



Annual Progress Report 2018
on EITI Implementation
in Kazakhstan



NUR-SULTAN - 2019

1. General assessment of the annual work.

Kazakhstan underwent another validation process in 2017. On February 13-14, 2018, a decision was made regarding the status of Kazakhstan during the 39th Meeting of the International EITI Board in Oslo (Norway). The international EITI Board decided that Kazakhstan had made significant progress in implementing the EITI, and a number of recommendations were given to improve further implementation of the EITI <http://eiti.geology.gov.kz/ru/validation>.

In the last 5 years, EITI reporting, confirmed by an auditor, is submitted by companies – subsoil users through the Unified State Subsoil Use Management System of the Republic of Kazakhstan (hereinafter referred to as USMS) and available to all interested parties in the online mode.

The Subsoil and Subsoil Use Code has entered into force since July 2018, which provides EITI reporting standards, as well as one of the key EITI requirements for disclosing of final beneficiaries and contracts. The report on the group of persons and (or) organizations that directly or indirectly control the subsoil user is implemented in the USMS system <http://egsu.energo.gov.kz/webapp/pages/home.jsf>

Nowadays, according to the events in the Road Map for the realization of beneficial ownership, a list of companies and reporting information on beneficial owners is being formed; the issue of data verification, disclosure and publication is being worked out within the limits of legislation of the Republic of Kazakhstan and taking into account international requirements of the EITI Standard.

Disclosure of information about the beneficiaries of subsoil users makes it possible to comprehensively evaluate the structure of the equity participation of individuals in foreign and Kazakhstan companies. The publication of this information is one of the preventing aspects of illegal financial flows in the country, a reduction of the reputational risks of the companies, as well as an increase of the investor attractiveness to the companies of Kazakhstan. Disclosure of the beneficiaries is a powerful and effective instrumentation to prevent the country from corruption and prohibited financial flows.

Today, the country is developing under the “Digital Kazakhstan” state program, the goal of which is to accelerate the development of the country's economy and improve the quality of life of the population through the use of digital technologies.

The created functionality of the National Data Bank (hereinafter referred to as NDB), which consolidates geological and geophysical digital information, will allow to provide actual and accessible geological information, as well as issue licenses for exploration and mining in the online mode. In addition, reporting in the field of

subsoil use, submitted by companies in the NDB, is integrated with other reports of existing monitoring systems (USMS).

The transition to a new level of EITI implementation in integrated systems of open and accessible data was discussed at the working meetings of the Working Group members on the implementation of new EITI requirements <http://eiti.geology.gov.kz/ru/about-us/eiti-news-kazakhstan>, and then at the National Council of Interested Parties (hereinafter referred to as NCIP). NCIP decided to send the relevant documents to the International EITI Board in accordance with the procedures of transition to EITI integration (Protocol of the NVIP No. 75 of February 14, 2019 <http://eiti.geology.gov.kz/ru/the-national-council/minutes-of-meetings>). A corresponding letter from the Vice Minister of Industry and Infrastructure Development of the Republic of Kazakhstan Toktabayev T.S. (outg.No. 04-2-27 / 1744 dated April 2, 2019) with justification for the transition to EITI integration and the work plan were sent to the International EITI Board.

The Head of the EITI International Secretariat Jonos Moberg visited Kazakhstan in the period from May 29 to May 31, 2018, for official meetings with the Government members, company executives and other stakeholders to confirm the commitment of the EITI in the country and perspectives for further development. Materials can be found on the EITI National website <http://eiti.geology.gov.kz/ru/validation>.

Nowadays, corrective actions are being carried out in order to fully correspond with the international requirements of EITI Stanadart before the re-validation (August 13, 2019).

2. Assessment of the work in comparison with the objectives and work, given in the work plan.

Assessment of progress in achieving the goals outlined in the work plan (Requirement 1.5), including the impact and results of the established goals:

The activities for the implementation of the EITI were carried out in accordance with the revised Work Plan (hereinafter referred to as WP) for the implementation of the EITI for 2018-2019, taking into account the best practices in developing Work Plans in other EITI participating countries. It clearly identifies National priorities, such as open data policies and beneficial ownership, includes all necessary measures for their implementation. The work plan is published on the EITI National website http://eiti.geology.gov.kz/images/stories/ipdo2/work_plan/work1718.pdf

Preparations for the Validation.

All 10 recommendations, which were made during the validation in 2017, and their implementation were reviewed in detail at the meeting of the NCIP (Protocol of the NCIP No. 74 dated October 18, 2018 <http://eiti.geology.gov.kz/ru/the-national-council/minutes-of-meetings>). In addition, the NCIP work groups on the implementation of new standards and the validation have repeatedly met and carried out further work. Chairman of the Committee of Geology and Subsoil Use of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, Deputy Chairman of the NCIP Nadyrbaev A.A. announced what actions have been performed so far at the meeting of the NCIP (Protocol of the NSC No. 76 dated May 21, 2019 <http://www.eiti.geology.gov.kz/ru/the-national-council/minutes-of-meetings>).

- 1) According to the **requirement 1.4**, the invitation to participate in the work of the NCIP from NGO should be open, transparent and independent.

Representatives of coalitions from NGO worked out the issue on the dialogue platform and an «Extract from the Regulation on the Dialogue Platform for EITI Implementation» was sent to the EITI National Secretariat, which is posted on the EITI National Website <http://eiti.geology.gov.kz/ru/homepage/normative-base>. This document presents the procedure for nominating and electing representatives to the NCIP, work regulations, voting procedures, etc.

- 2) According to the **requirement 2.3**, regarding license registries. The government must publish the date of application filing for licenses and contracts, as well as the award date and the validity period of licenses and contracts – *completed, the validity period was included in the list of contracts for hydrocarbon feedstock and solid minerals on the website of the CGSU MID of the Republic of Kazakhstan, and the interactive map displays the coordinates of the submitted applications for exploration and production in real time (online) regime with brief information about the object of subsoil use and the applicants themselves. At present time, 559 contract territories for solid minerals (with uranium), 177 contract territories for ground water, 201 contract territories for hydrocarbon feedstock are displayed in the Interactive map, 134 objects are at the stage of registration, 85 objects are allocated to the State geological survey of subsoil <https://gis.geology.gov>. Its use allows determining which territory is free from subsoil use, familiarizing with contract holders, creating a cartogram, etc. The map is updated weekly; its attendance is 500-600 visitors per month. In addition, the Register of licenses for solid minerals is posted on the official Internet resource of the Ministry of Industry and Infrastructure Development [4](http://dep-</i></div><div data-bbox=)*

- nedra.miid.gov.kz/ru/kategorii/reestr-vydannyh-licenzii, indicating the type of mineral, the period of validity, the date of issuance, a group of the persons controlling the subsoil user, etc. A list of applications submitted with the date of application filing is also published on <http://dep-nedra.miid.gov.kz/ru/pages/perechen-podannyh-zayavleniy-na-licenziyu-0>.
- 3) According to the **requirement 2.6**, regarding state participation. *The government should involve state-owned enterprises (national companies) in the EITI process — the National Reports provide structures, participations, loans, etc. of national companies and their subsidiaries.*
 - 4) According to the **requirement 3.2**, regarding data on production volumes. Government must reveal the value of mined minerals and metals – *The National Reports provide links to open sources of information from the official websites of relevant government agenciesю*
 - 5) According to the **requirement 4.3**, regarding barter deals – The government and the NCIP should establish the significance and applicability of barter deals, i.e., establish whether there is a full or partial exchange of oil, gas and mineral resources for any goods or services. This should include an assessment of whether any bilateral swap agreements with Russia can be regarded as a barter deal. *It is carried out by official requests in the Ministry of Economy of Republic of Kazakhstan and the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, as well as in the national companies of the mining and transport sectors.*
 - 6) According to the **requirement 4.4**, regarding transportation, transparency of incomes from oil transportation – *links to the official sites of KazTransOil, KazTransGaz and KTZh; missing information is given on requests.*
 - 7) According to the **requirement 4.9** – by technical inquiry for Independent Administrators; The NCIP should ensure that the preparation of future EITI reports includes the development of an initial report – *completed, published on the national EITI website <http://eiti.geology.gov.kz/ru/national-reports>*
 - 8) According to the **requirement 6.1**, regarding mandatory social expenditures – *they are published on the National EITI website in the National Reports section <http://eiti.geology.gov.kz/ru/national-reports>*
 - 9) According to the **requirement 6.2** – the government and the NCIP should ensure that state-owned enterprises reveal all significant quasi-fiscal expenditures – *report form on quasi-fiscal expenditures is entered into the USMS system and this information is available online http://egsu.energo.gov.kz/webapp/pages/ipdo/quasi_fiscal1_journal.jsf?faces-redirect=true .*
 - 10) According to the **requirement 7.4**, regarding next annual progress report – it should include an assessment of the impact of the work plan implementation

and other EITI activities. In addition, the NCIP should ensure that the preparation of the annual progress report provides an opportunity for the broad audience of stakeholders to provide feedback and background information for the EITI process in Kazakhstan – *published on the national EITI website <http://eiti.geology.gov.kz/ru/homepage/progress-reports-on-the-implementation-of-the-eiti>; feedback is also available <http://eiti.geology.gov.kz/ru/contact>*

EITI Executive Director Mark Robinson and Validation Director Alex Gordy visited Nur-Sultan in order to familiarize with the implementation of the EITI in Kazakhstan during the period from May 21 to May 24, 2019. Meetings with the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan Sklyar R.V., Vice-Minister of Energy Magauov A.M. and the first leaders of National Companies (NC KazMunayGaz, Tauken – Samruk, Kazatomprom, Kazgeology, KazTransOil, KazTransGas and KTZh) were held. A National Council of Interested Parties (NCIP) was also held with the participation of a foreign delegation on the EITI, members of the NCIP on behalf of Parliament, the Government, Civil Society and extracting companies. A meeting with companies of the mining, oil and gas sectors was held at the Kazenergy Association site.

Issues for discussion – corrective measures for validation (August 13, 2019), international requirements of the EITI Standard for the disclosure of contracts and final beneficiaries <http://eiti.geology.gov.kz/ru/validation>.

In general, all scheduled meetings took place in a friendly atmosphere and were organized at a sufficiently high level. Kazakhstan side provided an exhaustive replay to questions from the representatives of the EITI International Secretariat. Moreover, commitment and support for the further EITI implementation in the country is expressed, as a tool aimed to proper management of natural resources for the benefit of the people of Kazakhstan.

An addition to the 13th National Report for 2017 is currently being prepared with the inclusion of information data, which are missing in the published version.

NCIP activities of the Republic of Kazakhstan. The activities of the NCIP of the Republic of Kazakhstan and its results can be found on the National EITI Website, in the section of NCIP <http://eiti.geology.gov.kz/ru/the-national-council/minutes-of-meetings>. During the period from 2018 to 2019 (until July), 6 NCIP meetings of the Republic of Kazakhstan were held. The regulations of the NCIP of the Republic of Kazakhstan are set forth in the Annex to the updated Memorandum of Understanding of the Initiative dated October 9, 2013 (hereinafter

referred to as MoU), published on the National EITI website http://eiti.geology.gov.kz/images/stories/IPDO/norm_baza/memorandum2013.pdf

Progress. An extensive information represented in a stenographic way about the work of NCIP members of the RK in the meetings, as well as discussed issues and taken decisions, are included in the Protocol of the NCIP of the RK in order to increase the awareness among stakeholders and the public about the NCIP activities in the RK. The lists of the NCIP participants are additionally published on the site <http://eiti.geology.gov.kz/ru/the-national-council/council-members>. The nomination procedures from each of the parties, participants of the NCIP working groups, voting bulletins of the NCIP members (in the cases of virtual meetings by electronic voting) are also given.

According to the corrective actions given during the validation-2017 in relation to the requirement 1.4, the invitation to participate in the NCIP from NGO should be open, transparent and independent.

The representatives of coalitions from NGO worked out this issue on the dialogue platform and an "Extract from the Regulations on the Dialogue Platform for the EITI implementation" was sent to the National EITI Secretariat, which is available on the National EITI website <http://eiti.geology.gov.kz/ru/homepage/normative-base>. This document presents the order of nomination and election of the representatives to the NCIP, work regulations, voting procedures, etc.

According to the Memorandum of Understanding towards the EITI implementation in the Republic of Kazakhstan, NGO party is represented by coalitions of NGO in the form of a Dialogue Platform for EITI implementation. On 3 June 2019, the Dialogue Platform held regular elections of civil society representatives to the National Council of Stakeholders on EITI Implementation and Development in Kazakhstan. All voting bulletins are available on the site <http://www.echo.kz>.

The National Report release for 2017. According to the Work Plan activities on the implementation of the EITI, LLP «UHY SAPA Consulting» has been declared as the winner of the tender for the state procurement. A contract on the state procurement of works dated June 22, 2018 No. 75 was signed with the company to produce the 13th National EITI Report for 2017.

Companies with a materiality threshold, which is established by the NSCS, underwent a reconciliation of payers and recipients. Considering 178 payers in the oil

and gas sector, the total amount of revenues from 72 companies over 1 billion tenge per year amounted to 99.56% of all revenues in the oil and gas sector. Of the 369 payers in the mining sector, the total amount of income from 90 companies over 100 million tenge per year accounted for 99.53% of all income in the mining sector.

Reconciliation of tax and non-tax payments and receipts for companies – subsoil users at the materiality threshold established by the NCIP was carried out according to the list (Annex 10) for reports submitted by subsoil users on payments through the USMS system. The data of the State Revenue Committee of the Ministry of Finance on the International Standards of Auditing (ISA), applicable to related services (ISSAC 4400 “Agreements for the implementation of agreed procedures for financial information”) was also taken into account. The agreement on the implementation of the agreed procedures included data analysis, their comparison with primary documents and personal taxpayer accounts data, Recipient reports, currency conversion, according to which the reconciliation was carried out to obtain sufficient information to express an opinion on the audit purpose. The purpose of the reconciliation is to ensure the completeness, accuracy and availability of information on payments / receipts to the state from the extractive industries for 2016 as a part of the EITI implementation in the Republic of Kazakhstan.

A summary report on dividends was prepared on the basis of payers' data, which was submitted through the USMS system and recipients' data provided at the request of MID RK (Appendix 2, 2-1 and 2-2).

Reconciliation of reports on social sector expenditures was carried out for subsoil companies submitted through the USMS system and regional akimats (Appendix 3, 3-1 and 3-2).

The context consists of the review of the extractive sector, the legal basis and the fiscal regime, data on state participation in the extractive industries, information on the income distribution, licensing registers and the allocation of licenses, quasi-fiscal sector, as well as a beneficiary ownership. The report reflects funds allocated for the pollution control facilities, monitoring of subsoil pollution, the social sphere and training of specialists (Annex 5); production and export volumes by minerals of the mining, oil and gas sectors (Annex 6); information on transportation (Annex 7); macroeconomic indicators of the extractive industries (Annex 8, described by the text in the contextual part), domestic contribution in the production of goods and services among companies – subsoil users of the mining, oil and gas sectors (Annex 9).

According to Appendix 11, calculations were made, which include significant revenues, which were subjected to reconciliation and one-party disclosure by the government, insignificant revenue streams from the extractive sector (should be excluded from the EITI Report).

