz/cms/ru>.

The portal has open data of central government bodies, local executive bodies and other organizations, this information could be selected by category. There also published open budgets and normative legal acts. "Open dialogue" mode can be used for participation in discussions and surveys, and appeals submissions.

Open data portal makes it possible to work with a wide range of open data. For example, from the Ministry of Energy – supply to locals by companies, production volumes, reports on environmental protection, etc. On the GSC website - information on subsoil users, lists of minerals, which includes the reserves; Statistics Committee - macroeconomic indicators (exports, numbers, GDP and others); Ministry of Finance - reports on budgets (republican (state and local), etc.

National EITI reports have links to websites where the information required by the Standard is publicly accessible.

It should be a priority to fill open data information on time, as well as expansion of the content range. As a result, production of EITI reports no longer will be required in the near future. In addition, disaggregated EITI reports for each company are available in EGSU right after companies fill the forms.

The priority will be to conduct a research on available information in the open data website to develop recommendations for their usage, including EITI framework (mainstreaming).

Also, perspectives of EITI implementation in the light of the strategic objectives of the country are related to the following priority areas, and primarily aimed at attracting both foreign and domestic investments:

- remote work with stock materials of geological information, maximum declassification of previously inaccessible reports;
- introduction of international standards for public reporting on geological exploration results, mineral resources and reserves;
- work with information on mineral deposits in an interactive mode (interactive map);
- simplified procedure for granting subsoil use rights for geological exploration contracts;
- an open, online monitoring of the reconciliation of company and government data on revenues to the budget of the Republic of Kazakhstan and social investments;
- Open, accessible data on official websites of the Ministry of National Economy and the Ministry of Finance that is necessary for analysis and forecasting state revenue and expenditure management.

## **8. Has this activity report been discussed beyond the MSG?**

This report was approved by the NCS RK (Minutes No. 67 dated June 15, 2017) and published on the National EITI website <http://eiti.geology.gov.kz/ru/national-reports> for discussion outside the NCS RK.

Leaving feedback form is available on the National EITI website in the “Contacts” section. Anyone can write comments on the content, including progress reports and ask questions <http://eiti.geology.gov.kz/ru/contact>. After publication of the Progress Report within the established timeframe (before July 1 of the current year), an announcement for comments and suggestions will be made both on the website and by e-mail to the NCS RK members, observers and other stakeholders.

**9. Details of membership of the MSG during the period** (including details of the number of meetings held and attendance record)

Chair of the NCS RK is a Minister of Investment and Development Kasymbek Z.M. the NCS RK stakeholders are Majilis deputies, representatives of the MID RK, the Ministry of Energy and the Ministry of Finance, oil/gas and mining companies and civil society (three main members and three alternates). Working body is EITI Secretariat in RCGI "Kazgeoinform" of the GSC MID RK.

The updated list of the NCS RK members is on the National EITI website, in the section "the NCS" <http://eiti.geology.gov.kz/ru/the-national-council>, there are also information on the NCS RK activities, results, lists of participants and ballot papers for the cases of electronic voting.

During the period 2016 - 2017 (until July) 12 the NCS RK meetings were held, 8 of which were in the form of electronic voting. The NCS RK work regulations are in Annex 1 to the updated MoU from October 9, 2013 that includes changes in the NCS RK membership, responsibilities, authorities, meetings, review and decision-making procedures (approved by the NCS RK Minutes No.67 dated June 15, 2017).

New Annex to the updated MoU is on the National EITI website [http://eiti.geology.gov.kz/images/stories/IPDO/norm\\_baza/memorandum2013.pdf](http://eiti.geology.gov.kz/images/stories/IPDO/norm_baza/memorandum2013.pdf).

For the period 2016 - 2017 (until June), the following rotations in the NCS RK took place:

1) The Majilis of the Parliament RK, considering the letter of the MID RK (ref.№ 01-27/3091 from April 11, 2016) regarding candidates nomination for the NCS RK, proposed to include the following deputies of the Majilis of the Parliament RK:

1. Schegelsky Gleb Anatolievich - chairman of the Ecology and Environment Committee;

2. Muradov Ahmet Seidarakhmanovich - member of the Ecology and Environment Committee;
3. Nikitinskaya Ekaterina Sergeevna - member of the Finance and Budget Committee;
4. Khituov Taras Kikbaevich - member of the Economic Reform and Regional Development Committee.