Annex 12 contains supporting documentation (the main documents with links

to all other documents used in the text of the report). A popular version of the 12th National EITI Report has been prepared.

Progress. Compared to previous reports, the context of the 13th National EITI Report for 2017 has been significantly improved in a structural, qualitative and meaningful way. A large amount of analytical information was included, taking into account the dynamics of past years in accordance with the international requirements of the EITI Standard, the graphic material was improved, comments and recommendations of the Working Group and the EITI International Secretariat were taken into account. The work was carried out to prepare a SUMMARY report in excel format, and a new Popular version of the EITI Report for 2017 was prepared. Along with tax and non-tax payments and receipts, the Independent Consultant conducted a reconciliation of these subsoil users on social activities financing (projects, programs, social facilities, including those transferred to local executive agencies) within the framework of social partnerships, agreements, memorandums, treaties, etc. <http://eiti.geology.gov.kz/ru/national-reports>.

The report was reviewed and approved by NCIP RK (Protocol No. 74 dated October 18, 2018), taking into account the comments of the Working Group and the members of the NCIP. The report is published on the National EITI Website <http://eiti.geology.gov.kz/ru/national-reports>.

Additional EITI activities.

November 6, 2018. An expert meeting was held in Astana as a part of the implementation of the Road Map events on beneficial ownership for 2017 – 2019 to discuss one of the key international requirements of the EITI Standard on the disclosure of beneficial owners of the extractive companies. The members of the working group on the implementation of new EITI requirements, interested government agencies, representatives of companies and civil society attended this meeting. The materials on the preliminary analysis of the political and legal situation in Kazakhstan and its readiness to EITI Standard were presented. According to the new standard, all EITI participating countries have to publish the information about beneficiary owners, including significant politicians, by 2020.

January 18, 2019. A meeting of the NCIP on the implementation of the new EITI requirements was held in Almaty in order to review the Working Plan project and explain the transition to a new level of EITI implementation in integrated open data systems. All comments developed during the meeting of the NCIP Working Group on the implementation of new EITI requirements will be also discussed with the NCIP in early February of this year.

A similar meeting is planned to be held this year (by the end of January) in Astana at the territory of the Committee of Geology and Subsoil Use of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan. The exact date and time of the meeting will be reported additionally through the EITI National Secretariat.

February 13, 2019. Astana hosted an expert meeting to discuss one of the key international requirements of the EITI Standard on disclosure of beneficial owners of subsoil companies. Members of the working group on the implementation of new EITI requirements, interested government agencies, representatives of companies, civil society and the media attended the meeting. Materials of political and legal reviews, the results of 5 public discussions with the participation of more than 150 representatives of stakeholders (executive and representative powers, mining companies and the public) were presented there.

The amendments to the statutory and regulatory enactments of the RK were also presented, which were developed by experts from the public in order to ensure a compliance with the EITI requirements. These proposals must be coordinated with all EITI stakeholders (government, mining companies and the public).

March 19-20, 2019. Within the implementation of the Road Map activities on beneficial ownership for 2017 – 2019, training was held in the city of Manila (Philippines) to improve the knowledge potential of one of the key international requirements of the EITI Standard on the disclosure of beneficiary owners of extractive companies. The meeting was attended by members of the interdepartmental working group on EITI beneficial ownership (Karibayev Zh.K. from the National EITI Secretariat and Dayrabayeva G. from the Subsoil Use Department of the MIID of the RK). Zh. Karibaev made a report on the implementation of the Road Map in Kazakhstan, reflecting the key measures aimed to disclose the final beneficiaries. In addition, legislative norms and support for legal amendments, which are necessary for open registry in Kazakhstan, were reviewed. This work involve a consultant to support the government in developing options and recommendations for the developmet of the legal basis for reporting and a beneficial ownership registry to include an analysis of existing legislation and regulations on beneficial ownership reporting. This work is included in the Road Map on beneficial ownership of Kazakhstan. According to the new standard, all EITI participating countries have to publish the information about beneficiary owners, including significant politicians, by 2020.

About the visit of the EITI Executive Director, Mark Robinson, and Director of the Validation, Alex Gordy, at the period from 21 to 24 May 2019 in Kazakhstan (Nur-Sultan).

EITI Executive Director Mark Robinson and Validation Director Alex Gordy visited Nur-Sultan in order to familiarize with the implementation of the EITI in Kazakhstan during the period from May 21 to May 24, 2019. Meetings with the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan Sklyar R.V., Vice-Minister of Energy Magauov A.M. and the first leaders of National Companies (NC KazMunayGaz, Tauken – Samruk, Kazatomprom, Kazgeology, KazTransOil, KazTransGas and KTZh) were held. A National Council of Interested Parties (NCIP) was also held with the participation of a foreign delegation on the EITI, members of the NCIP on behalf of Parliament, the Government, Civil Society and extracting companies. A meeting with companies of the mining, oil and gas sectors was held at the Kazenergy Association site.

Issued for discussion – corrective measures for validation (August 13, 2019), international requirements of the IETI Standard for the disclosure of contracts and final beneficiaries.

On May 21 at 9:30, according to the schedule of meetings, Mark Robinson and Alex Gordy had a meeting with Baimishev R.N., the Director of the Department of Subsoil Use of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan (hereinafter referred to as DSU MIID), a member of the International EITI Board, the National Coordinator, and Dzhantureyeva E.A., Head of the National EITI Secretariat. Zh. K. Karibaev, the General Director of the RCGI “Kazgeoinform”, Coordinator of the EITI National Secretariat, also took part in the meeting. Issues of the organizational structure and functions of the National Council of Interested Parties, the National Coordinator and the National EITI Secretariat were discussed during the meeting, as well as a membership in the International EITI Board. Priorities and plans for the future development of the EITI were discussed. Baimishev R.N. reported that regardless of the membership in the International Board and the National Coordination, the main functions are to manage the Department of Subsoil Use – the competent authority for issuing and terminating contacts / licenses, monitoring the implementation of licensing / contractual obligations, coordinating Work Programs, investment activities, liquidation works, implementation of state projects and programs, and others.

The EITI National Secretariat is a part of the National Operator of the LLP «RCGI «Kazgeoinform», Department of Information and Analytical Support. The main activities of the RCGI are gathering, processing and analysis of the fulfillment of licensing / contractual obligations, the accounting of national register of mineral reserves, and the preparation of investment packages.

Nowadays, a transition to EITI integration, a compliance with international requirements of the EITI Standard in the disclosure of contracts and beneficial owners are supposed to be the priority areas. These requirements are provided by the

norms of the Code of Subsoil and Subsoil Use.

The second meeting was held at the National Company KazMunayGas on **May 21 at 10:30** with Karavayev D.S., the Deputy Chairman of the Finance Board, and the management of structural units. The issues of reporting under the EITI, the international requirements of the EITI Standard, policies and publication of open data were discussed. Karavayev D.S. mentioned during the meeting that activities of the company are transparent, and financial reports, including quasi-fiscal expenses, are published on the website of the company. The company supports the EITI and open contracts, as well as the new requirements of the Standard for the disclosure of information on raw materials trade.

The next meeting was held at **12:00** with Sklyar R.V., the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan. Mark Robinson welcomed and congratulated Sklyar RV with an assignment to a new position.

Sklyar R.V. also welcomed the foreign delegation and introduced with Nadyrbaev A.A., the Chairman of the Committee of Geology and Subsoil Use of the MIID RK, and R.N. Baimishev, the Director of the DSU MIID RK, who supervise the EITI activities in Kazakhstan.

Sklyar R.V. highly appreciated the cooperation and noted the strategy, which is focused on the active development of the mining and metallurgical complex (that accounts for 20% of the country's GDP), the adoption of the new Subsoil and Subsoil Use Code and its further development. Baimishev R.N. announced during the meeting that an experience sharing from the sphere of the NCIP to other economic sectors within the framework of the Istanbul Anti-Corruption Plan is considered to be a good practice.

Mark Robinson noted the importance of Kazakhstan in the implementation of the EITI (at both regional and worldwide levels). Kazakhstan has been committed to the EITI for more than 12 years. The whole process is supported by the Government, local companies and non-governamental organizations. Like other countries, Kazakhstan is on the way of making public as much data as possible. Kazakhstan has extensive experience in the implementation of the EITI and highly appreciated by the International EITI Board. He announced their readiness to provide technical assistance in terms of trainings on beneficial ownership, oil and gas sales, and a promulgation of contracts to both state agencies and civil society. He also reported that Kazakhstan can count on the highest rating on the re-validation in August of this year.

Nadyrbaev A.A. reported about the upcoming meeting of the NCIP at 15:00, where all parties will participate, such as Deputies of the Mazhilis of the Parliament of the Republic of Kazakhstan, the Government, companies and the non-

governmental sector. Corrective actions, which were performed during 2017, will be announced there.

Sklyar R.V. highlighted once again the desire to satisfy the requirements of the EITI Standard, thanked for the support and willingness to provide information.

A meeting was held at **12:30** with Vice-Minister of Energy of the Republic of Kazakhstan Magauov A.M. During the meeting, Mark Robinson spoke about the integration of information systems, databases and compliance with their EITI requirements, including mandatory disclosures by 2020.

Magauov A.M. said that oil and gas companies had a misunderstanding at the beginning of the EITI path, while the Ministry of Energy was always ready to cooperate (including in the work of the NCIP), as well as to provide information.

Mark Robinson announced the requirements of the EITI Standard to disclose contracts and beneficial owners of companies, quasi-fiscal expenditures, KMG representation in the NCIP. He also said about new requirements of the EITI Standard, which will be approved within the Global Conference in Paris in June of 2019. Mark also said that Uzbekistan is currently studying worldwide experience and wants to join the EITI.

Magauov A.M. He assured that all these issues will be discussed with colleagues within the Ministry of Energy and the Committee of Geology and Subsoil Use and thanked for their cooperation.

The next Meeting of the NCIP was held on the same day at **15:00** with the participation of Mark Robinson – Executive Director of the EITI International Secretariat and Alex Gordy – Director of Validation, and other members of the NCIP on behalf of Parliament, Government, Civil Society and mining companies. Mark Robinson expressed his gratitude for the progress and success in the EITI implementation in Kazakhstan (not only at the regional but also at the global level), aimed at expanding the publication of data in accordance with the requirements of the EITI Standard, the key of which are the disclosure of contracts and the final beneficiaries of companies. He noticed that Kazakhstan has a lot of experience and nowadays considered to be the leader and an example for other countries. Mark Robinson expressed their readiness for technical support on the issues of beneficial ownership, mineral resources trade and promulgation of contracts. However, there are also recommendations that should be corrected before the re-validation on August 13 of 2019 in order to get a high estimate. Nadyrbaev A.A., the Chairman of the Committee of Geology and Subsoil Use and the Deputy Chairman of the NCIP, informed that Kazakhstan is ready for the re-validation on August 13 of 2019. He also mentioned about the status of corrective measures given by the International Board during the validation in 2017, the progress and problematic issues. Diana Okremova, a member of the NCIP on behalf of the NGO, reported about the work of

NCIP Working Group.

Alex Gordy, the Director of Validation, made a presentation on the corrective actions for the upcoming re-validation on August 13 of 2019 and noted that the corrections are more technical. Karibaev Zhanat, the General Director of LLP «RCGI «Kazgeoinform», coordinating the work of the National EITI Secretariat, reported about the participation of the Inter-Agency Working Party members on Beneficial Ownership (hereinafter referred as BO) in a training, which was held in Manila (Philippines). Umirzakov Bauyrzhan, the Director of the Department of International Cooperation of the Association «Kazenergy», deputy member of the NCIP spoke about the Xth National EITI Conference in 2019. The Meeting Protocol is available on the National EITI website <http://eiti.geology.gov.kz/ru/the-national-council/minutes-of-meetings>.

A meeting was held at **17:00** at the «Kazakhstan Temir Zholy» National Company (KTZh) with Kotyrev B.K., the chief engineer of the company, and heads of its departments.

During the meeting, Alex Gordy spoke about the purpose of his visit, as the Director of Validation. His mission was to assist and support Kazakhstan during the re-validation. As it was mentioned, Kazakhstan has been committed to the EITI for more than 12 years. EITI Standard covers the disclosure of incomes not only from the extractive industry, but also from transportation sector. These data are published in EITI annual national reports, including volumes, routes, tariffs and quotas.

It is also recommended to disclose information on traffic volumes divided by type of mineral raw materials and their revenues. Such audited reports on oil and gas were already published on their official Internet resources. It was noted that the revenues from the transportation are much less than from the extractive industry, but the state should make public the entire chain from production to sale. The result of the re-validation in the country and, accordingly, the assessment of compliance with the EITI Standard depend on this.

Kotyrev B.K. promised to work out this issue with the National Secretariat.

A meeting was held on **May 22** at **11:00** in the territory of the Kazenergy Association of oil and gas companies with company representatives in the mining, oil and gas sectors, including large ones, such as Shell, Exxon Mobil, Karachaganak, Tengizchevroil, Kazakhmys and others.

Mark Robinson welcomed the participants of the meeting and mentioned that he is the second in this position for the last 6 months after Jonas Moberg. All of the participants officially introduced themselves. Mark Robinson noted the leadership of Kazakhstan among the EITI member-countries, spoke about the guidelines for the further development of the EITI. A new International Board Chairman Helen Clark

(formerly Prime Minister of New Zealand) and also a new EITI Standard-2019 will be approved at the upcoming EITI International Board meeting during the Global Conference in June of this year. It will take place in Paris. The main purpose is an integration of open data in the state systems and enterprises, so that stakeholders and the public can use them.

M. Kononov, Executive Director of the Association of Mining and Metallurgical Enterprises (hereinafter referred to as AMME), a member of the NCIP, announced the information about the activities of companies (reporting in accordance with the legislation of the Republic of Kazakhstan), the EITI benefits, and social responsibility. Moreover, he mentioned about the majority of companies interested in contract disclosures, which are active or concluded after the implementation of the norms of the Subsoil and Subsoil Use Code.

Alex Gordy, the Director of Validation, reported that in Mongolia, for example, within the framework of the WG work it was decided to publish contracts, except for those with a privacy statement. The contracts are currently published, including PSA. Ordinary citizens get to know the conditions under which contracts are concluded. This fact reduces social tensions (there are other examples, too).

Umirzakov B. said that the next Kazenergy forum will take place at the period from September 23 to September 27 within the energy week, where more than 30 events are planned to be held, including energy renewal, hydrocarbon production and transportation. The National EITI Conference will be held within the framework of the forum (September 26). Helen Clark, the Chairman of the International Board, will attend the forum. Colleagues from the EITI International Secretariat can also attend the forum. The National EITI Conference is viewed as an international platform for the future cooperations. A plenary session will be held on September 26. Suggestions and questions for discussion are welcomed.

In general, the parties met in a friendly atmosphere. Local companies supported the implementation of the EITI in the country.

There was another meeting at lunchtime with Okremova D. and Erkayeva N., representatives of civil society.

Alex Gordy visited «KazTranOil» National Company at 15:00 and met with the heads of organization departments and Makhin Zh.T., Deputy General Director for Economics and Finance.

Makhin Zh.T. spoke about the activities of the company, the mission and strategy of the transport security activities, control procedures, publication of financial audited report on the official website of the company. Government agencies confirms, declares, verifies all the income statements and receipts. The company received the award and the status of the best taxpayer. This fact provides transparency and a good example for other companies. The National Welfare Fund

(hereinafter referred to as NWF) Samruk Kazyna is responsible for the construction of public infrastructure facilities.

Alex Gordy announced the goals of his visit during the meeting. The main purpose is to help Kazakhstan to pass the validation. Therefore, it is necessary to include all the information about revenues, SWAP contracts, quasi-fiscal expenditures of the company, subsidies and compensations from the state or KMG, tariffs, transportation volumes. It is better to place this information on the official internet resource, rather than annually submit it on a request.

A meeting was held at **16:30** in the territory of the Accounts Committee for Control over Execution of the Republican Budget. The Head of the international department, as well as the heads of organization departments participated in the meeting.

During the meeting, Alex Gordy mentioned about his role in conducting validation among 52 EITI member-countries, including Kazakhstan, and providing them assistance and support. The main directions of the EITI progress is a transparency of budget revenues, as well as the budget expenditures, verification and audit of the government data, the quality of financial reports. In addition, he noticed that, in the framework of the EITI, it is necessary to verify these revenues by the cash method of accounting.

Representatives of the Accounts Committee informed that tax discipline was taken into account. Everything is established in the sector of oil and gas. The mining sector is still developing in this direction. Meanwhile, information on oil and gas companies with the indication of their beneficiaries is published on the depository website. The participants of the meeting expressed a positive attitude to the publication of contracts.

Another meeting was held at **17:30** in the National Company «KazTransGas». The heads of organization departments and S. Marekov, the Director of the Budget Planning Department, participated in the meeting.

Alex Gordy announced during the meeting that Kazakhstan is one of the 52 EITI member-countries, and two more countries, such as Argentina and Mexico, have joined recently. At the beginning of the process, the EITI Standard included only a reconciliation of payments and budget revenues. Nowadays, the process is much more extensive. For instance, production, transportation, marketing, quasi-fiscal expenditures and sales of raw materials are currently taken into account. Kazakhstan has made a significant progress in the EITI implementation. However, a number of corrective measures need to be considered in order to reach a full compliance with international EITI requirements. In particular, it is necessary to disclose the information on SWAPs with Russia and Uzbekistan, indicate the volumes of gas, which are supplied as part of SWAP operations.

Marekov S.A. noticed that the audited reports do not contain this information. Therefore, it is necessary to make a request. Within the framework of the SWAP operations, the import volumes from Russia and Uzbekistan in exchange for Karachaganak gas (under the KMG Intergovernmental Agreement – GazProm and UzbekOil) are indicated (without additional volumes and charges).

Moreover, additional questions were raised about transportation directions, revenues, financial interactions, loans, subsidies, guarantees for debt obligations, material losses, quasi-fiscal expenditures.

The next meeting was held on **May 23**, at **9:30**, with the representatives of the Independent Administrator (hereinafter referred to as IA) of UHY SAPA Consulting, producing National EITI Reports, and the representatives of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan.

Alex Gordy announced the goals of his visit, the main of which is to provide an assistance and a support in preparing for validation.

Alex noticed that an official statement from the auditor (IA) about the accuracy and completeness of the data is required for the verification. He also commented on additions to those 10 corrective actions, which were already given during the validation in 2017.

It is necessary to request the information about the number of issued licenses/concluded contracts (including those that have transferred the subsoil use rights to other companies) from the ME RK and the MMID RK, add a column about possible deviations/violations and make links to websites, where you can see this information.

Within the request 2.3, it is necessary to indicate the date of issuance of licenses/contracts. If this procedure is complicated for active licenses/contracts, then specify the deadline for application filling in accordance with the law. Make a table in EXSEL format and publish it on the website.

The list of necessary actions also include the definition of quasi-fiscal expenditures as in the IMF, disclosure of financial interactions between Samruk Kazyna and national companies. Dividends must be explained, and empty columns must be avoided, as a result. For example, if no dividends were paid, write the comments on this fact. If national companies have the rights to make independent decisions on dividends, shares, central government debt, period of repayment (give links if available), then this information should be open.

The reconciliation issues were discussed with the representatives of the State Revenue Committee of the Ministry of Finance. In the future, the database should be integrated into the USMS/NDB.

The SRC representatives announced that the reconciliation of tax revenues is

carried out by the cash method for the EITI. Moreover, there was no Personal account for payments; they are taken from the registries by budget classification codes. It was also announced that the Accounts Committee conducts audits on accrued and cash revenues.

Production volumes and their cost should be calculated at spot prices. Social expenses in Table 2-3 should be divided into contractual and additional, so that the difference in data (Appendix 5) could be explained within the Memorandums with the Akimats of the regions.

A meeting was held at 14:30 in the National Company «Kazgeology» with Abylgazin A.A., the Chairman of the Board, Mudarisov B.A., Managing Director, and other heads of organization departments.

Mударisov B. made a presentation about the company activities. The main goals and objectives of the company are integrated geological study of the subsoil, reproduction of raw materials base in the field of solid minerals and groundwater, increase of the national wealth through the integrated geological exploration of the subsoil.

Alex Gordy noticed that the reports of Kazgeology fully comply with EITI requirements. At the same time, he clarified the liabilities of the company, which arise from financial interaction with the state, the requirements for open source reporting, which is necessary for the preparation of EITI reports, and the requirements for the information itself. It is important to understand that transparency, which is based on the publication of financial documentation and reporting, is one of the additional measures to increase the confidence level of foreign investors. The integrated information system «The Unified State Subsoil Use Management System» (EGMS), where the companies send their EITI reports, is available online.

A meeting was held at **15:30** in the territory of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan. Tazhikenov M., the Head of the International Statistical Cooperation, and other heads of organization departments attended the meeting. The following issues were raised in the framework of the EITI: export volumes (in physical and monetary terms), the share of the extractive sector in the total industrial production, industry employment, including gender occupational segregation, commodity trading, and others.

Representatives of the Statistics Committee announced that all required information is generated on the basis of reportings from enterprises (under the economic activity classifier) and published on the official internet-resource in monthly, quarterly and annual (until July 1) bulletins, other reference materials and reports. As for the disaggregated information, it is formed up to the 5-th level in accordance with accepted standards. A more detailed review uses the average annual prices for industrial products.

The next meeting was held at **17:00** with A. Aralbayev, the Director of the Department of Information Technology and Public Services, the USMS developers and the heads of industry departments.

Aralbayev A. informed that his Department is responsible for the maintenance and implementation of the reporting forms into the system, developed by industry specialists according to the approved normative legal acts. At the same time, developers are currently working on additional functions of analytical tools, which would be accessible and understandable to the public. The reliability of these reports in the USMS is confirmed by an electronic digital signature (hereinafter referred to as EDS) of the first managers of the companies. The data are being integrated with the Statistics Committee, the Ministry of Justice, and e-gov system for individuals and legal entities. Maps and interactive infographics should be visualised on the next step of the process development. An integration with the data of the National Data Bank (NDB) is planned in the future.

It was reported during the meeting with JSC «NMC «Tau-Ken Samruk» on **May 24** at **9:30** that the company operates under 13 contracts and licenses for subsoil use, 6 of which are for exploration and 7 for mining (mining is carried on one of the contracts, the remaining projects are at the design and construction stages).

It is also noted that the activities of JSC Samruk-Kazyna are governed by the Law of the Republic of Kazakhstan on the Fund. JSC «NMC «Tau-Ken Samruk» is also governed by the resolution of the Government of the Republic of Kazakhstan on the Company establishment, the Company's Development Strategy, internal relationship Regulations, including financing of investment projects.

Major Decisions of the Company are made collectively within the governing organ – the Board of Directors and the executive body of the Management Board of the Company. The activities of the governing organ are reflected in periodic reports and published on the official internet-resource of the Company. Additional information within the framework of the EITI is carried out in accordance with official requests of state agencies and outside organizations.

Therefore, the activity of JSC «NGK «Tau-Ken Samruk» meets the basic

principles of transparency, which is confirmed in 2019 by the Diploma for the 3rd place in the «Transparency Rating of the Largest Companies of Kazakhstan» among 15 companies.

A meeting was held at **10:30** at the National Company «Kazatomprom» with the financial controller Kozha-Ahmet D.A. and other company representatives.

Alex Gordy said about the upcoming validation in Kazakhstan and asked questions, which were close to the previous meeting issues.

Representatives of the companies asked questions about the exact definition of quasi-fiscal expenditures, and Alex answered all the questions. It was noted that the company's expenses on the construction of social facilities, which are not compensated by the state, will be assumed as quasi-fiscal expenditures. For example, KMG supplies gasoline to the domestic market at a lower cost (comparing to the cost in the market) and does not receive compensation from the state.

Questions on social expenditures were also raised, as reflected in the National EITI Report in Appendix 3 and 4, in order to avoid duplication of information.

The National Report release for 2018. In order to implement the budget sub-program 100 for the preparation of the 14th National EITI Report for 2018 (hereinafter referred to as the Report), the NCIP RK approved the technical assignment (Protocol of the NCIP RK No. 75 dated February 14, 2019) to involve the reconciliation company, which will conduct a verification in accordance with the legislation on public procurement.

The EITI National Secretariat supervises the preparation of the 14th National Report for 2018. Information is being collected on the annexes to the EITI National Report for 2018 and delivered to the Independent Administrator in accordance with the Technical Assignment (TA). The initial draft of the Report will be reviewed by July 15, intermediate stage – by September 10, and the final report – by October 5, according to the Work Schedule, the Report will be published on the EITI National website after its approval by the NSC RK.

Progress. In accordance with requirement 6.2, the government and the NCIP should ensure that state enterprises (hereinafter referred to as SE) disclose all significant quasi-fiscal costs. Quasi-fiscal expenditures include agreements through which state-owned enterprises undertake to carry out government social expenditures, such as payments for social services, public infrastructure, fuel subsidies, public debt service, etc., in addition to the national budget process. The multi-stakeholder group should develop a reporting process in order to achieve a level of transparency, which is commensurate with the transparency of other payments and revenue streams, and

should include subsidiaries and joint ventures of SE.

A reconciliation working group with the EITI National Secretariat developed a reporting form on quasi-fiscal expenditures for national companies, including subsidiaries with a state share of 100%.

№	State share (%)	Region, city, district	Name of company with state ownership of the company / national holding	Assignment of expenses (social services, state infrastructure, working employment, fuel subsidies, public debt service, etc.)	Name of the event (project, program, social object, etc.)	Completion dates	Planned amount (thousand tenge and (or) national form)	Actually transferred amount (thousand tenge and / or in-kind)	Recipient (organization / address / details)
1	2	3	4	5	6	7	8	9	10

Annotation.

- Social services – charity, sponsorship, sports, cultural, educational and other events;

- State infrastructure – construction, overhaul, service, maintenance of social facilities of state importance;

- Employment – the provision of jobs or related activities that go beyond the functions performed, in excess of the number that companies need. Payment of wages, which are above market, by bank loans or the accumulation of mutual debt;

- Fuel subsidies – the difference between the market price of raw materials supply and the actual delivery price;

- Public debt servicing – losses from the measures to stabilize the exchange rate of the currency, interest-free and concessional loans to the government and refinancing loans to commercial banks to service non-performing loans, as well as financing agricultural, industrial and housing programs at preferential rates, etc.

This form has been entered into the USMS system for online reporting and will be available for all interested parties.

Analytical research.

The moderator of the Dialogue Platform, Lobacheva M., conducted a study «Social investments of subsoil users. Questions of transparency and public participation». This report was based on a study of the processes of planning, approval, execution and reporting of subsoil users' expenditures for social development of regions and local infrastructure <http://www.echo.kz/useful-materials-ru/research-ru/139-otchet-po-cotcinvestitciyam.html>.

The purpose of this study was to determine the existence of effective mechanisms for public participation in the implementation of social investments and transparency assurance.

The objectives of this study:

- Determine the cost structure of subsoil users for social investments.
- Identify the existence of effective mechanisms for public participation in the implementation of social investments.
- Assess the transparency of the allocation and expenditure procedures of social investments.

During the preparation of the rationale for the transition to EITI integration, the EITI National Secretariat analyzed the situation of Kazakhstan's readiness for integration and made the following rationale.

When conducting a pilot study of Kazakhstan's readiness to integrate the EITI in 2017, Ernst & Young identified monitoring systems, including open and accessible data, created a matrix for the compliance of existing information systems and internet-resources with the requirements of the EITI Standard <http://eiti.geology.gov.kz/ru/homepage/mainstreaming>.

Readiness for the transition to EITI integration was discussed during the Working Sessions of the Working Group members on the implementation of new EITI requirements, stakeholders and the public (January 18, 2019 in Almaty and January 30, 2019 in Astana), as well as on the Dialogue Platform «Implementation and development of new EITI requirements in Kazakhstan» on February 13, 2019 <http://eiti.geology.gov.kz/ru/about-us/eiti-news-kazakhstan>.

The National Council of Interested Parties (hereinafter referred to as the NCIP) reviewed the Work Plan and the rationale for the transition to EITI integration at the NCIP meeting on February 14, 2019. The following list of decisions was announced:

1. Refine the rationale and the Work Plan for the integration of the EITI, taking into account comments of members of the NCC and the recommendations of the EITI International Secretariat;
2. Send relevant documents to the International EITI Board in accordance with the procedures for transition to EITI integration.

During the period of the implementation of the EITI in Kazakhstan (from 2005 to the present), 13 National EITI Reports were produced and published, consisting of a contextual part according to the requirements of the EITI Standard and data

reconciliation of companies and the Government on payments and revenues. An independent audit company is engaged annually for the preparation of National EITI Reports on a competitive basis in accordance with the legislation on public procurement.

The country introduced an online system of the Unified State System of Subsoil Use Management of the Republic of Kazakhstan in 2014 (hereinafter – the USMS), which is supported by the Ministry of Energy of the Republic of Kazakhstan. EITI reporting, confirmed by the auditor, should be submitted by the companies – subsoil users in the USMS. Then those reports are available online to all stakeholders and any interested person http://egsu.energo.gov.kz/webapp/pages/ipdo/appendix_1_5.jsf?faces-redirect=true.

EITI reporting data include:

- tax and non-tax payments to the budget;
- foreign currency payments;
- dividends from state shares in the property;
- expenditure on social projects;
- quasi-fiscal expenditures.

Information on the registry of subsoil use contracts of all companies (not only involved in the EITI) with an indication of the type and number of contracts, period of validity, licensor, field, activity, region and component are available on the website of the Committee of Geology and Subsoil Use of the MIID RK: the list of hydrocarbons on 01.01.2019 <http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/uglevodorodnoe-syre-2>. The list of solid minerals on 01.01.2019 <http://geology.gov.kz/ru/presstsentr/informatsiya/nedropolzovateli-respubliki-kazakhstan/category/tverdye-poleznye-iskopaemye-2>.

At the same time, it was noted that one company may enter into several contracts, and one contract may have the rights to subsoil use for several objects.

The Code on subsoil and subsoil use has come into force since July of 2018, which provides rules regarding one of the key EITI requirements for disclosure of final beneficiaries. The report on the group of persons and (or) organizations directly or indirectly controlling the subsoil user is also implemented in the system of the USMS <http://egsu.energo.gov.kz/webapp/pages/home.jsf>.