These candidates were agreed by the NCS RK (Minutes No. 59 dated May 17, 2017). Candidates from Kazenergy were also agreed: as the main members - Z. Usenov and R. Zhampisov, as alternate members - G. Utegenova and Z. Bakenova; from the Ministry of Finance RK as alternate members – S. Kudabaev; and from NGO as main members - N. Yantsen, M. Lobacheva and J. Makhambetova, as alternatives - O. Chernyshev, M. Espenova and S. Kasabulatova.

2) According to the NCS RK Minutes No. 61 dated September 30, 2016, due to staff changes and new appointments in the Government, the new NCS RK membership list was formed. The NCS RK members unanimously voted for the replaced NCS RK members, namely: Minister of the MID RK Z. Kasymbek - the NCS RK chairman, Vice Minister of the MID RK T. Toktabaev - the NCS RK deputy chairman.

3) The unanimous decision of the NCS RK members (Minutes No. 65 dated February 28, 2017) on approval of candidates for proposed replacement of the NCS RK members:

- on the basis of a letter from the Ministry of Finance RK (ref: No. KGD-09-1980-1413 from February 2, 2017) - instead of Tengbaev Ardak Myrzabaevich (former Vice Minister of the Ministry of Finance RK) include Dalenov Ruslan Yerbolatovich (Vice Minister of the Ministry of Finance RK) ;
- on the basis of the decision made on KazEnergy Association working meeting on EITI on February 10, 2017 – instead of Utegenova Gulmira (Director of the Joint Venture and Business Development, "Total E&P Kazakhstan" branch) include Kemelov Olzhas (NCOC Company).

4) The unanimous decision of the NCS RK members (Minutes No. 67 dated June 15, 2017) on approval of candidates for proposed replacement of the NCS RK members:

- as the NCS RK deputy chairman – Nadyrbaev Akbatyr Aluadinovich, chairman of the GSC MID RK – instead of Nurabayev B.K. (former chairman of the GSC MID RK and former the NCS RK deputy chairman);

- from the Ministry of Finance RK (ref: No. KGD-09-13730-6714 from May 13, 2017) due to staff changes and new appointments in the Government, instead of Dalenov R.E. – Baedilov K.E.
- from NGO: The NGO Dialogue Platform Associations for EITI (NGO DPA for EITI) conducted the election of the NCS RK members from NGO DPA for EITI.

As a result of the elections, the following representatives were selected for the members of the NCS RK from NGO DPA for EITI.

**The main members:**

Maria Lobacheva;  
Sholpan Aytenova;  
Bolat Turgunbaev.

**Alternate members:**

Zhibek Ahmetov;  
Danila Bekturganov;  
Aigul Dyusenova.

*Kazakhstan EITI Progress Report 2016 was prepared by the National EITI Secretariat in accordance with International EITI Requirements and information provided by the NCS RK stakeholders on their work on EITI implementation in the country, taking into account comments of the International EITI Secretariat, the NCS RK members and the NCS RK Working Groups.*

*The report is available on the National EITI website for comments and questions that can be made using the feedback form <http://eiti.geology.gov.kz/ru/contact> or by e-mail: [eiti\\_secretariat@geology.kz](mailto:eiti_secretariat@geology.kz).*

**Approved by the NCS RK:**

**The NCS RK Minutes No.67 dated June 15, 2017**

## **ABBREVIATIONS**

AMME - Association of Mining and Metallurgical Enterprises  
BO - Beneficial Ownership  
DPA - Dialogue Platform Associations  
EBRD - The European Bank for Reconstruction and Development  
EITI – Extractive Industries Transparency Initiative  
GIZ - Gesellschaft für Internationale Zusammenarbeit  
GSC - Geology and Subsoil Use Committee  
IWG - Intergovernmental Working Group  
JERP - Joint Economic Research Program  
LEB - Local executive bodies  
MID- The Ministry of Investment and Development  
MoU Memorandum of Understanding  
NCS RK - National Council of stakeholders of the Republic of Kazakhstan  
NGO - Non-governmental organization  
OSCE - Organization for Security and Co-operation in Europe  
RK - The Republic of Kazakhstan  
SFK - Soros Foundation-Kazakhstan  
ToR - Terms of reference  
WP - Work Plan

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