According to the Road Map measures for the implementation of the beneficial right, the register of companies and the information on the beneficial owners (contained in the reporting) will be formed, the issue of data verification, its disclosure and publication will be worked out within the legislation of the Republic

of Kazakhstan and taking into account the international requirements of the EITI Standard.

The INTERACTIVE MAP was launched on the website <https://gis.geology.gov.kz/geo/>, where the existing facilities of solid minerals, hydrocarbons, groundwater, common minerals and state geological exploration are located. Following sites are selected: on incoming requests, on provided objects (in a simplified way), the auction, occupied and poorly studied objects. For each site there is data that includes the contract number, type of activity, type of mineral, the subsoil user information and requisites.

A created functionality of the National Data Bank (hereinafter referred to as NDB), which consolidates geological and geophysical digital information, will allow to provide relevant and accessible geological information, as well as to issue (in online mode) licenses for exploration and production. In addition, reportings in the mining sector, which are submitted by companies in the NDB, will be integrated with other existing reporting and monitoring systems (USMS).

NDB is designed for automated collection (input), processing, updating, storage and analysis of information in the field of subsoil use on the basis of modern information technologies and the provision of this information to the public authorities of the Republic of Kazakhstan and other interested organizations to solve the problems of improving the processes efficiency in the field of subsoil use.

The automation objects are the Committee of Geology and Subsoil Use, interregional departments, Department of subsoil use of the Ministry of industry and infrastructure development of the Republic of Kazakhstan, local executive bodies of the region, the city of national importance and the capital. The System users are potential subsoil users, issuers, purchasers of subsoil use rights, license holders and operators, independent experts, associations, laboratories, design organizations and other persons.

The main purpose of the NDB is the accumulation and consolidation of information that allows monitoring the state of mineral reserves of the Republic of Kazakhstan, such as hydrocarbons, solid minerals, common minerals, coal, uranium, groundwater, as well as tracking the activities of all stakeholders, automation of business processes for licensing procedures and the accumulation of geological information.

The NDB development will allow free access to geological information for stakeholders. All information in the field of subsoil use sorted by holders, license operators, and information on issued licenses, permits, notifications and applications should be public in the System, which will ensure transparency in the field of subsoil use. All subsoil users are obliged to publish their final beneficiaries, to record changes in the composition of persons and (or) organizations directly or indirectly

controlling the activities of the subsoil user, to notify in the case of the appointment of the operator, to store information about the designated operators, all concluded agreements, transactions on the transfer of subsoil use rights (shares in the right of subsoil use), information about the liquidated areas. Maintenance and submission of reports and project documentation in the System will allow the subsoil user to predict their financial performance, monitor the timing of reporting, and the state body will monitor the performance of license and contract obligations. NDB will allow carrying out operational communication with subsoil users, informing and notifying them about the events and tasks.

Open DATA portal works, where information of central state and local executive bodies is available <https://data.egov.kz/>:

- The Ministry of Energy (on local content in personnel, goods, works and services, volumes of oil and gas production, oil and gas companies, volumes of emissions of pollutants into the atmosphere, the list of legal entities engaged in the transmission, distribution and transportation of electric energy, the list of energy-producing organizations using renewable energy sources, the list of permits for emissions into the environment, pollution indicators of water bodies, inventories of specially protected natural areas and others).
- The Ministry of Industry and Infrastructural Development (lists of fields of solid minerals, hydrocarbons, statistical data inferred mineral resources, register of legal persons carrying out activities in the field of energy saving and energy efficiency, statistical data on energy saving and energy efficiency, list of licenses issued for export and import of products subject to export control, the number of issued reports on the economic inexpediency or impossibility of processing raw materials containing precious metals in the territory of the Republic of Kazakhstan and others).
- Ministry of Justice (registration data of legal entities, branches, representative offices of Kazakhstan (name and date of registration of a legal entity; identification number (BIN), legal address (location at registration), type of activity, surname, name, patronymic of the head (if any); information on international cooperation (project names, country, budget); information on the developed concepts of improvement of legislation and others).
- The Ministry of Finance (the State budget, the Annual Plan of public procurement of goods, works, services; external and internal debts, debts of the National Bank, debts of local Executive bodies, debts of the Government, information on the Results of the internal state audit, reports on tenders for the sale of Republican property, the Annual report on the execution of the Republican budget for the relevant financial year, and others).

- Other state bodies.

Also open data on categories of economic spheres (employment and recruitment, public services, economy and business, transport and communications, industry, ecology, social services, provision and others).

The EITI can use the following online resources for the information disclosure under the required Standard:

State bodies	Key requirements of EITI	Official website	Link to the Internet resource
The Ministry of Industry and infrastructural development			
Subsoil use department	Granting the subsoil use rights: Registry of issued licenses and submitted applications	http://dep-nedra.miid.gov.kz/ru	http://dep-nedra.miid.gov.kz/ru/kategorii/reestr-vydannyh-licenzii
Committee of Geology and subsoil use	Information on geological exploration of mineral resources	http://info.geology.gov.kz/ru/	http://geology.miid.gov.kz/ru/pages/upravlenie-geologicheskogo-izucheniya-nedr
The Ministry of Energy			
Subsoil use department	Oil, gas, condensate, uranium, coal production, refining and export volumes	http://energo.gov.kz	http://energo.gov.kz/index.php?id=21482
Committee of environmental protection	Newsletters on the state condition of the environment	http://energo.gov.kz	http://energo.gov.kz/index.php?id=2964
Ministry of Finance			
	GDP. Revenues budget	http://www.minfin.gov.kz	http://www.minfin.gov.kz/irj/portal/anonymous

	expenditure, industrial production, tax and non-tax revenues, budget execution, revenues, imports, exports national fund		
State revenue committee	Handbooks, dynamics of taxes and revenues into budget	http://kgd.gov.kz/ru/	http://kgd.gov.kz/ru/content/spravochniki-0
Financial monitoring committee	Regulatory legal act in terms of legalization (laundering) of proceeds from criminal activities	https://kfm.gov.kz/ru/	https://kfm.gov.kz/ru/regulatory-framework/is-the-current-legislation/
Ministry of National economy			
Committee on statistics	Mining industry and quarrying, production of crude oil and gas, production of metal ore, production volumes, exports, population	http://stat.gov.kz/	http://stat.gov.kz/faces/
Ministry of social development			
Civil society committee	Interaction with NGOs, social orders, grants for NGOs	https://akk.qogam.gov.kz/ru/	https://akk.qogam.gov.kz/ru/content/koordinacionnyy-sovet-po-vzaimodeystviyu-s-npo
Accounts committee for control over the execution of the Republican budget			
	The list of objects for state audit, the annual report of Accounts committee	http://esep.kz/ru/	http://esep.kz/rus/show1/article/26

National companies			
Samruk Kazyna FWP	Structure, annual report	https://sk.kz/	https://sk.kz/about-fund/otchety-i-plany/
KazMunaiGaz NC	Structure, subsidiary companies, annual report	http://www.kmg.kz/	http://kmg.kz/self/annual_report_2017/ru/index.html
KazAtomProm	Structure, subsidiary companies, geological exploration, production, rare metals, deals	http://www.kazatomprom.kz/ru	http://www.kazatomprom.kz/ru/content/geologicheskaya-razvedka
Tauken-Samruk	Structure, subsidiary companies, annual report	http://www.tks.kz/	http://www.tks.kz/ru/reportcategory
KazTransOil	Schemes of main pipelines, regulation and tariffs	http://www.kaztransoil.kz/	http://www.kaztransoil.kz/ru/okompanii/shema_magistralnih_truboprovodov/
KazTransGases	Main and transit pipelines, production, supplies, export, financial and industrial features, income	http://www.kaztransgas.kz/index.php/ru/	http://www.kaztransgas.kz/index.php/ru/okompanii/magistralnye
KTZH	Annual and financial reports	https://www.railways.kz/ru/	https://www.railways.kz/reports/2017/
Legislation of the Republic of Kazakhstan			
Information and legal system of legal acts “Adilet”	Laws, legal acts, decrees	http://adilet.zan.kz/rus	http://adilet.zan.kz/rus/search/origins

Description for compliance with open, complete, accessible information and its updating in accordance with the requirements of the EITI Standard is also included in the Technical Assignment for the production of the 14th National EITI Report for 2018, which will be produced in 2019 during the transition to EITI integration.

In regards to the audit procedures and data validation in companies and government agencies involved in the EITI reporting process.

According to the Government. The Republic of Kazakhstan has the highest state financial control agency that controls over the execution of the republican budget. It is directly subordinate and accountable to the President of the Republic of Kazakhstan – the Accounts Committee for monitoring the execution of the republican budget.

According to the Regulations on the **Accounts Committee for control over the execution of the Republican budget (General provisions, art. 1 and art. 2)**, «The Accounts Committee is the supreme body of state financial control, exercising external control over the execution of the Republican budget, directly subordinate and accountable to the President of the Republic of Kazakhstan».

The main tasks of the accounts Committee are control over the completeness and timeliness of revenues to the national budget. Every year the Accounts Committee makes a report on the execution of the Republican budget for the financial year (hereinafter referred to as the annual report), which in its content is the conclusion to the report of the Government of the Republic of Kazakhstan on the execution of the Republican budget. The annual report includes an assessment of revenues and expenditures of the Republican budget.

The annual report, approved by the Accounts Committee, is sent for consideration and approval to the Parliament of the Republic of Kazakhstan and for information to the Government of the Republic of Kazakhstan until May 15 of the current year. Presentation of the annual report in the Parliament of the Republic of Kazakhstan is carried out by the Chairman of the Accounts Committee.

The annual report is published in the media after approval by the Parliament of the Republic of Kazakhstan, taking into account a compliance with the regime of «secrecy and other legally protected secrets.»

The annual reports of the Accounts Committee are available for the public on the official website of the Accounts Committee www.esep.kz. Thus, it can be concluded that the Government data, which is provided for the EITI purposes, are audited by the Accounts Committee of the Republic of Kazakhstan. They are available to the public in the Annual Report of the Accounts Committee.

Regarding the audit in accordance with international standards: «The Accounts Committee for control over the execution of the Republican budget is currently a member of five international organizations»:

- [INTOSAI – International organization of supreme audit institutions](#); - since May, 2000

- [ASOSAI – Asian organization of supreme audit institutions](#); - since October, 2000
- [EUROSAI – European organization of supreme audit institutions](#); - since October 2003
- [ECOSAI – Economic cooperation organization of supreme audit institutions](#) – since January, 2004
- *Council of heads of supreme audit institutions of UIS member states* – since 2000.

This confirms that the Accounts Committee of Kazakhstan adheres to international principles and approaches to audit.

In accordance with paragraph 11 of the Rules of the external state financial control approved by the Regulatory resolution of the Accounts Committee for control over the execution of the Republican budget dated August 18, 2011 № 2-NP. Registered in the Ministry of Justice of the Republic of Kazakhstan on September 16, 2011 № 7190. Control is divided into the following types:

1) compliance control – conformity assessment of the control object activities with the requirements of the budget and other legislation of the Republic of Kazakhstan;

2) control of financial statements – assessment of reliability, validity and timeliness of preparation and presentation of financial statements by the object of control.

3) performance control – assessment conducted on the basis of financial statements and compliance control.

The type of control within which the control of reporting of «Ministry of Finance of the Republic of Kazakhstan» on contributions to the budget of mining companies provided under the EITI – «control of financial statements».

According to companies. Subsoil user companies are obliged to carry out an audit in accordance with the Law of the Republic of Kazakhstan dated November 20, 1998 № 304-I "On audit activities" (as amended as of 01.01.2009.)

Tax audit (tax control) is an audit of tax accounting and tax reporting system of the company in order to identify and timely eliminate errors before the actual tax audit by the external regulatory authorities.

Based on the tax audit results, recommendations are developed and presented with a description of the identified risks, as well as recommendations for their elimination (both at the level of individual operations and at the level of the organization of the tax accounting system as a whole) and the company's untapped opportunities for tax optimization with regards to the requirements of the legislation of the Republic of Kazakhstan.

An analysis of controversial tax situations is carried out as a part of the tax

audit; a development of possible solutions is carried out on the basis of prospects assessment for a tax dispute.

Also, taking into account that tax accounting is based on accounting data and IFRS, the analysis of the applied accounting methodology and all applicable IFRS is conducted, in order to assess their impact on the taxation of the company.

The reconciliation is carried out in accordance with the International Standards on Auditing (ISA) applicable to related services (IASB 4400 «Agreements on the implementation of procedures with respect to financial information»). The agreement on the implementation of the procedures includes verification, data analysis and comparison with primary documents, data on personal accounts of taxpayers, reports of the Recipient, currency conversion, in accordance with which the reconciliation was carried out to obtain sufficient information in order to express an opinion on the audit purpose.

The head or representative of the Payer is responsible for the quality and accuracy of the Taxpayer's information, to whom the relevant powers have been delegated, and who has the right to sign, as well as the head of financial and economic service. The head of the relevant Authorized state agency and/or organization is responsible for the quality and accuracy of the Recipient's information.

Reconciliation includes examination, which is based on the evidence testing that confirms a reconciliation of the reports from Payers with data of Recipients.

The EITI standard defines the requirements for data quality and validation (Requirement 4.9 Data quality and assurance):

- It is necessary to assess whether payments and revenues undergo an authoritative independent audit using international auditing standards;
- Mandatory involvement of an authoritative Independent Administrator is needed (with the application of international auditing standards and publication of the administrator's opinion on data reconciliation).

The international Secretariat has developed guidelines for the application of requirement 4.9 (Guidance note 24, Data quality and assurance). The standard ToR and Guidance note 24 contain more detailed instructions in regards to the mentioned question, specifically the 5-step algorithm:

1. *To review audit practices in the country (performed by an Independent Administrator).*

An independent Administrator should describe in the report the current legal requirements for companies and public authorities to audit or confirm their information. In addition, it is necessary to indicate how the actual practice in the country corresponds to the current legislation (in some countries there are

requirements to conduct mandatory independent audit, but companies do not actually do this).

2. *To determine the mechanism of data validation for the EITI Report (the Independent Administrator offers an approach on the basis of its analysis, then the MSG approves the approach).*

3. *To document the analysis results (paragraph 1) and the agreed approach (paragraph 2). MSG in progress.*

4. *Assessment of companies' and government agencies' implementation of the approach to data validation defined in the EITI report.*

5. *Validation of the data validation mechanism for the EITI.*

It is performed at the stage of EITI Report validation. It is required to describe the legislation and the actual practice of financial data confirming in the country, the approach to the data confirming in the Report (usually it is a requirement for the signature of an authorized representative of the company or government Agency) and reconciliation acts of their amounts with the tax. A requirement for mandatory audit of expenditures on exploration and mining of solid minerals was developed after the introduction of the Code on subsoil and subsoil use of Kazakhstan. It means that among those reports, which were send by subsoil users to the USMS (1-solid minerals, 2 solid minerals, 1-LCT), the data on expenditures must be necessarily audited.

Awareness raising and dissemination of the information.

The National EITI website is maintained in the PRESS–CENTER section <http://eiti.geology.gov.kz/ru/about-us/eiti-news-kazakhstan>, which covers all the events implemented within the EITI: news, conferences, presentations, videos and photos, meetings in akimats, seminars, work meetings, publications in the media. In addition, the official websites of the Ministry of Energy and the Ministry of Finance contain a link to the National EITI website <http://eiti.geology.gov.kz/ru/>, where interested government agencies, public organizations, observers and anyone else can get acquainted with the events in real time, which are carried out within the framework of the EITI implementation. Regional akimats are assigned to make the EITI heading on their official websites and post information on social investments and open meetings there. In addition, the National EITI website contains information on the activities of Akimats <http://eiti.geology.gov.kz/ru/>.

Republican Association of Mining and Metallurgical Enterprises (AMME), as the coordinator of the Working Group on Communications of the EITI National Council of Interested Parties, conducts informational work to broadly explain the importance of implementing EITI standards, bringing transparency principles to the public and their impact on the welfare improvement of residents.

The information sphere is aimed at highlighting the activities of state bodies

and companies on the implementation of EITI standards, the publication of materials on such relevant topics as disclosure of beneficial ownership of mining companies, transfer pricing, taxation of the MMC and others.

A briefing on the results of the validation-2017 in Kazakhstan was held in May 2018 in the territory of Central Communications Service with the participation of the head of the International Secretariat of the Extractive Industries Transparency Initiative Jonas Moberg and members of the National Council of Interested Parties of the Republic of Kazakhstan: Chairman of the Committee of Geology and Subsoil Use of the Ministry of Investment and Development of the Republic of Kazakhstan Akbatyr Nadyrbaev, Deputy Executive Director of the Association of Mining and Metallurgical Enterprises Maxim Kononov and a representative of the Coalition «Oil revenues – under the control of society!» Sholpan Aytenova.

The list of published materials for the period of 2018-2019 (until July) was published on the National EITI website with the links to the publications <http://eiti.geology.gov.kz/ru/about-us/publikatsii-v-smi>.

Progress. The Committee of Geology and Subsoil Use of the Ministry of Investment and Development of the Republic of Kazakhstan launched the National EITI website (<http://eiti.geology.gov.kz>) in September 2016. This website stores the information on the implementation of the EITI in Kazakhstan, including the normative base, work plan, annual National reports in the full and popular versions, protocols of the NCIP RK meetings, as well as publications, seminars, trainings and meetings dedicated to the implementation of the EITI in the country. Feedback feature is available in the section of «Contacts» for questions and suggestions.

Strengthening the Secretariat role in the implementation of the EITI.

The working body for coordinating procedures on the EITI implementation in Kazakhstan is the EITI National Secretariat, which operates on the basis of the RCGI «Kazgeoinform» of the Committee of Geology and Subsoil Use of the Ministry of Investment and Development of the Republic of Kazakhstan (100% founder is the Committee of Geology and Subsoil Use of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan). The Regulation on the Management of Information Technologies and Geological Information of CGSU MIID of the Republic of Kazakhstan takes into account the following function (clause 18): *Implementation of the Standard of the Extractive Industries Transparency Initiative in the Republic of Kazakhstan.*

Nowadays, the EITI National Secretariat has been operating by 5 employees, taking into account the fact that the Director of the Subsoil Use Department of the

Ministry of Investment and Development of the Republic of Kazakhstan, R.N. Baimishev, who is also the National Coordinator, joined the International EITI Board since April 2017. The functions of the Head of the National EITI Secretariat are assigned to the Head of the Department for Analysis of the Mineral Resources Complex and Transparency of the Extractive Industries in the Republican Center for Geological Research «Kazgeoinform» Dzhantureyeva E.A. (Letter from Vice Minister of the MID RK and Deputy Chairman of the NCIP RK Toktabayev T.S. to the Head of the International EITI Board Mr. Fredrik Reinfeldt). Details of the EITI National Secretariat staff and their contact details are given here <http://eiti.geology.gov.kz/ru/homepage/natsionalnyj-sekretariat-ipdo>.

Progress. *In terms of measures to «ensure transparency in the mining, oil and gas sectors».*

1. The provisions of the Code on information disclosure of licenses and subsoil use contracts are applied only to licenses and subsoil use contracts issued and concluded after the entry into force of the Code of the Republic of Kazakhstan dated December 27, 2017 «On Subsoil and Subsoil Use» (hereinafter referred to as the Code).

2. It is necessary to consider whether the publication of the entire report or its part is possible within the information disclosure from the reports submitted by subsoil users.

3. It is possible to group the information to be disclosed on the basis of periodicity (annually, quarterly, as information is received) and develop a template / table to be filled with information, which is going to be disclosed, and publish it at a certain frequency.

Analysis:

Issues of providing access to information on licenses and contracts for subsoil use are governed by Article 77 of the Code, subject to the transitional provisions of the Code.

Paragraph 3 of Article 277 of the Code establishes that the relations on permits, licences and contracts for subsoil use, which were concluded prior to the enactment of the Code, are governed by Chapter 11 (except article 7). Thus, the provisions of the Code on the disclosure of information on licenses and subsoil use contracts are not retroactive and applied only to licenses and subsoil use contracts issued and signed after the enactment of the Code.

At the same time, in accordance with the developed package of amendments to the Code, subsoil use contracts concluded after the introduction of the Code will be equated to subsoil use contracts concluded prior to the introduction of the Code. Thus, the analysis presented below is based on the assumption that the legal status of

subsoil use contracts concluded after the introduction of the Code is equal to the subsoil use contracts concluded prior to the enactment of the Code, and disclosure is required for licenses issued after June 28, 2018.

According to Paragraph 1 of Article 77 of the Code, the state body, that grants the rights for subsoil use, provides open access to all information on the rights granted to subsoil users.

Features of geological information disclosure.

According to Paragraph 3 of Article 77 of the Code, the geological information, which is contained in geological reports (and other documentations) and obtained by state bodies in accordance with the Code, is considered to be a commercial secret of the subsoil user, and these agencies are required to take measures to protect its confidentiality.

The authorized agency for the mineral resources study discloses the specified geological information by publishing it or providing open access to it:

- 1) Upon expiration of five consecutive years from the date of its receipt from the subsoil user who performed subsoil use operations on the basis of a subsoil use license. According to the written application of the license holder for subsoil use, the confidentiality period is extended for the period specified in the application, but not more than five years. The application for such an extension may be submitted before the expiration of the initial five-year confidentiality period;
- 2) After the termination of the subsoil use contract (for geological information received from the subsoil user under the subsoil use contract);
- 3) With the written consent of the subsoil user;
- 4) At the request of other government agencies, subject to the adoption of measures to protect the confidentiality of received information;
- 5) After three months from the return date of the relevant subsoil section, in respect of which such information was previously obtained;
- 6) If information was obtained by the state geological study of the subsoil.

Progress. *In terms of legislation improvement.*

Standards provided by the Codes of Subsoil and Subsoil Use in terms of the EITI reporting and beneficiaries.

1. Article 76 of the Subsoil and Subsoil Use Code, Paragraph 3. Subsoil users engaged in exploration and mining operations, with the exception of mining and exploration of common minerals, are required to submit the reports to the competent authority, which are provided by the standard of the Extractive In-

dustries Transparency Initiative (hereinafter referred to as the EITI), confirmed by a person who is an auditor in accordance with the Law of the Republic of Kazakhstan «On Auditing Activities».

2. Article 132 of the Code of Subsoil Use and Subsoil Use, Paragraph 7. Under a contract for the use of a hydrocarbon mineral resources, a subsoil user is required to submit a report on the composition of persons and (or) organizations directly or indirectly controlling the subsoil user.
3. Article 180 of the Subsoil and Subsoil Use Code, Paragraph 11. Under a contract for the extraction of uranium, the subsoil user is required to submit a report on the composition of persons and (or) organizations directly or indirectly controlling the subsoil user.
4. Article 195 of the Subsoil and Subsoil Use Code, Paragraph 3. Under a license for the exploration of solid minerals, the subsoil user is required to submit a report on the composition of persons and (or) organizations directly or indirectly controlling the subsoil user.

The Code on Subsoil and Subsoil Use, as well as normative-legal acts, are currently being amended and supplemented.

The following main activities were identified in accordance with the work plan:

- ***Increase the contribution of the mining sector to regional development*** – Verify/improve the management of public spending in terms of social payments from extractive companies to local budgets: disclosure of social payments and subnational transfers. Ensure a transparency of corporate social responsibility programs in the regions.

Progress: According to the instruction No. 874-1 dated February 26, 2016 on taking comprehensive measures to ensure transparency and assess the effectiveness of the social contributions use by subsoil users, the following work was carried out.

Akimats, according to the TA (Appendix 3-1), also provided information on expenditures from companies – subsoil users in the framework of memorandums, agreements, contracts, social partnership for 2018, as well as on open meetings with the involvement of the public, companies and other interested agencies, where issues of expenses for regional social development are covered. This information is posted on the National EITI website <http://eiti.geology.gov.kz/ru/> in the Press-Center section and official websites of regional akimats.

Progress. Within the production of the 13th national EITI reports for 2017,

along with tax and non-tax payments, the Independent Administrator reconciled data of subsoil users on financing social programs (projects) in the regions with their further development by the Local administrative authorities. The reconciliation results were published on the national website of EITI in Kazakhstan in the «National Reports» section (Annex 3-2).

Explanations for each discrepancy were also published (Appendix 12) <http://eiti.geology.gov.kz/ru/national-reports>. Subsoil users submitted copies of supporting documents in the form of memorandums, contracts, and a general register of payment orders for all paid expenses to the Independent Administrator under the verification process.

ALE «The Kazakhstan Association of organizations of energy, oil and gas complex «KAZENERGY»

Representatives of the Association are members of the NCIP RK, which represent the position of companies in the oil and gas industry.

The Working Group is conducted under the Association. The following measures are discussed at the meetings of WG: development of recommendations for the improvement of management and transparency increase in oil and gas companies, analysis of legislation, preparation of proposals for making changes and amendments to legislative acts, developing recommendations for increasing the effectiveness of the NCIP of RK and popularization of public importance of the Association and its members in the process of implementing the Initiative, as well as other relevant issues on the agenda.

The members of the Working Group are the largest transnational 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, 2 meetings were held. The issue of beneficial ownership in the Republic of Kazakhstan was widely discussed at these meetings. Representatives of the companies expressed their support for the disclosure of beneficiary ownership and noted the high importance of a comprehensive discussion of this issue.

The representatives of the EITI Secretariat attended the meetings in order to inform companies about their work.

Promotion activities of the EITI are also carried out within the framework of other multilateral groups, including the Coordination Council on Ecology, Social Responsibility and Transparency of the KAZENERGY Association.

The 9th National EITI Conference was held as part of the XI Eurasian

KAZENERGY Forum in 2017.

The EITI Executive Director Mark Robinson and the Validation Director Alex Gordi had a meeting on May 22, 2019, with representatives of mining, oil and gas companies, including such large companies as Shell, Exxon Mobil, Karachaganak, TCO, Kazakhmys and others. The international requirements of the EITI Standard, such as contract disclosure and beneficiary ownership, were discussed there. In general, companies have expressed a positive opinion. The meeting was supported by companies in the sphere of EITI implementation in the country.

The next Kazenergy forum will be held within the energy week (from September 23 to September 27, 2019), where more than 30 events are planned to be held, including those on energy renewal, hydrocarbon production, transportation. The National EITI Conference will be held within the framework of the forum (September 26). The forum will be attended by Helen Clark, the Chairman of the International Board of Directors, and colleagues from the EITI International Secretariat can also attend the forum. The National EITI Conference is considered to be as the international platform. A plenary session will be held on September 26.

Representatives of the Association attend seminars, trainings, national and international conferences.

KAZENERGY Association pays special attention to informing members about conducted work. Information is regularly updated in the bulletin of the Association, electronic mailing is carried out among members, and the most important news is published on the website of the Association.

On the activities of the Dialogue Platform of NGOs on the implementation of the EITI in Kazakhstan at the period from June of 2018 to May of 2019.

The Dialogue Platform (hereinafter referred to as DP) consisted of three parties in the reporting period: «Oil Revenues – Under Society Control» NGO Coalition (hereinafter referred to as ORUSC), the Civil Alliance of Kazakhstan (hereinafter referred to as CAK) and the Union of NGOs in Kazakhstan.

The ORUSC was renamed by general vote to the «Civil Control» coalition in March, 2019.

The NGO Union of Kazakhstan announced the suspension of membership in the DP for 6 months in May, 2019.

Participation in the preparation of the National Report for 2017 and the development of the Terms of Reference for the next report

Civil society and other EITI parties have the opportunity to participate in the

preparation of the National Report after selecting a company that reconciles payments from extractive companies (independent administrator). A preliminary report, which is collected by the company, is sent to the reconciliation team, where it is analyzed. The report for 2017 was corrected several times, accepting comments and suggestions from the Working Group.

The working group conducted the following work on reconciliation for the reporting year:

Participation in the preparation of the EITI National Report for 2017. The group compared the draft report with the Terms of Reference and the EITI Standard. All comments and recommendations on the draft report were reviewed by the Independent Administrator. The working group on reconciliation recommended adopting the latest version of the report, and also formed a list of recommendations for inclusion in the additional comments to the Report and to the Terms of Reference.

Representatives of the Working Group participated in the EITI International Secretariat training on beneficiary ownership, as well as in preparation for validation. The comments of the International Secretariat were studied with the Working Group representatives during the training, and the Action Plan was developed for the preparation of validation (what exactly should be done to make Kazakhstan comply with the EITI Standard 2017).

The Working Group has developed recommendations for improving the National Report-2017, some of which were included in the Terms of Reference of the National Report production for the Independent Administrator. Part of the recommendations was presented at the NCIP RK meeting in February; the recommendations are reflected in the Action Plan on preparing for validation.

The work of the group was held in the format of individual work of the group members. Representatives of NGOs in the working group on reconciliation made more than 10 working meetings in 2018, where the results of the group work were discussed. Recommendations were developed for the independent operator. The results of both individual and team work were discussed by e-mail and Skype conferences. The group worked on a volunteer basis, the work of the group was not paid.

Representatives of two working groups (on reconciliation and on preparation for validation) prepared comments on the national EITI report for 2017, so that the report is as close as possible to the EITI Standard.

A working meeting of the NCIP work groups was held in April, 2018, on validation and reconciliation within the framework of the EITI implementation in Kazakhstan. Issues on the implementation of corrective measures for the next 18 months (until August 13, 2019), given by the International EITI Board at the end of the validation on February 13, 2018, were discussed during the meeting. They addressed international requirements of EITI Standard: requirements 1.4 – ensuring diversified and representative participation of civil society in the National Council of Interested Parties (NCIP); requirements 2.3 – publication of license registries, as well as the date of award and the dates for their validity; requirements 2.6 – participation of the state and its subsidiaries involved in the exploration, extraction and transportation of mineral resources, disclosure of property rights, financial relations; requirements 3.2 – cost of extracted mineral resources; requirements 4.3 – barter deals (swap agreements with Russia), quasi-fiscal expenditures of state enterprises, and others. The results of the meeting can be found on the National EITI website <http://eiti.geology.gov.kz/ru/about-us/conference>.

The composition of the Working Groups on reconciliation, validation and implementation of new standards was updated at the meeting of the NCIP on 18 October, 2018. The working groups included following representatives of the ORUSC: M. Lobachev, Sh. Aytenova, D. Okremova, N. Erkeyeva, S. Ushakova, K. Osin, D. Bekturganov; and S.Hudyakov, K.Altynbayeva, Z.Akhmetova from SAC. The group also includes representatives of NGOs: I. Brattsev, A. Krykbaeva, Sh. Aytenova and K. Onalbaev.

A working meeting of representatives of the EITI National Secretariat with stakeholders on the implementation of mainstreaming was held in January 18 in Almaty and January 30, 2019 in Astana. Mainstreaming is an integration of the EITI into existing government systems.

The work in the working groups on validation, reconciliation, development of a Road Map on beneficiary ownership and development of the Terms of Reference is conducted on a volunteer basis.

EITI events

February 20-12, 2018. A second training course on beneficiary ownership was organized by the EITI International Secretariat in the city of Aktau with the participation of 19 NGO representatives from different regions of the country.

April 5-6, 2018. The meetings of the NCIP work groups on validation and reconciliation were held within the framework of the EITI implementation in Kazakhstan. Issues on the implementation of corrective measures for the next 18 months (until August 13, 2019), given by the International EITI Board at the end of

the validation on February 13, 2018, were discussed during the meeting. They addressed international requirements of EITI Standard: requirements 1.4 – ensuring diversified and representative participation of civil society in the National Council of Interested Parties (NCIP); requirements 2.3 – publication of license registries, as well as the date of award and the dates for their validity; requirements 2.6 – participation of the state and its subsidiaries involved in the exploration, extraction and transportation of mineral resources, disclosure of property rights, financial relations; requirements 3.2 – cost of extracted mineral resources; requirements 4.3 – barter deals (swap agreements with Russia), quasi-fiscal expenditures of state enterprises, and others.

November 6, 2018. A discussion of a new EITI requirement implementation (about the publication of data on the beneficiary ownership of mining companies) was held in Astana. The expert meeting was held by the PF «INMIR» and the PE «IRMS» with the support of the Soros Kazakhstan Foundation.

Materials on a preliminary analysis of the political and legal situation in Kazakhstan were presented at the meeting, as well as its readiness for the new EITI Standard requirements. Representatives of interested parties, such as state bodies, mining companies and the public, discussed possible collaborations until 2020, as well as the necessary amendments to the legislation of the Republic of Kazakhstan.

According to the new standard, all EITI countries will publish their data identifying oil, gas and mining companies, which take a part in auctions, exploitations and investments in mining projects of their countries, by 2020. It is also required that government officials – also called as significant politicians – ensure the transparency regarding their ownership rights in oil, gas and mining companies.

The EITI National Secretariat, deputies of the Mazhilis of the Parliament of RK, representatives of state bodies, extractive companies, maslikhat, media and NGOs were invited to participate in the discussion.

January 17- 18, 2019. A meeting of the National Council of Interested Parties on the implementation of the new requirements of the Extractive Industries Transparency Initiative was held in Almaty to review the Work Plan and justify the transition to a new level of EITI implementation in integrated open systems data, taking into account legal regulations. All comments, which were developed at the NCIP WG meeting on the implementation of the new EITI requirements, will be discussed at the NCIP in early February of the current year.

The following items were presented during the meeting: the EITI reporting forms, compositions of persons and/or organizations directly or indirectly controlling the subsoil user, new reporting forms on the fulfillment of contractual obligations, which are submitted online by companies through the integrated state system of subsoil use management of the Republic of Kazakhstan.

Approved normative-legal acts were commented, according to the rules and procedures for submitting mentioned reports (orders of the Minister of Energy and the Minister of Investment and Development, as well as joint orders with the Ministry of Education and Science of the Republic of Kazakhstan). The Rules of financing the costs of specialist trainings and the Rules of financing research and development work were announced.

The Work Plan for 2019-2020 on the integration of the EITI and the rationale for the transition of the EITI implementation to integration into the open data monitoring systems were discussed. Additional comments, suggestions and comments will be presented to the EITI National Secretariat by the end of January.

January 30, 2019. The meeting of the working group of the National Council of Interested Parties on the implementation of the new EITI requirements was held in Astana at the territory of the Committee of Geology and Subsoil Use of the MIID RK to review the Work Plan and justify the transition to a new level of EITI implementation in the integrated open systems data, taking into account legal regulations.

February 13, 2019. An expert meeting was held in Astana to discuss one of the key international requirements of the EITI Standard on the disclosure of beneficiary owners of companies of subsoil users. The meeting was attended by members of the working group on the implementation of new EITI requirements, interested government agencies, representatives of companies, civil society and the media. Materials of political and legal reviews, the results of 5 public discussions with the participation of more than 150 representatives of stakeholders (executive and representative power, mining companies and the public) were presented there.

Amendments to the normative legal acts of the Republic of Kazakhstan were also presented, which were developed by experts from the public in order to ensure compliance with the EITI requirements. These proposals must be coordinated with all EITI stakeholders (government, mining companies and the public).

The participation of representatives of the civil sector in international events related to the extractive sector.

July 3-5, 2018. «The role of NGOs in the EITI» seminar-training was held by the World Bank in Kiev, where D. Bekturganov (ORUSC), J. Akhmetova participated.

October 9, 2018. Consultations on the Strategy in the energy sector were held in Almaty, where NGO representatives announced their recommendations, in particular on enhancing the transparency and accountability of loan recipients, as well as strengthening state responsibility if the recipient are quasi-governmental organizations. The consultation was attended by representatives of the ORUSC, such as G. Chernov, M. Lobachev and D. Bekturganov.

March 4, 2019. A discussion seminar on the World Bank's Partnership Strategy in Kazakhstan was held in Almaty, where representatives of NGOs presented their recommendations and visions of individual Bank policies, including projects related to hydrocarbon production and solid minerals. The seminar was attended by S.Hudyakov, M. Lobacheva, S. Ushakova and D. Bekturganov. As a result, the World Bank extended the consultation period.

February 26-28, 2019. The 42nd EITI International Board meeting was held in Kiev, where the possibility of introducing new EITI standards regarding contract disclosure, environmental and social costs of subsoil user companies, and gender equality was discussed. NCIP members, such as D. Bekturganov, J. Akhmetova, attended the meeting.

NGO activities under the EITI

More than 10 working meetings were held in 2017 under the WG, where the results of the group work were discussed and recommendations were developed for the independent operator. The details are available on the website <http://www.echo.kz/108-aktivisty-obsudili-proekt-otcheta-ipdo.html>.

NGO projects to promote the EITI in Kazakhstan

PF «Institute of National and International Development Initiatives» implemented the project «Through accessible information on the EITI to public discussions» in 2018. The following experts participated in the project: Maria Lobacheva («Echo» Public Organization, Almaty, member of the NCIP); Tatyana Sedova (EITI Expert, Almaty); Natalya Yantsen (Center for the Formation of Tax Culture, Almaty); Sergey Gulyaev (PF «Desent», Pavlodar). The project was supported in the regions by followings: Oleg Chernyshov and Nadezhda Safonova (PF «Local Government Development Center», Ust-Kamenogorsk); Zhibek Akhmetova (AYL "GAMO", Aktau, member of the NCIP); Igor Bratsev (International Media Journalism Center, Almaty); Diana Medvednikova (Legal Media Center, Astana). Public discussions were held in three areas within the framework of the project: on February 16, 2018, East Kazakhstan, Ust-Kamenogorsk; on February 22, 2018, Mangistau Oblast, Aktau; on March 1, 2018, Astana. The details are available on the website <http://socialinvestmentskz.tilda.ws>

Maria Lobacheva, NGO «Echo», had a series of meetings with NGOs from various regions of Kazakhstan on EITI issues, including consultations on reading EITI Report data and using data in professional activities in March-May 2018.

A training course «Natural Resource Governance Decision Chain» was held in Baku at the period from March 29 to April 5 in 2018, organized by Eurasia Hub, where a member of the NCIP, Bekturganov Danila, participated. A number of presentations (for 30 listeners from Kyrgyzstan, Azerbaijan, Ukraine, Tajikistan, Mongolia and Kazakhstan) were made on the implementation of the EITI in Kazakhstan, achievements and problems of the EITI implementation. The details are available on the website http://eurasiahub.khazar.org/?option=view_statti&id_statti=54&id_cat=1.

PF «Institute of National and International Development Initiatives» carried out the project «Development of amendments to legislative acts of the Republic of Kazakhstan related to the definition, control and responsibility of beneficiary owners of companies – subsoil users» in 2018 – 2019. The project made an analysis of the existing legal framework for the definition, control and responsibility of the beneficial owners of subsoil user companies, both in the Subsoil Code of the Republic of Kazakhstan and in other regulatory and legal acts; political context analysis and prediction of the consequences of adopting amendments. Based on the analysis of the legal framework and the political context, amendments to the Code of Subsoil of the Republic of Kazakhstan were developed, including the definition, control and responsibility of the beneficial owners of subsoil user companies. Amendments were developed.

The Institute for the Development of Local Government has developed a manual for civil society «Beneficial Law». The brochure contains information about the requirements of the EITI standard for disclosing information about the beneficial owners of mining companies, what is being done in this area in Kazakhstan, and much more. The electronic version can be downloaded here <http://www.echo.kz/useful-materials-ru/other-materials-ru/148-posobie-benefitsiarnoe-pravo.html>

Handouts have been developed for public discussion. Brochure named «Beneficial Owner» was prepared.

Electronic presentations have been developed for public discussion:

- Contribution of extractive industries to the economy of Kazakhstan
- Recommendations on the results of validation
- Beneficial ownership Road Map
- Public discussions on beneficial ownership

The project manager took part in a meeting of the NCIP on October 18, 2018 and presented the ongoing project to promote beneficial ownership in Kazakhstan and a request to assist the NCIP Secretariat in organizing regional discussions in Almaty, Astana, Ust-Kamenogorsk, Aktau and Petropavlovsk by providing a support letter.

Public discussions were held in Petropavlovsk, Almaty, Ust-Kamenogorsk, Astana, Aktau. The final public discussion «Implementation of new EITI requirements in Kazakhstan» was held on February 13, 2019 in Astana.

The discussion was attended by almost all members of the working group on the implementation of new EITI requirements, NCIP members from NGOs, interested government bodies, representatives of companies, civil society and the media. The experts presented materials of political and legal reviews, the results of 5 public discussions in the cities of Astana, Almaty, Ust-Kamenogorsk, Aktau, Petropavlovsk with the participation of more than 150 representatives of stakeholders (executive and representative power, mining companies and the public).

Within the framework of Open budget fellowship, the program director of PO «Echo», M. Lobacheva, conducted a study that demonstrates how money is spent by subsoil users in the regions, how transparent this information is, and how the local community is involved in the distribution of these funds. The study was presented on November 1, 2018 at the Dialogue Platform «Openness and accountability of the state – the basis of modern anti-corruption policy», conducted by the Zertteu Research Institute together with the Agency for Civil Service Affairs and Anti-Corruption in Kazakhstan in partnership with the Soros-Kazakhstan Fund. The study can be found on the website of «Echo» Public Organization.

The Zertteu Research Institute included the EITI topic into the Open Budget Fellowship training course, organized with the support of the Soros-Kazakhstan Found. The second stream of listeners has already received knowledge on the EITI.

Online meeting of the Dialogue Platform (EITI) on April 4, 2019

Representatives of the two parties and an independent observer participated in the meeting: M. Lobacheva, S. Khudyakov, D. Bekturganov, S. Ushakova, D. Okremova, N. Erkayeva and A. Krykbaeva.

The document was available for commenting to any interested person during the month after the meeting.

The following questions were discussed at the meeting:

1. Projects, which were implemented by the participants of the Dialogue Platform. Projects are listed above.

2. Changes in the Coalition «Oil revenues – under the control of society!»:»:

- The name has changed to «Civil control»
- Associate membership is available for individuals
- Coalition structure has simplified
- The procedure of NCIP nominating is available for any representatives of civil society, including non-members of the Coalition

The Regulation on the Civil Control Coalition can be surveyed on the website <http://www.echo.kz/149-koalitsiya-grazhdanskij-kontrol.html>.

Addition The election of a new coalition coordinator ended on April 5 and Svetlana Ushakova became a new coalition coordinator.

3. Membership in the Dialogue Platform.

Nowadays, there are 2 active parties in the Dialogue Platform: the «Civil Control» Coalition and the Civil Alliance of Kazakhstan. The trade-union confederation was liquidated a year ago; the moderator was notified by the party. A communication was lost with two more parties.

Addition The NGO Union of Kazakhstan notified about the membership suspension in the DP for 6 months in May, 2019.

There is no membership termination procedure in the DP, except for withdrawal from membership by own choice.

It is recommended to amend the Regulations that would consider procedures in case the party does not participate in the work of the Dialogue Platform.

It is necessary to determine what non-participation in the DP work means and what to do in case of non-participation.

Addition A suggestion of Sergei Khudyakov:

« If a Party does not respond to requests of the moderator within a year or refuses to participate in discussions (face-to-face or correspondence) on the implementation of the EITI, the moderator puts to the vote the question of excluding this Party from the DP. The expulsion from the DP is valid from the date of the decision. The excluded Party may re-apply to the DP moderator on the renewal of membership on a general basis with an explanation signed by the first head about the reasons for the lack of answers (participation) in the DP. »

The current regulations on the Dialogue Platform can be found on the website <http://www.echo.kz/about-us-ru/documents-ru/150-polozhenie-o-dialogovoj-ploshchadke-ipdo.html>.

4. Validation corrective actions.

EITI Requirement 1.4 – CO invitation to participate in the NCIP.

- i. Provide an open and transparent invitation to participate in the group.
- ii. Provide an adequate representation of stakeholders. The NCIP should include relevant stakeholders (not necessarily limited to them), representatives of the private sector, civil society (including independent civil society groups and other representatives of civil society, such as the media and parliamentary organizations) and relevant government bodies. Each stakeholder group should have the right to nominate their representatives, taking into account the desirability of pluralistic representation. The process of candidate nomination should be independent and should not be mandatory. Civil society groups, which are involved in the EITI, should be operational and their decisions should not depend on the government and/or companies.

Moreover, in accordance with the annex to the Memorandum of Understanding, NGO representatives in the NCIP should make sure that their funding sources and affiliations are transparent.

A) Financing

Civil organization representatives in the past composition of the NCIP provided the secretariat with information on the funding of the EITI activities. All of them were employees of NGOs, their participation in EITI activities was financed by NGOs, they also participated in trainings at the expense of the European Bank for Reconstruction and Development (hereinafter referred to as EBRD). Work in the NCIP and working groups is not paid.

Current members of the NCIP should be provided with information on funding activities: Sholpan Aytenova, Danil Bekturganov, Nadezhda Safonova, Zhibek Akhmetova, Nina Erkaeva and Diana Okremova.

Addition The following persons provided information

Bekturganov D.B., President of the PF «Civil Expertise»

At the period from May, 2018 to April, 2019

- Work under the EITI (participation in the reconciliation working group, participation in the preparation of the EITI annual report) was volunteer and was not paid.
- Trips to meetings of the NCIP on 11/18/2018 and 02/14/2019 were paid by the INIDI PF out of the funds of FSK grant as a part of a joint project.
- The expert work in the framework of the INIDI PF project was paid from the FSK grant.
- Participation in the World Bank seminar-training in Kiev on 03-05.07.2018 was paid from FSK funds.

- Participation as an observer at the 42nd meeting of the International EITI Board (Kiev, February 26-28, 2019) was paid from FSK funds.
- There is no affiliation with government agencies and mining companies.

Erkayeva N.F.

At the period from May, 2018 to April, 2019

- Business trips to the NCIP meeting and other EITI events – project financing of the DP participants.
- 13/02/2019 – Participation in the activities of the project «Promotion of beneficiary ownership through the justification of the ownership threshold and public discussions», Soros Foundation – Kazakhstan.
- 14/02/2019 – Participation in the meeting of the NCIP, the city of Astana, Soros Foundation – Kazakhstan.
- Participating at their own expense:
- 06/11/2018 – Participation in the work of the expert meeting «Development of amendments to the Code of Subsoil of the Republic of Kazakhstan related to the definition, control and responsibility of the beneficiary owners of campaigns – subsoil users», Astana
- There is no affiliation with government agencies and mining companies.

Akhmetova Zhibek

At the period from May, 2018 to April, 2019

- Salary and NGO fees;
- Business trips to the NCIP meetings – fund was not spent;
- Participation in other EITI events – at the expense of the foundation «Institute for the Development of Local Self-Government»;
- There is no affiliation with government agencies and mining companies.

In addition, sources of funding were reported during the nomination period for the NCIP from the CO.

Safonova Nadezhda: state social procurement, grants of international organizations.

Diana Medvednikova (Okremova): There is no affiliation with government agencies and mining companies.

B) Invitation to participate in the NCIP work.

The DP, as a party of the NCIP, independently selects the representatives of the CO to participate in the NCIP. Any citizen of Kazakhstan, who does not occupy a position in the civil service or mining companies, can be a candidate. Candidates are nominated by the DP. Up to the present day, there are no cases when the parties would refuse to nominate any of those who wish. At the same time, experts, who did not work in NGOs, were also elected to the NCIP.

The «Civic Control» Coalition secured the nomination procedure for any representatives of civil society, including non-members of the Coalition.

Addition Extract from the provision «On the choice of representatives of the Civil Alliance of Kazakhstan to participate in the implementation of the Extractive Industries Transparency Initiative»:

6. Members of the SAC may nominate any citizen of Kazakhstan to participate in the DP, with the exception of a civil servant and a business representative.

7. The nomination should take into account (but not be limited to) such criterias: professional experience, gender balance, membership in the mining region.

8. Discriminations based on sex, social, ethnic, age and other principles must be prohibited.

9. When submitting a proposal for the nomination of a candidate, the applicant is also recommended to send a brief description of the candidate with a description of the reasons for which he was nominated.

10. The representatives are elected by the leaders of the regional Civil Alliances.

There were no cases of refusal.

C) Informing. The public is informed about the election procedure in three ways:

- Electronic mailing of the DP;
- The DP Group in Facebook (with forwardings on personal pages and other groups);
- Publications on the website of the EITI in Kazakhstan.

The group and the mailing are used to inform about DP activities and discuss EITI issues. There are representatives of all the associations (in the group and mailing list) interested in the EITI, including non-members of the DP. The skype meeting was attended by an observer, Assel Krykbayeva, who confirmed that there were enough data channels. Diana Okremova offered to informate (extensively and continuously) on the activities of the PD in order to interest journalists. It was decided that (together with Svetlana Ushakova) they will develop a communication strategy for the DP. A communication group was also proposed to create. In addition, documents, which are related to the EITI, are now posted on the website <http://www.echo.kz/>.

5. Planning

It is suggested to develop the DP strategy for the following years. The strategy should take into account possible changes to the EITI Standard: disclosure of contracts, disclosure of information at the project level, state revenues from commodity trading, environmental aspect, gender aspect; as well as regional

development, state revenues outside of Kazakhstan, EITI mainstreaming. Draft strategies are prepared by Svetlana Ushakova and Maria Lobacheva.

6. **Preparation for the election.** In May, regular elections will be held for members of the NCIP from the PD moderator and the CO. The announcement of the election will be given separately.

Results of the election-2019 to the NCIP from civil society

The Dialogue Platform held an election of representatives to the National Council of Interested Parties on the EITI in April-May.

The Dialogue Platform held regular elections of civil society representatives to the National Council of stakeholders on the implementation and development of the EITI in Kazakhstan. According to the Memorandum of Understanding with the regards to the implementation of the Extractive Industries Transparency Initiative in the Republic of Kazakhstan, the party representing NGOs is the unification of NGO coalitions in the form of the EITI Implementation Dialogue Platform. Information on the nomination and the possibility of participation of any representative of civil society in the elections was widely distributed among the NGOs of Kazakhstan. The parties of the Dialogue Platform have nominated 12 candidates who are representatives of member-organizations of the parties to the PD and independent organizations.

According to the results of the voting, there are following representatives of civil society in the National Council of stakeholders on the implementation of the EITI in Kazakhstan:

Main staff: Akhmentova Zhibek, Sedova Tatyana, Yantsen Natalya.

Additional staff: Medvednikova Diana, Mogilyuk Svetlana, Nurgaliyev Zhanat.

Two elected representatives work in member-organizations of the «Civil Control» Coalition, two representatives work in member-organizations of the «Civil Alliance of Kazakhstan». There are also two independent representatives.

More information about the election can be found by the link: <http://www.echo.kz/180-itogi-vyborov-2019-v-chleny-nszs-ot-grazhdanskogo-obshchestva.html>. Bulletins are posted on the website <http://www.echo.kz/about-us-ru/documents-ru/181-byulleteni-vybory-v-nszs-2019.html>.

3. Assessment of the work versus EITI requirements

Recommendations were made during validation by the International EITI Board to improve the quality of reports and data coverage.

It should be noted that this Report on the progress of the EITI implementation in Kazakhstan is much better than the Reports of previous years, since it was prepared in accordance with Guidance document 5: Requirements 7.4 and 8.4 on the

preparation of the Annual Progress Reports. Prior to publication, EITI reports are discussed by the NCIP of the RK and approved by the NCIP members of the RK, the NCIP working groups of the RK and other interested parties.

Requirements:	Progress:
Requirement 1: Control by a multi-stakeholder group (hereinafter referred to as NCIP RK)	<p>The work of the NCIP RK is highlighted on the National EITI website http://eiti.geology.gov.kz/ru/the-national-council.</p> <p>For the period 2018–2019 (until July), 6 meetings of the NCIP of RK were held. The regulations of the NCIP RK are set forth in Annex 1 dated October 9, 2013, which has been amended in terms of the work schedule of the NCIP RK, its composition, responsibilities, powers, meetings and decision procedures (approved by the NCIP RK Protocol No. 67 dated June 15, 2017).</p>
Requirement 2: Legal and regulatory frameworks, including the allocation of contracts and licenses	<p>Legislative regulation of subsoil use issues for all types of minerals is carried out in accordance with the «Code on Subsoil and Subsoil Use» and other regulatory and legal acts http://egsu.energo.gov.kz/webapp/pages/administration/regulatory_docs.jsf The list of the objects for obtaining subsoil use rights on auction is published on the website of the MID of the RK http://dep-nedra.mid.gov.kz/ru/pages/izveshchenie-ministerstvo-po-investiciyam-i-razvitiyu-respubliki-kazahstan-kak-kompetentnyy-1, where the time, place, application deadline, the conditions of the auction and the object are indicated.</p> <p>The list of objects for obtaining subsoil use rights in a simplified manner are published on the website of the MID of the RK http://dep-nedra.mid.gov.kz/ru/kategorii/perechen-slaboizuchennyh-uchastkov-nedr-po-kotorym-pravo-nedropolzovaniya</p> <p>Competition results for the Ministry of Investment and Development are given on the website http://dep-nedra.mid.gov.kz/ru/pages/itogi-konkursa-v-vide-aukciona-napoluchenie-prava-nedropolzovaniya</p> <p>Announcement of the competition and results for the Ministry of Energy of Kazakhstan are given on the website of the Ministry of Energy of Kazakhstan http://energo.gov.kz/index.php?id=2952</p>
Requirement 3: Exploration and Production	<p>This information is published in the 13th National EITI Report for 2017 (p.93-111) http://eiti.geology.gov.kz/ru/national-reports</p> <p>Distribution of recoverable oil reserves in the regions of Kazakhstan (Fig. 8), exploration projects of KMG EP (Fig. 9),</p>

	<p>gross inflow of FDI into geological exploration and survey (Fig. 10), coal mining by region in 2010-2017 (Fig. 11), the dynamics of oil and gas condensate production in 2007–2017 (Fig. 12), companies that provided the bulk of oil and gas condensate production (data for December, 2017 (Fig. 13)), production and growth rates of oil and gas condensate in the regions in 2017 (Fig. 14). gold production by region in 2016-2017 (p Is.25), the production of gold and silver in 2010-2017 (Figure 26) and others.</p>
<p>Requirement 4: Revenue Collection</p>	<p>Infrastructure and barter (requirement 4.3). The EITI National Secretariat sent requests to the Ministry of Energy and the Ministry of Development of the RK to provide this information. According to the Ministry of Energy, such transactions were not carried out in 2017. In addition, data on oil supplies to Russia in exchange for gasoline supplies were not mentioned in the annual report of KMG. Barter agreements. Section 3.2.1. Oil and gas sector: reserves, geological exploration, mining and export issues related to gas swap: an agreement was signed on gas deliveries between Gazprom, NHC Uzbekneftegaz and JSC NC KazMunayGas on December 27, 2006, to provide the domestic market with gas. In accordance with the Agreement, all gas imports are «swapped» with Karachaganak exports at equal prices and in equal volumes. Under the Agreement, contracts are annually concluded for the gas supply from the Karachaganak field to the south of the Republic of Kazakhstan and the Kostanay region. The annual report of KMG EP notes that in 2017 28% of the total consumption of AI-92 gasoline in the domestic market was imported from Russia, it is planned to fully meet domestic demand through its own production due to the modernization of three refineries in 2019. There is nothing said about the counter-delivery of oil to Russia in 2017 in exchange for the supply of gasoline in the Annual Report of KMG EP (https://www.kmgep.kz/rus/). The data of the Ministry of Investment and Development of the Republic of Kazakhstan are included in the 13th National Report for 2017 (pp. 146-148). The work continues in terms of a more complete disclosure of the required information.</p>
<p>Requirement 5:</p>	<p>This information is published in the 13th National EITI Report for</p>

<p>Income Distribution</p>	<p>2017 (pp. 133-136). Expenditures of the republican budget are intended for the implementation of nationwide programs of state policy, as well as financial support for the tasks and functions of central state bodies, subordinate state institutions (for example, the Government of the Republic of Kazakhstan and the Ministries, Parliament, Supreme Court, agencies directly subordinate to the President of the Republic of Kazakhstan, etc.). The adoption of the republican budget is accompanied by the approval of the law. The budget process can be found on the website of the Ministry of Finance of the Republic of Kazakhstan – by the following reference http://www.minfin.gov.kz/irj/portal/anonymous?NavigationTarget=ROLES://portal_content/mf/kz.ecc.roles/kz.ecc.anonymous/kz.ecc.anonymous/kz.ecc.anonym_budgeting/budgeting/process_fldr</p>
<p>Requirement 6: Social and Economic Costs</p>	<p><u>Социальные investments</u> (requirement 6.1). In 2017, according to the reports of the LKU, expenditures on the social sphere and local infrastructure amounted to 47.9 billion tenge, of which oil and gas companies – 39.9 billion tenge (83% of the total), mining companies – 8.0 billion tenge. Payments for the development of the social sphere of the regions is transferred to the budget classification code (KBK) 206114 «Deductions of subsoil users for the socio-economic development of the region and the development of its infrastructure». In addition, open meetings are held in akimats of administrative regions every year with the involvement of companies, public and the media, where local administrative agencies report on the use of funds allocated by companies for the development of the social sphere of regions. At the same time, in addition to funds allocated to KBK 206114, expenses are incurred in the framework of memorandums and social partnership agreements. Materials for 2017 are available on the EITI National website. http://eiti.geology.gov.kz/ru/aboutus/meetings-in-akimats. In March 2017, a Memorandum of Cooperation was signed between «Kazatomprom» JSC, «UMZ» JSC and East Kazakhstan Region Akimat, within which it is planned to transfer 3 billion tenge to the budget of the East Kazakhstan region for the socio-economic development of the region at the period from 2017 to 2019. <u>About a contribution of the mining sector</u> (requirement 6.3). The 13th National EITI Report for 2017 (pp. 19-22) contains information</p>

	<p>from the Committee on Statistics. According to their data, the volume of mining and quarrying in 2016 amounted to 49.4% of the total industrial output (of which 77.6% is crude oil production and 10.5% is metal ore mining). For comparison, the volume was 50.4% in 2015, 59.7% in 2014, and 59.9% in 2013. (The details can be found on the website www.stat.gov.kz, the dynamics of socio-economic indicators are shown)</p> <p><u>About quasi-fiscal expenditures</u> (requirement 6.2) – pp. 154-156. Information on quasi-fiscal expenditures is described in the 13th National EITI Report for 2017.</p>
<p>Requirement 7: Results and Consequences</p>	<p>A new popular version of the EITI report (graphical, analytical) was made, which reflects the history of EITI implementation in the country, the dynamics of payments over the past 5 years, the share of the mining, oil and gas sectors, income distribution by region, social investments, basic macroeconomic indicators http://eiti.geology.gov.kz/ru/national-reports.</p> <p>The Administration of the President of the Republic of Kazakhstan instructed Akimats to conduct annual meetings on the expenditure of funds for social projects with the involvement of government agencies, non-governmental organizations, mining companies, interested parties and the media. The result of these activities was reports of regional akimats on the expenditure of funds for social programs from all sources of funding, including funds of the local budget, where companies transfer their monetary assets as part of contractual obligations. This information is published on the National EITI website in the «Press-Center» section http://eiti.geology.gov.kz/ru/about-us/meetings-in-akimats.</p>

4. Brief description of the multi-stakeholder response to the recommendations of the validation process (if applicable):

<p>Recommendations of the EITI International Board on the results of validation 2017</p>	<p>Responsiveness</p>
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<p>In accordance with requirement 1.4 for the management of the NCIP, civil society must coordinate the process for ensuring the diverse and representative participation of civil society in the National Council of Interested Parties. The invitation to participate in the work of the NCIP should be open, transparent and independent. NCIP members from civil society must also ensure that their sources of funding and affiliation are transparent.</p>	<p>Representatives of the coalitions from NGOs worked out this issue on the Dialogue Platform and sent an «Extract from the Regulations on the Dialogue Platform for EITI Implementation» to the National EITI Secretariat. It is posted now on the national website of the EITI http://eiti.geology.gov.kz/ru/homepage/normative-base. This document presents the procedure for nominating and electing representatives to the NCIP, work regulations, voting procedures, etc.</p>
<p>In accordance with requirement 2.3 with the regards to license registers, the government should publish the filing date of applications for licenses and contracts, as well as the date of award and the duration of licenses and contracts (online license register is preferred).</p>	<p>The register of licenses for solid minerals is posted on the official internet-resource of the Ministry of Industry and Infrastructure Development http://dep-nedra.miid.gov.kz/ru/kategorii/reestr-vydannyh-licenzii The following items are included: the type of mineral, the period of validity, the date of issue, the list of persons controlling the subsoil user, etc. A list of submitted applicants is also published with an indication of the submission date http://dep-nedra.miid.gov.kz/ru/pages/perechen-podannyh-zayavleniy-na-licenziyu-0</p>
<p>In accordance with requirement 2.6 on state participation, the government should involve the SE in the EITI process and ensure that future EITI reports take into account following recommendations: Contained lists of all SEs and all subsidiaries involved in the exploration, mining or transportation of oil, gas and mineral resources. For each of these SOEs</p>	<p>The recommendations specified in the 12th National Report for 2016 were used in the production of the 13th National Report for 2017. The relevant requests were made to the national companies. Their information will be included in the 14th National Report for 2018, as well as in the Supplementary Report to the 13th National Report for 2017.</p>

<p>and subsidiaries, all property rights in mining, oil and gas assets, and any changes in property rights held during the fiscal year, as well as the conditions and estimates regarding such changes in property rights, should be disclosed. The terms of the shareholding of the respective SE and/or subsidiary in each of their projects should also be transparent.</p> <p>The rules and practices regarding the financial relationship between each SE and/or subsidiary company and the government were described. For example, the rules and practice of fund transfers, retention of earnings, reinvestment and financing by third parties. This description may also include other benefits, such as, preferential rights to licenses and contracts, etc.</p> <p>Reports should contain the information on all loans and loan guarantees provided by the government and the SEs to any private companies or subsidiaries or affiliates, which are engaged in the sectors of mining, oil and gas.</p>	
<p>In accordance with requirement 3.2 for data on mining volumes, the government should disclose the value of the extracted mineral resources and metals.</p>	<p>It is necessary to use the reporting information on the extraction of mineral resources and their value (according to open sources).</p>
<p>In accordance with requirement 4.3 for barter deals, the government and the NCIP should establish the significance and applicability of barter transactions, i.e. determine whether there is a full or partial exchange of oil, gas and mineral resources for any goods or services. This should include an assessment of whether any bilateral swap agreements with Russia can be regarded as a barter deal.</p>	<p>The EITI National Secretariat made requests to the Ministry of Energy and the Ministry of Investment and Development of the Republic of Kazakhstan to provide this information for 2017 and 2018. Open sources of information will be also used.</p>

<p>In accordance with requirement 4.4 for transportation, the government and the NCIP should strengthen their plans to overcome obstacles to full transparency of revenues from the transportation of oil, gas and mineral resources in the country. Direct interactions with transport companies should be studied.</p>	<p>Relevant national companies (KazTransOil, KazTransgaz and KTZh) have already provided the required information, which was included in the 13th National Report for 2017.</p>
<p>In accordance with requirement 4.9 and the standard Terms of Reference for Independent Administrators, the NCIP must ensure that the preparation of future EITI Reports includes the development of an initial report. The NCIP should also ensure that the Independent Administrator analyzes the prevailing practice of auditing and accounting in government agencies. The approach of data validation for government agencies should be reflected in the primary report. Alternatively, the NCIP is encouraged to study the opportunities for a full transition to an integrated implementation.</p>	<p>Preliminary analysis and approach to data validating, as well as the plan of the Report preparing will be considered after the selection of Independent Administrator to produce the Report. The guide for the primary report of the EITI International Secretariat is posted on the official international website of the EITI https://eiti.org/ru/guidance-notes-standard-terms-of-reference. Regarding the EITI integration, it is approved by the NCIP and documents are sent to the International EITI Board.</p>
<p>In accordance with requirement 6.1, the NCIP should find out the different types of the present mandatory social expenditures and ensure that all significant social expenditures are considered in the next EITI Report.</p>	<p>The 14th National Report will include information on all types of the present social expenditures, as well as significant expenses of the «Samruk-Kazyna-Trust» Social Projects Development Fund. It should be noted that national companies do not make social investments; all projects are carried out through the above-mentioned Fund.</p>
<p>In accordance with requirement 6.2, the government and the NCIP must ensure that SEs disclose all significant quasi-fiscal expenditures. Quasi-fiscal expenditures include agreements. Within</p>	<p>The reconciliation working group, together with the EITI National Secretariat, developed a reporting form on quasi-fiscal expenditures for national companies, including subsidiaries with a 100%</p>

<p>these agreements the SEs undertakes to carry out government social expenditures, such as payments for social services, public infrastructure, fuel subsidies, etc. The multi-stakeholder group should develop a reporting process in order to achieve a transparency level, which is commensurate with the transparency of other payments and revenue streams. It also should include subsidiaries and joint ventures of SEs in the reporting.</p>	<p>state share and having a government share in the property, and was implemented into the USMS system.</p>
<p>In accordance with requirement 7.4, the NCIP should ensure that the next annual progress report includes an assessment of the implementation of the work plan and other EITI activities. In addition, the NCIP should ensure that the preparation of the annual progress report provides an opportunity for wider range of stakeholders to provide feedback and background information for the EITI process in Kazakhstan.</p>	<p>The Work Plan (hereinafter referred to as the WP) includes a webinar (seminar) for the Civil Society (hereinafter referred to as CS) in terms of legislation changes in the sphere of subsoil use, taking into account the conceptual norms of the Code on Subsoil and Subsoil Use, including the transition period – fiscal regime and EITI standards.</p> <p>2) It is necessary to initiate public discussions of national reports and the EITI implementation in Kazakhstan – the current conditions, prospects and obstacles.</p>
<p>The main recommendations of the Independent Administrator and the NCIP WG on the reconciliation of the 13th National EITI Report for 2017.</p>	
<p>Reports from previous years were used (if the situation has not changed, it is enough to give a link to the report of the previous year. There is no need to duplicate the previous analytics, charts in the new report).</p>	<p>This recommendation will be taken into account during the preparation of the 14th National Report for 2018.</p>
<p>It is necessary to determine from 1 to 3 key topics in the contextual part in order to initiate public debates.</p>	<p>When preparing the contextual part of the 14th National EITI Report for 2018, the information will be analyzed with regards to the new form of quasi-fiscal</p>

	expenditures, which will be one of the key topics. In addition, attention will be focused on the synchronization of open data with the required data in the EITI Report in accordance with the international requirements of the EITI Standard.
It is necessary to include a separate appendix on the data reconciliation of quasi-state sector enterprises in the TA for the Report preparation.	A new form has been developed, which is an appendix to the EITI Report on quasi-fiscal expenditures for national companies with 100% state share, as well as subsidiaries with a state share.
It is necessary to include in the TA and instructions for filling in the reports that Payers with trust management of the subsoil use should include tax payments in the EITI report, within the framework of trust management activities.	A Methodological Guide for the EITI Report is posted on the portal of USMS system http://egsu.energo.gov.kz/webapp/pages/home.jsf . It is submitted online by companies for the Independent Administrator to verify the data on revenues (according to the Ministry of Finance of the Republic of Kazakhstan). It is specified in paragraph 8, section 1 of the General Provisions. Payers with trust management of subsoil use should include in the Report 1 their tax payments in the framework of the trust management activities.
Change of legal status should be taken into account when transferring subsoil use rights to another legal entity, in cases of reorganization, liquidation, terminated contracts, etc. at the moment of the list compilation with its subsequent adjustment during the year.	The database of the Committee of Geology and Subsoil Use of the MID of the RK and the State Revenue Committee of the Ministry of Finance of the RK was synchronized on the BIN of active companies as of 01/01/2019.
Competent and authorized state bodies should take measures to improve the quality of reporting in terms of reflecting indicators on social expenditures,	This recommendation will be taken into account during the preparation of the 14th National Report for 2018. Explanations were given to Akimats that

<p>taking into account data synchronization in the annual reports, both in terms of total expenditures and those listed on KBK 206114. In order to reduce the difference in Annex 3-2 «Summary Report on Social Development and Local Infrastructure Expenditures, with the exception of funds transferred to KBK 206114», it is necessary to clarify the form 3-1 for akimats that the form does not include data on the KBK 206114.</p>	<p>the requested form for expenditures on social events does not include the data on KBK 206114.</p>
<p>When preparing the TA for the next EITI Report for 2018, it is necessary to determine the list of information data that will maximally disclose contractual (including PSA and barter transactions) conditions and their implementation in accordance with the current legislation.</p>	<p>This recommendation will be taken into account during the preparation of the 14th National Report for 2018, taking into account the norms of the Subsoil and Subsoil Use Code.</p>

The government and the National Council of Interested Parties are encouraged to consider other recommendations contained in the Validator’s Report and the initial assessment of the International Secretariat, and to document the NCIP’s response to these recommendations in the next annual progress report. For example, when considering additional changes to laws affecting civil society, and in their practice of implementing these laws, the government should take care to ensure that such measures do not affect the ability of civilians to effectively participate in the EITI. The NCIP is also encouraged to continue its work on management issues related to environmental payments. In particular, there is a concern that payments for environmental restoration and environmental fines are not spent on improving the quality of the environment, as it is supposed to, but on other budgetary needs. A higher level of transparency in these transactions is desirable, especially in terms of tracking payment and receiving environmental fees and fines, as well as transparency in the expenditure of funds intended to restore the environment through the EITI.

5. Strengths and weaknesses identified during the EITI implementation process

A description of the weaknesses identified in the EITI process and actions to eliminate them.

Strengths.

- The requirements of the EITI Standard are taken into account by the norms of the Code on Subsoil and Subsoil Use in terms of reporting on EITI and beneficiary ownership, as well as the disclosure of licenses / contracts.
- Development and introduction of a reporting form on the group of persons directly or indirectly controlling the subsoil user. Strengthening it with a regulatory legal act in order to implement the norms of the Code of Subsoil and Subsoil Use of the Republic of Kazakhstan.
- The EITI report is available to all interested parties <http://egsu.energo.gov.kz/webapp/pages/home.jsf>. The final reports on taxes and other obligatory payments are being disclosed (for any payer with the distribution of revenues to the National Fund, the republican and local budgets); as well as the dividends from the state share in the ownership of companies; social expenditures with indication of specific projects, programs (except for funds transferred to KBK 206114), quasi-fiscal expenditures of national companies and 100% subsidiaries of companies (new form).
- Timeliness of issuing annual national EITI reports, including links to official websites of open data of companies and government agencies, where you can get acquainted with the necessary information in real time.
- A new, popular version of the EITI Report was produced for 2017.
- The implementation of the EITI state functions in the structure of the CGSU MIID.
- Conducting National EITI Conferences within Kazenergy Association forums.
- The presence of the official National EITI website and its maintenance (all activities carried out within the framework of the EITI implementation are placed there), the feedback.

Weaknesses.

- Insufficient funding for the participation of NGOs in the work of the NCIP and WG, as well as in projects aimed to support the implementation of the EITI in the country.
- It is necessary to conduct trainings to increase the knowledge on the financial interactions of national companies and the state. The quasi-fiscal sector and the experience of other countries on the integration of monitoring data are also needed.
- Communication component in the payment of publications in the media, the

circulation of popular versions.

6. Total implementation costs

Funding for the production of national reports is carried out from the Republican budget for sub-program 100 in the amount of 11,760 thousand tenge annually (budget request until 2020 incl.). On a competitive basis, in accordance with public procurement legislation, an Independent Administrator is engaged to provide services for the preparation of national EITI reports.

Information on donors is posted on the National website of the EITI in RK <http://eiti.geology.gov.kz/ru/homepage/donor-support>.

7. Other additional comments

Additional actions, which were not foreseen in the work plan but contributed to the achievement of broader goals.

The National Council <http://eiti.geology.gov.kz/ru/the-national-council> (Protocol of the NCIP of the Republic of Kazakhstan No. 75 dated February 18, 2019), as well as preliminary meetings of the WG, discussed the issues of transition to EITI integration. Documents were prepared (an official letter from the Government of the Republic of Kazakhstan, a rationale for the transition and a Work Plan) and sent to the International EITI Board for a decision.

Analysis for disclosure of information on contracts/licenses is carried out under the current legislation.

8. Has this report been discussed outside the NCIP RK?

The 13th National Report for 2017 with the regards to the expanded Comment of the NCIP was approved by the NCIP RK (Protocol No. 74 dated October 18, 2018) and published on the National website of the EITI in Kazakshatn <http://eiti.geology.gov.kz/ru/> for discussions outside the NCIP RK (in Russian, Kazakh and English).

There is a feedback form on the National website of the EITI in its «Contacts» section. Anyone can write comments about the information content, including the Progress Report, and ask questions <http://eiti.geology.gov.kz/ru/contact>. After the publication of the Progress Report on the implementation of the EITI (before July 1 of the current year), an announcement will be made on the website and by electronic mailing to the NCIP members in Kazakstan, observers and interested parties with a proposal for comments and suggestions.

9. **Data on the membership of the NCIP RK during the period:** (including data on the number of meetings and attendance records).

The NCIP of the Republic of Kazakhstan is headed by Toktabayev T.S., the Vice-Minister of Industry and Infrastructure Development. It consists of deputies of the Mazhilis, representatives of the Ministry of Infrastructure Development, the Ministry of Economy and the Ministry of Finance, companies of the mining, oil and gas sectors, as well as civil society (three main members and three substitutes). The working agency is the Secretariat in the LLP «RCGI «Kazgeoinform» (100% founder – CGSU MIID RK).

The updated composition of the NCIP RK is available on the National website of the EITI, in the «NCIP» section <http://eiti.geology.gov.kz/ru/the-national-council>, where you can also get acquainted with the NCIP RK activities, its results, lists of participants and bulletins of voted members of the NCIP RK in cases of absentee meetings by electronic voting.

Six meetings of the NCIP of the RK were held at the period from 2018 to 2019 (until July). The regulations of the NCIP of the RK are set forth in Annex 1 to the updated MoU dated October 9, 2013, which includes changes in the part of the work review of the NCIP RK, its composition, responsibilities, powers, meetings, review and decision-making procedures (approved by the NCIP RK Protocol No. 67 dated June 15, 2017).

The progress report on the EITI implementation in Kazakhstan for 2017 (hereinafter referred to as the Report) was prepared by the EITI National Secretariat in accordance with the International EITI Requirements and information provided by the NCIP RK parties on the work done by them in the framework of the EITI implementation in the country, taking into account the comments of the International Secretariat, NCIP members and Working Groups of the NCIP RK.

The report is available on the National website of the EITI for comments and questions, which can be produced in the form of feedback <http://eiti.geology.gov.kz/ru/contact> or by sending an e-mail to: eiti_secretariat@geology.kz.

Approved by NCIP RK
dated June 17, 2019

LIST OF ABBREVIATIONS

AMME – Association of Mining and Metallurgical Enterprises
DP – Dialogue Platform
IIS USMS SU RK – Integrated Information System «Unified State Management System for Subsoil Use of the Republic of Kazakhstan»
ICT – information and communication technologies
EITI – Extractive Industry Transparency Initiative
CGSU – Committee of Geology and Subsoil Use
SGSS – State geological study of the subsoil
MID – Ministry of Investment and Development
MF – Ministry of Finance
ME – Ministry of Energy
MoU – Memorandum of Understanding
NGO – Non-Governmental Organization
NCIP – National Council of Interested Parties
CSO – Civil Society Organizations
JERP – Joint Economic Research Program
WG – Working Group
RK – Republic of Kazakhstan
Secretariat – National EITI Secretariat in Kazakhstan
SIP – Social Investment Programs
CIS – Commonwealth of Independent States
TR – Terms of reference
MM – Mass media

The list of the EITI publications in the media is published on the National website of the EITI <http://eiti.geology.gov.kz/ru/about-us/publikatsii-v-smi>.